

MSPO CERTIFICATION SUMMARY REPORT

SPOC Q23 BELURU 1

SURVEILLANCE 03

Date: 03-05/02/2020

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MSPO Certification Summary Report

Company Name: Malaysia Palm Oil Board
Certifying Unit: SPOC Q23 Beluru 1
Client Number: 92-007
Audit Type: ASA 03



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ABBREVIATIONS

| | |
|----------------|-------------------------------------|
| CHRA | Chemical Health Risk Assessment |
| CPO | Crude Palm Oil |
| CSR | Corporate Social Responsibility |
| DOE | Department of Environment |
| EFB | Empty Fruit Bunch |
| EIA | Environment Impact Assessment |
| FFB | Fresh Fruit Bunch |
| GAP | Good Agriculture Practices |
| GPS | Global Positioning System |
| HBV | High Biodiversity Value |
| IPM | Integrated Pest Management |
| ISO | International Standard Organisation |
| LKN | Latihan Khidmat Nasihat |
| MPOB | Malaysian Palm Oil Board |
| NC | Non Conformity |
| OSH | Occupational Safety and Health |
| P&C | Principle and Criteria |
| PPE | Personal Protective Equipment |
| RTE | Rate, Threatened and Endangered |
| SA8000 | Social Accountability 8000 |
| SIA | Social Impact Assessment |
| SOP | Standard Operating Procedure |
| SPOC | Sustainable Palm Oil Cluster |
| WHO | World Health Organization |

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1. INTRODUCTION

MPOB has commissioned TÜV NORD (Malaysia) Sdn Bhd to conduct surveillance audit for SPOC Q23 Beluru 1 according to MS 2530-2:2013 Part 2, General Principles for Independent Smallholders.

1.1. Objective

The objective of this audit is to assess the MPOB Cawangan SPOC Q23 Beluru 1 as group manager managing the independent smallholders by an independent certification body for compliance of the applied standard.

1.2. Scope

The assessment is based on the documentation established by MPOB Cawangan SPOC SPOC Q23 Beluru 1 in managing the independent smallholders' scheme.

The supporting documents are provided to the audit team as well as information received by means of interviews and background investigation.

The documents and information are reviewed against the requirements and criteria mentioned below. TÜV NORD has employed a risk-based approach in the verification, focusing on the identification of significant risks and reliability of the monitoring and reporting.

The assessment is carried out on the basis of the MS 2530-2:2013: Part 2: General principles for independent smallholders.

The following references are used as part of the assessment; the compliance of the requirements out of the guidelines applied was checked.

1. Kod Amalan Baik (GAP) Perkebun Kecil, Malaysia Palm Oil Board
2. Guidelines for Development of a Standard Operating Procedure for Oil Palm Cultivation on Peat.
3. Malaysian Sustainable Palm Oil Part 2: General Principles for Independent Smallholders Audit Guidance.

1.3. Appointment & Qualification of Audit Team Members

The audit team appointed consists of the team leader and two team members. The team contribute to the review of documents, assessment of the project activity and preparation of this report.

Qualification of the Lead Auditor: Mohamad Norhisham Bin Mohd Salleh

| Requirement | Qualifications |
|--|---|
| Post-secondary education, college or university diploma / degree in one of the following i) Agriculture; ii) Science & Technology (e.g. Environmental Sciences, Life Sciences, Geological Sciences, Natural Sciences,); iii) Engineering, Process Technology; | Graduate in Applied Science (Major in Agrobiology). |

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| Requirement | Qualifications |
|--|--|
| iv) Energy Management, Quality Management; v) Social Sciences and/or Anthropology; vi) Business Management; or vii) Other relevant related fields | |
| At least five (5) years of work experience in the oil palm sector or related field in consultancy / auditing of similar industry or equivalent related to and as necessary for the certification process. (e.g., sustainability, palm oil management; agriculture, ecology; social science) | 5 years working experience in palm oil estates. |
| Successfully completed MS 2530 series of standards training | Successfully completed MS2530 series of standards training. |
| Conducted at least three (3) MSPO or equivalent sustainability certification audits as Lead Auditor-in-training with a minimum of fifteen (15) man-days under the supervision of a qualified Lead Auditor for MSPO or equivalent sustainability certification schemes within the last two (2) years. | Qualified as lead auditor for MSPO scheme. |
| A good knowledge in handling and evaluating sources of information and data. Able to communicate in Bahasa Malaysia, English and/ or any other local language. | Able to communicate in Bahasa Malaysia and English. |
| Field working experience in the palm oil sector, or demonstrable equivalent | 5 years working experience in palm oil estates. |
| Good Agricultural Practices (GAP), and Integrated Pest Management (IPM), pesticide and fertilizer use | 5 years working experience in palm oil estates. |
| Health and safety auditing on the farm and in processing facilities, for example ISO 45001 or Occupational, Health & Safety Assurance System | Auditor for RSPO and MSPO schemes. Completed successfully ISO 45001 LA course. |
| Worker welfare issues and social auditing experience, for example with SA8000 or related social or ethical accountability codes | Successfully completed SA 8000 Basic training and auditor for RSPO and MSPO schemes. |
| Environmental and ecological auditing, for example experience with organic agriculture, ISO 14001 or Environmental Management Systems (EMS) or High Conservation Value (HCV) | Successfully completed ISO 14001 LA course and auditor for RSPO and MSPO schemes. |

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Qualification of Team Members

| Requirement | Assessor | Qualification | Compliance |
|--|--------------------------|---|------------|
| Post-secondary education, college or university diploma / degree in one of the following i) Agriculture; ii) Science & Technology (e.g. Environmental Sciences, Life Sciences, Geological Sciences, Natural Sciences,); iii) Engineering, Process Technology; iv) Energy Management, Quality Management; v) Social Sciences and/or Anthropology; vi) Business Management; or vii) Other relevant related fields | Ariff Bin Lokman | Graduate in Plantation industry management. | Yes |
| | Khairul Anwar Bin Ismail | Graduate In Agricultural Science | Yes |
| At least five (5) years of work experience in the oil palm sector or related field in consultancy / auditing of similar industry or equivalent related to and as necessary for the certification process. (e.g., sustainability, palm oil management; agriculture, ecology; social science) | Ariff Bin Lokman | 7 years working experience in oil palm plantations. | Yes |
| | Khairul Anwar Bin Ismail | 5 years working experience in oil palm plantations. | Yes |
| Successfully completed MS 2530 series of standards training | Ariff Bin Lokman | Successfully completed MS2530 series of standards training. | Yes |
| | Khairul Anwar Bin Ismail | Successfully completed MS2530 series of standards training. | Yes |
| Conducted a minimum six (6) on-site audits for a total of at least 20 man-days of audit experience as an auditor-in-training under the direction and guidance of a qualified Lead Auditor for MSPO or equivalent sustainability certification schemes. | Ariff Bin Lokman | Qualified as auditor and Lead auditor for MSPO scheme. | Yes |
| | Khairul Anwar Bin Ismail | Qualified as auditor for MSPO scheme | Yes |

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| Requirement | Assessor | Qualification | Compliance |
|--|--------------------------|--|------------|
| A good knowledge in handling and evaluating sources of information and data. Able to communicate in Bahasa Malaysia, English and / or any other local language. | Ariff Bin Lokman | Able to communicate in Bahasa Malaysia and English. | Yes |
| | Khairul Anwar Bin Ismail | Able to communicate in Bahasa Malaysia and English. | Yes |
| Field working experience in the palm oil sector, or demonstrable equivalent | Ariff Bin Lokman | 7 years working experience in oil palm plantations. | Yes |
| | Khairul Anwar Bin Ismail | 5 years working experience in oil palm plantations. | Yes |
| Good Agricultural Practices (GAP), and Integrated Pest Management (IPM), pesticide and fertilizer use | Ariff Bin Lokman | 7 years working experience in oil palm plantations. | Yes |
| | Khairul Anwar Bin Ismail | 5 years working experience in oil palm plantations. | Yes |
| Health and safety auditing on the farm and in processing facilities, for example ISO 45001 or Occupational, Health & Safety Assurance System | Ariff Bin Lokman | Successfully completed IMS ISO 9001, ISO 14001 and ISO 45001 LA courses. | Yes |
| | Khairul Anwar Bin Ismail | Successfully completed ISO 45001:2018 Lead Auditor course. | Yes |
| Worker welfare issues and social auditing experience, for example with SA8000 or related social or ethical accountability codes | Ariff Bin Lokman | Successfully completed SA 8000 Basic training. | Yes |
| | Khairul Anwar Bin Ismail | Successfully completed SA 8000 Basic training. | Yes |
| Environmental and ecological auditing, for example experience with organic agriculture, ISO 14001 or Environmental Management Systems (EMS) or High Conservation Value (HCV) | Ariff Bin Lokman | Successfully completed IMS ISO 9001, ISO 14001 and ISO 45001 LA courses. | Yes |
| | Khairul Anwar Bin Ismail | Successfully completed ISO 14001 Lead Auditor course. | Yes |

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2. METHODOLOGY

The audit approach consists of the following steps:

- Contract review;
- Appointment of team members and reviewer / certifier;
- Contact client for relevant documentation according to the applicable MSPO standards;
- Audit planning;
- Background investigation, desk review of submitted documents;
- On-site assessment, inspections, interviews with operational personnel, stakeholders and its contractors; review of documentation;
- On-site reporting
- Resolution of non-conformance (NC) (if any)
- Draft audit reporting
- Technical review
- Final audit reporting
- Certifying, final approval and issuance of certificate.

Surveillance Audit:

Surveillance audit is conducted on 03/02/2020 to 05/02/2020 covers the following activities but not limited to below:

- Onsite visit, observations and inspections of farms management and activities;
- Interview smallholders;
- Reviewed revised and updated documentation established and implemented;
- FFB production records;
- Training records;
- Land titles and land application approvals;
- Work plans established;
- Stakeholders consultation meeting;
- Review and closed out of observations raised during stage 1 audit;
- Assessment reporting;

On-site Assessment

The audit of the smallholders is conducted according to the MS 2530-2:2013 Part 2 for Independent Smallholders.

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The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes, interviews of stakeholders, smallholders, SPCO officers, review of documentation and data.

MSPO guidance documents are used to guide the collection of information. Any comments from external stakeholders were considered in the assessment.

For this certification audit, the selected independent smallholders are based on the formula $S = \text{risk factor} \sqrt{n}$ where S = sample size and n = number of group members which is in accordance to MSPO certification procedure.

The group of smallholders consists of 154 new members and 634 old members.

Based on the formula, the sample size $S = 1.5\sqrt{n}$. The number of new smallholders are 154, Therefore, $S = 1.5\sqrt{154} = 18.61$ and round up to 19. The number of old members are 634. Therefore, $S = 1.5\sqrt{634} = 37.77$ and round up to 38. Thus, a total of 57 smallholders selected for the onsite assessment and inspection listed in Table 2-1 below:

Table 2-1: List of Sampled Independent Smallholders

| Name of independent smallholders | GPS Coordinates |
|----------------------------------|---------------------|
| Jalin Ak Biong | 4.156825 , 114.0351 |
| Chabu Ak Makom | 4.16005 , 114.0402 |
| Edward Ak Alam | 4.160733 , 114.0422 |
| Florence Kenta | 4.160733 , 114.0422 |
| Kujat Ak Sayup | 4.161014 , 114,0348 |
| Anthony Ak Ladi | 4.157956 , 114.0576 |
| Bruin Ak Lasa | 4.157458 , 114.0577 |
| Johnny Ak Entalang | 4.158094 , 114.0507 |
| Alo Ak Dana | 4.160525 , 114.0377 |
| Maria Ak Andam | 4.158033 , 114,0513 |
| Robinson Ak Michael | 3.996136 , 114.0513 |
| Pantan Ak Dinggin | 3.996136, 114.0513 |
| Adop Ak Apeng | 3.962969 , 114.0549 |
| Lemi Ak Elot | 3.964606 , 114.0268 |

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| Name of independent smallholders | GPS Coordinates |
|----------------------------------|---------------------|
| Tipong Ak Elot | 3.975378 , 114.0515 |
| Gerigan Ak Michael | 4.20095 , 114.104 |
| Belon Ak Tasan | 4.201353 , 114.1025 |
| Francis Ak Agong | 4.201497 , 114.102 |
| Muan Ak Pudai | 4.207867 , 114.0886 |
| Madar Ak Imbang | 4.209069 , 114.0902 |
| Saba Ak Bagus | 3.969444 , 114.0308 |
| Solomon Ak Jumarang | 3.973989 , 114.0438 |
| Rajang Ak Ayut | 3.97144 , 114.0366 |
| Engoh Ak Kilat | 3.973889 , 114.08 |
| Renggie Ak Sujar | 3.974444 , 114.0372 |
| Baram Ak Jilan | 3.947953 , 114.1061 |
| Samuel Ak Landan | 3.944922 , 114.1033 |
| Nam Ak Engkruak | 3.943889 , 114.1112 |
| Martha Ak Sakau | 3.947206 , 114.1068 |
| Pelinus Bin Delungai | 3.946017 , 114.1025 |
| Engkas Ak Entari | 4.079172 , 114.0113 |
| Sahaie Ak Aheng | 4.039528 , 114.0097 |
| Andrew@ Andrew Uni Ak Simon | 4.079178 , 114.0112 |
| Brodie Ak Mun | 4.0451 , 114.0209 |
| Andrian Allol AK Wilman Changgan | 4.045014 , 114.005 |
| Sedin Ak Jalak | 4.068286 , 113.9962 |

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| Name of independent smallholders | GPS Coordinates |
|----------------------------------|----------------------|
| Manjang Ak Duat | 4.031289 , 114.0087 |
| Laiman Igan | 4.054794 , 114.0275 |
| Ramba Ak Bungkong | 4.210278 , 114.0547 |
| Wellchester Brickly | 4.157861 , 114.0245 |
| Mujah Ak Pasang | 4.155664 , 114.0534 |
| Nuing Ak Chioh | 4.1585 , 114.0339 |
| Acoi Ak Bunya | 4.184064 , 114.0375 |
| Lucy Ak Tungkol | 4.046861 , 114.0100 |
| Minggat Ak Impin | 4.05345 , 114.011878 |
| Enyang Ak Bajing | 4.051611 , 114.0179 |
| Opal Ak Junggai | 4.05515 , 114.0215 |
| Layak Ak Linggi | 4.044581 , 114.0112 |
| Usut Ak Mun | 4.053472 , 114.0129 |
| Edwin Ak Mawar | 4.040861 , 114.0001 |
| Mohd Jeffry Bin Abdullah | 4.038111 , 114.000 |
| Maliza Ak Bedindang | 4.079821 , 114.0129 |
| Ronnie Ngadan Ak Bedindang | 4.06305 , 113.9970 |
| Emang Ak Katin | 3.984164 , 114.0211 |
| Renang Ak Gon | 3.963611 , 114.0506 |
| Chang Ak Abang | 3.950062 , 114.0336 |
| Awan Ak Impian | 3.996389 , 114.0217 |

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Non-conformance:

On the basis of the desk review, evidences presented during the audits as well as from the onsite visits non-conformance (NC) Major, Minor and Opportunity for Improvements (OFI) may be raised during the audit.

Major non-conformance shall be addressed and responded with 60 days from closing date of audit. For minor non-conformances action plan to be submitted within 30 days from closing date of audit for review and acceptance. Implementation of Minor NC will be review and verify during the next audit.

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3. ORGANISATION INFORMATION

MPOB Cawangan SPOC Q23 Beluru 1, is a branch of MPOB located at Lot 1177 & 1178, Tingkat 4, Block 9, MCLD Miri Waterfront, Jalan Permaisuri, 98000 Miri, Sarawak. GPS coordinate: 4.3975 N, 113.9861 E.

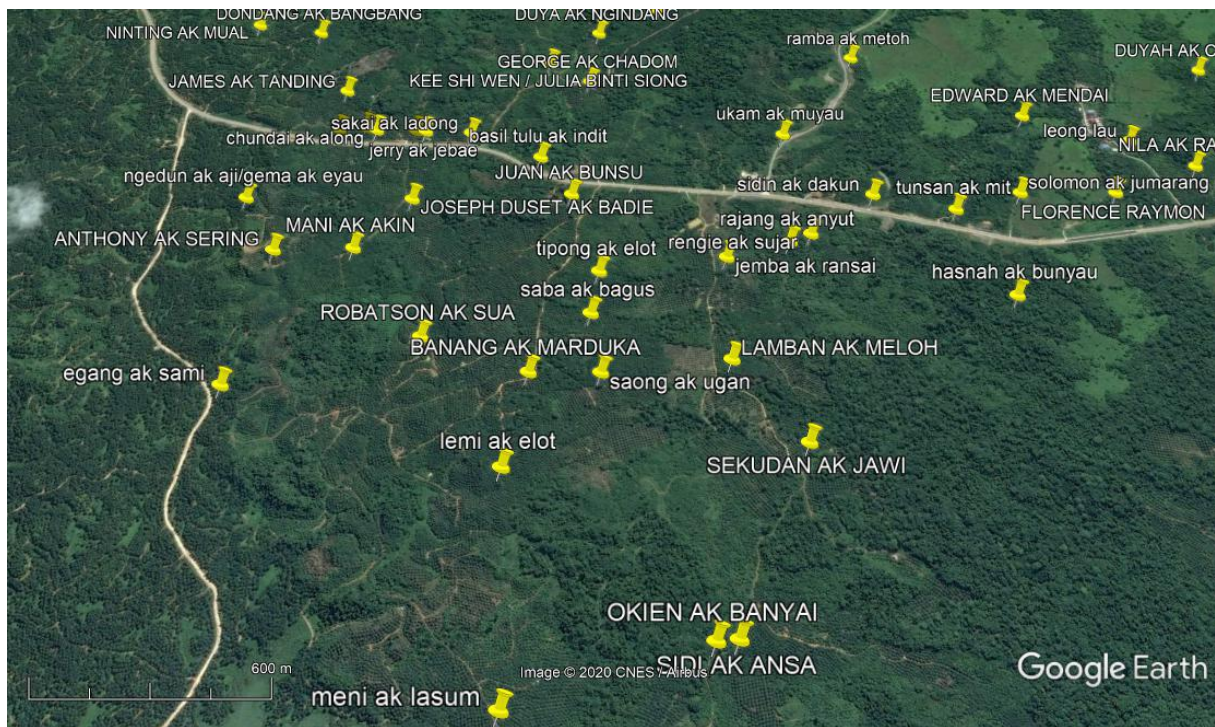
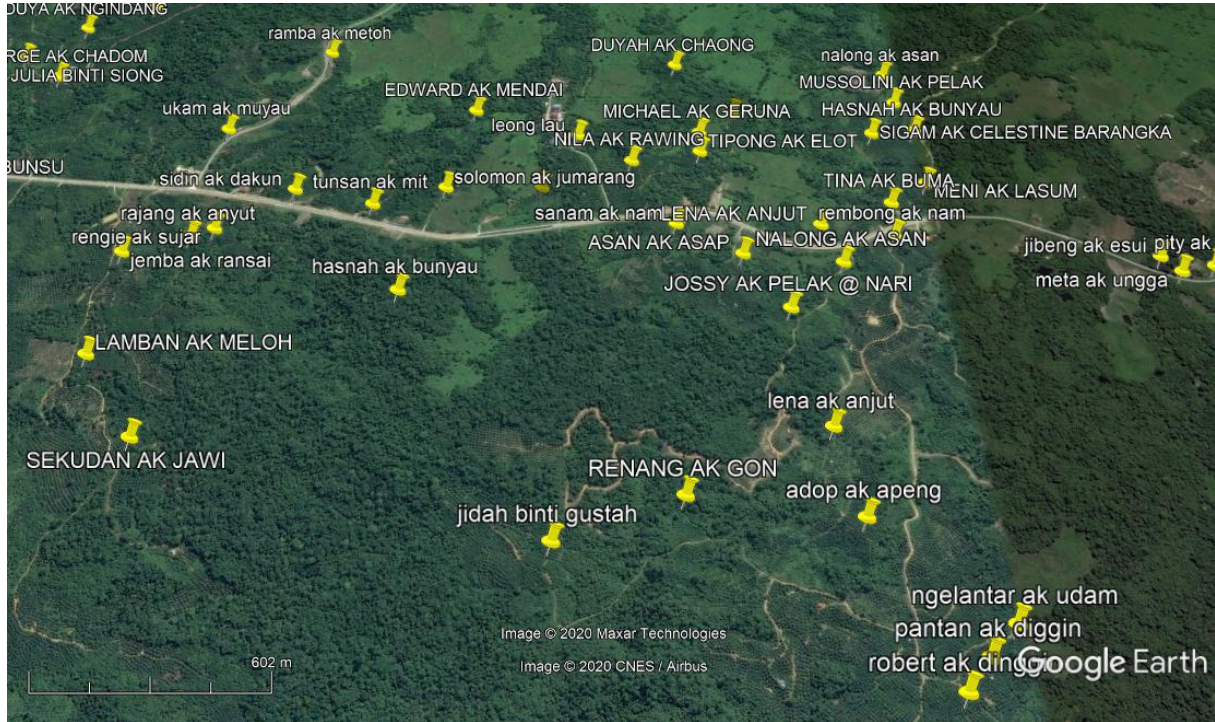
The SPOC is managed by a group manager and supported by a team officers to manage the cluster providing technical support, estate management skills and training as well as develop the independent smallholders' scheme around the Beluru district.

The locations for the smallholders are in Beluru areas as shown in the below maps.



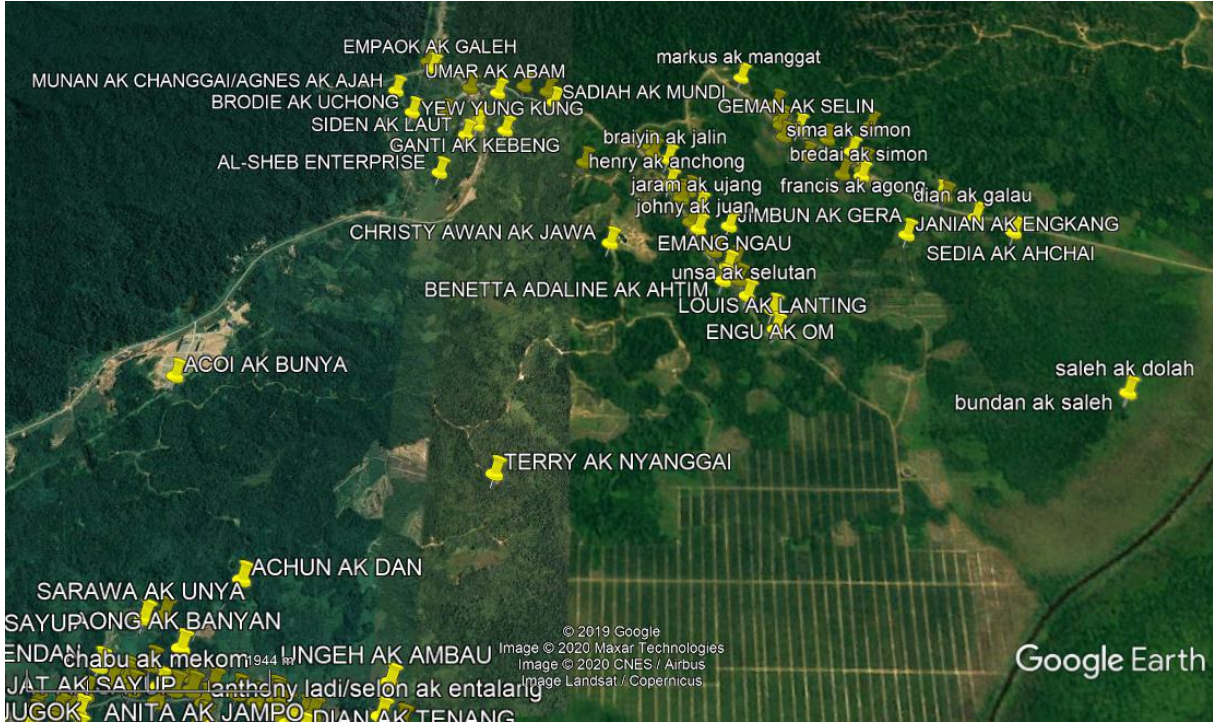
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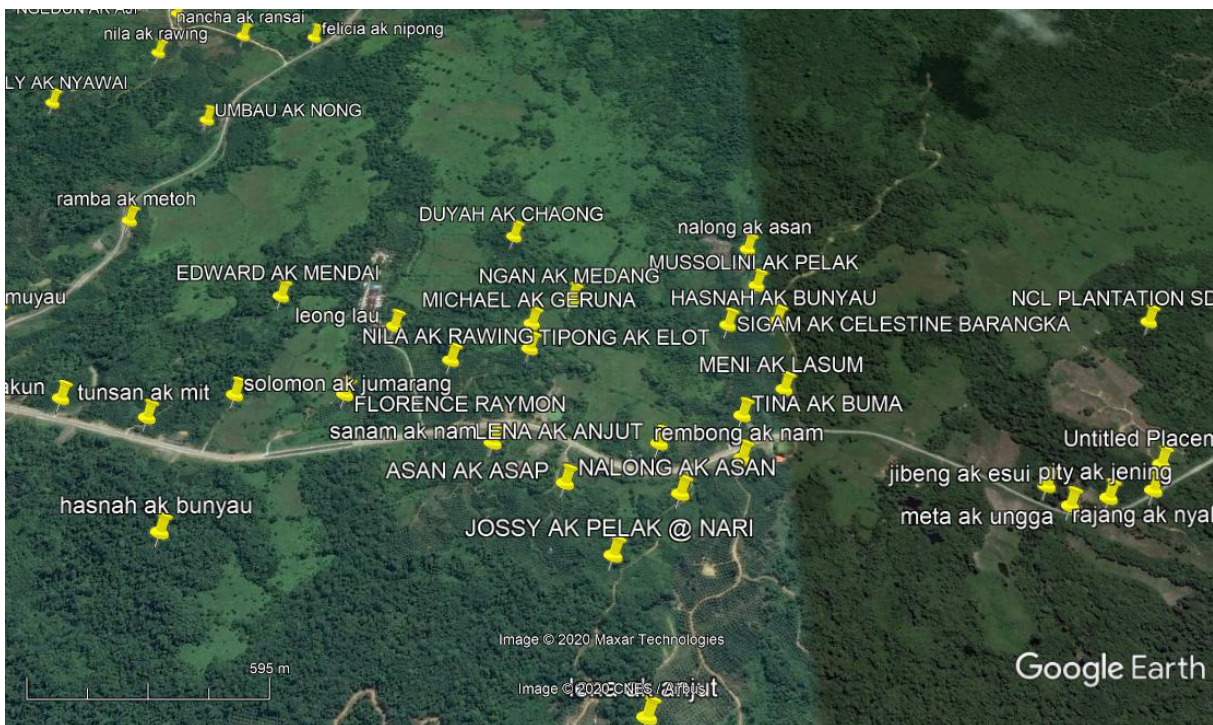
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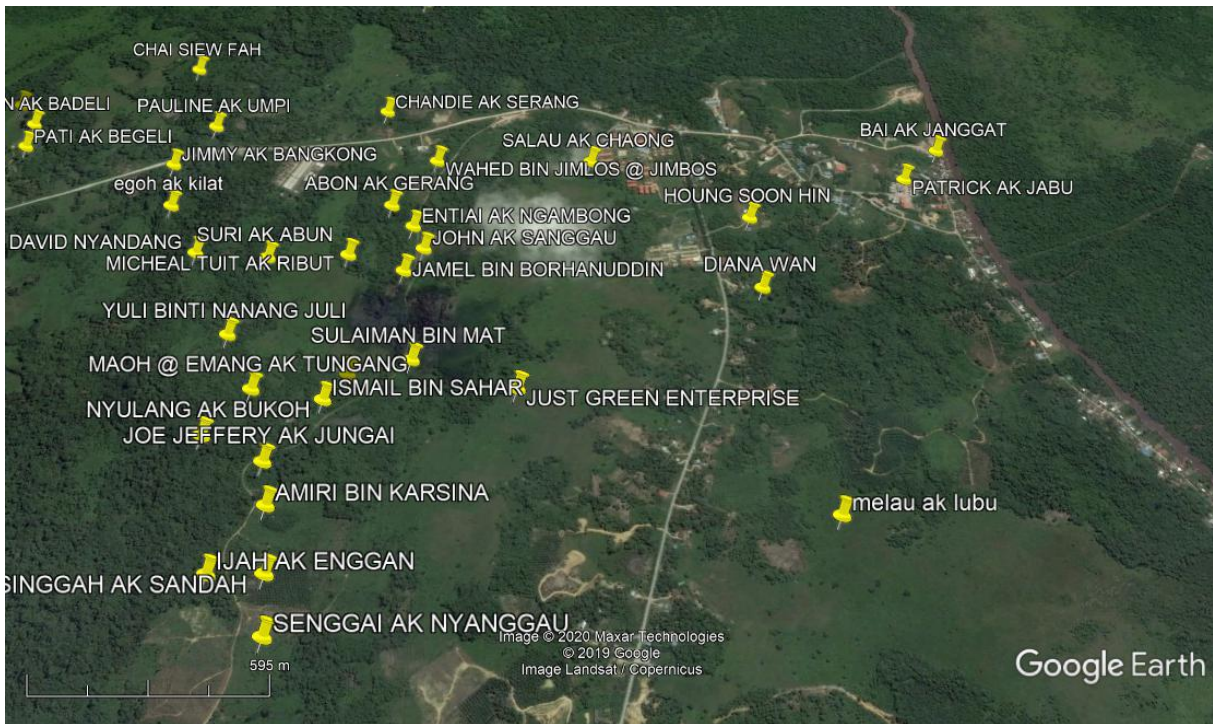
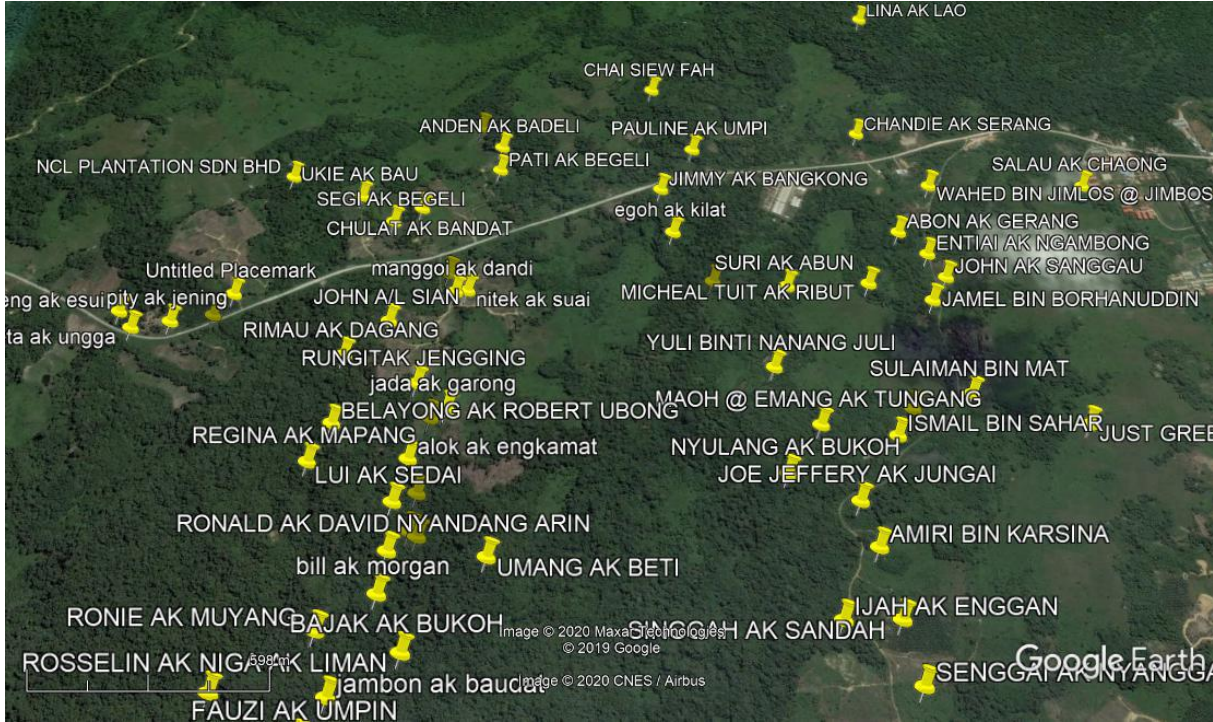
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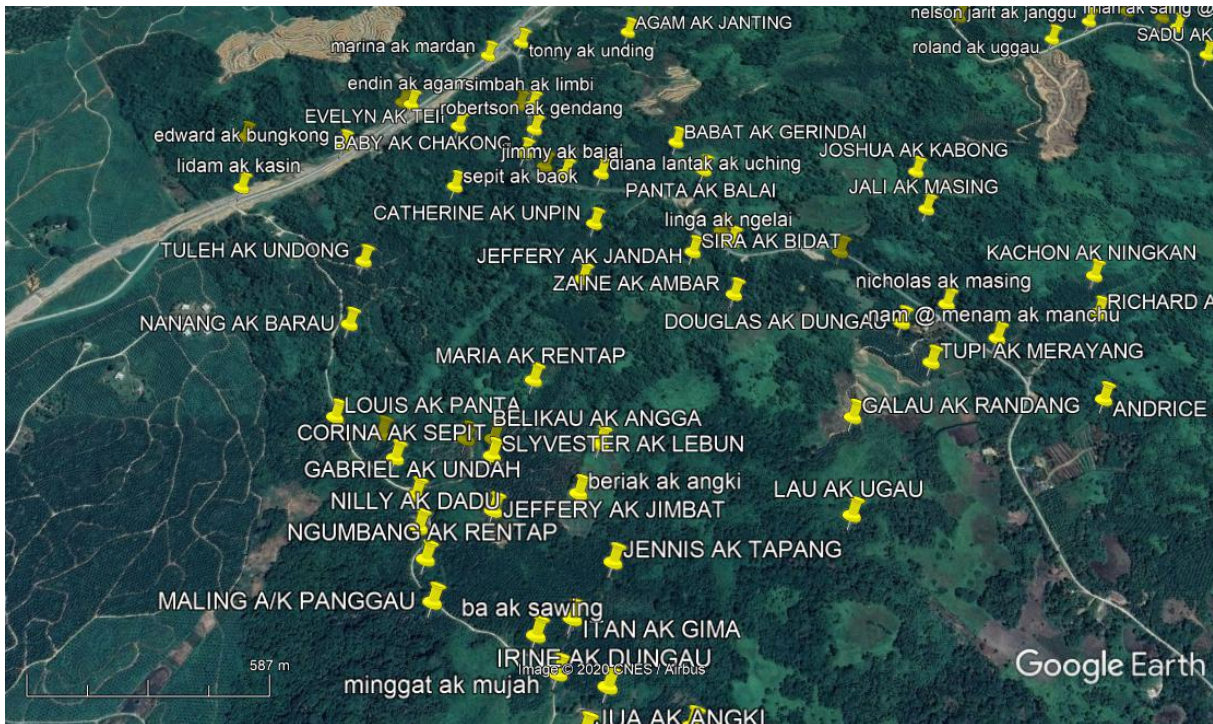
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4. CERTIFICATION ASSESSMENT

4.1. ASA 03

The objective of the audit is to assess the activities of MPOB Cawangan SPOC Q23 Beluru 1 are in compliance with MS 2530-2: 2013 Part 2: General principles for independent smallholders' requirements.

4.1.1. Surveillance:

There are 788 smallholders joined the certification during surveillance audit.

The total number of smallholders of 634 remain the same during this surveillance audit.

During this surveillance audit, 154 of smallholders join the program.

The surveillance audit is conducted on 03/02/2020 to 05/02/2020 that include inspection of the smallholders farms, interviews, conduct stakeholders' consultation and review of the findings raised in the last audit.

The audit team has applied the Malaysian Sustainable Palm Oil Part 2: General Principles for Independent Smallholders Audit Guidance to assess the establish documents against the Principles and Criteria of the standard.

The details of assessment of the indicators are at the summary of assessment in this report.

During the onsite the following were verified.

1. Compliance to legal requirements on the land title, land use rights and customary rights
2. Training and competence
3. Environmental management
4. Waste management and disposal
5. Best practice – farm management including fertilising, chemical spraying and harvesting.

During the surveillance audit, there are three OFIs raised.

During this audit, the major and minor non-compliance raised in the last audit, the audit team has review by means of inspection of smallholders' farms, conduct interviews, review and verify documents that are established, corrected and implemented appropriately by the SPOC team. The corrective measures implemented could be verified as appropriate.

For details of the assessment, refer summary of assessment for each indicator in section 4.3 of this report.

The number of audit findings raised in this audit refer to Section 4.6 of this audit report.

4.2. Stakeholders' Consultation

TUV NORD (Malaysia) Sdn. Bhd., has published the public notification on 09/01/2020 as to accommodate stakeholder's consultation meeting for SPOC Q23 Beluru 1 to provide comments. As at audit date on 03/02/2020 there are no comments received.

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Invitation letters are sent on 09/01/2020 to invite relevant stakeholders to attend a local stakeholders' consultation on 03/02/2020 to gather information from the local communities in accordance to §7, 3.2 of the Certification Procedure requirements.

The topics of discussion are as below:

- a. Introduction of objectives of MSPO standard certification for smallholders.
- b. Development of smallholders farms in area;
- c. Wildlife management area and impact to the smallholders;
- d. Environmental issues on the impact of river contamination;
- e. Type of wildlife around area;
- f. Support from processing palm oil mills at the area

There are no issues raised during the stakeholders' consultation that need to be addressed by the SPOC management office.

It can be concluded the relevant Principles and Criteria clauses of the applied standard are in compliance.

The List of Stakeholders who attended the meeting refer to table 7.1.

| Item | Subject discussed | Audit team finding | Comments or Feedback to SPOC |
|------|---|---|------------------------------|
| 1 | Any information from Group Manager for MSPO audit? | Stakeholders confirmed of MSPO audit via invitation letter received. | No action required. |
| 2 | Social issues | Interview of the stakeholders are not local communities. Therefore, no input of this topic. | No action required. |
| 3 | Understanding of Land Title – Native, Customary Land, Freehold, Leased, Land application (LA) | Stakeholder represented Pejabat Tanah confirmed there are no land issues within the area. | No action required. |
| 4 | Economy / Livelihood Is there any impact on livelihood after the introduction of MSPO? | Interview of the stakeholder are not local communities. Therefore, no input of this topic. | No action required. |
| 5 | Does MSPO largely benefits the local communities? | Interview of the stakeholder are not local communities. Therefore, no input of this topic. | No action required. |
| 6 | Any environment awareness provided by SPOC | Interview of the stakeholder are not local communities. Therefore, no input of this topic. | No action required. |
| 7 | Any wildlife awareness by SPOC | Interview of the stakeholder are not local communities. Therefore, no input of this topic. | No action required. |

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| | | | |
|----|--|--|---------------------|
| 8 | FFB quality | Dealers attended the stakeholders meeting confirmed smallholders are aware and there are no issue regarding FFB quality. | Positive comment |
| 9 | Are there any plantation or mill management practices that affect you? | Interview of the stakeholder are not local communities. Therefore, no input of this topic. | No action required. |
| 10 | Do you consider any management conflict with the MSPO principles and criteria? | Stakeholders has confirmed that Group Manager SPOC Q23 and its members has taken effort to meet the MSPO requirements. | Positive comment |
| 11 | Do you have any suggestions for SPOC management? | No suggestion. | No action required. |

4.3. Summary of Assessment

| Principle and Criteria Assessment Summary |
|--|
| <p>The assessment team conduct a thorough assessment of each principle and criteria. Over the 5 years' period of the certificate cycle, there will be 4 annual surveillance audits all criterions will be assessed. Evidences are sought for conformity with the MSPO 2530-2. The summary of the assessment is as below, where the "Findings/Comments" column reflects the findings in accordance with each criteria and indicator or evidences and when non conformity is found. Summary of the non-conformity can be found below</p> |

| Principle 1: Management Commitment & responsibility | | |
|---|--|------------|
| Indicator | Summary of Assessment | Compliance |
| 4.1.1.1 | <p>SPOC Q23 Beluru 1 established MSPO Policy, Document no: MSPO/SSCC/POLISI-01, revision 1, dated 10/07/2019 signed by the group manager.</p> <p>The policy statements:</p> <ul style="list-style-type: none"> • Commitment and responsibility of SPOC. • Openness in giving information to stakeholders. • Documentation for traceability. • Compliance to the local laws, national, international laws, and regulations. • Contribution to local sustainability development. • Resolving complaints and grievances in transparent manner. • Working environment, worker's safety and health aspects. <p>The copy of MSPO policy signed by smallholders</p> <p>The MSPO policy is available in SPOC office notice board.</p> | Yes |

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| Principle 1: Management Commitment & responsibility | | |
|---|--|------------|
| Indicator | Summary of Assessment | Compliance |
| | <p>SPOC Q23 Beluru 1 conducted “Taklimat Promosi MSPO Bersama Pekebun Kecil SPOC Q23 Beluru 1” on 24/07/2019, 27/08/2019, 30/08/2019, and 10/09/2019 respectively. The training and LKN conducted for new and old members.</p> <p>Lawatan Khidmat Nasihat (LKN) conducted by Group Manager on 24/09/2019 to brief new smallholders on relevant information on Good Agriculture Practice (GAP), Safety and Health, Environment and legal requirements.</p> <p>During site interview, smallholders confirmed they are aware of the requirements for MSPO Policy.</p> | |
| 4.1.2.1 | <p>SPOC Q23 Beluru 1 established continual improvement plan, Senarai Impak Social, Persekitaran & Pelan Tindakan. Document number: MSPO/SSCC/L-04/ISP issue no 1, date effective: 10/07/2019.</p> <p>Example:</p> <p>Social Impact:</p> <p>Aktiviti: Pembukaan kawasan kebun, membaja, meracun dan menuai.</p> <p>Impak Sosial: Memberi peluang pekerjaan kepada penduduk di kawasan penempatan sekitar ladang.</p> <p>Pelan Tindakan: Amalan berterusan</p> <p>Environmental impact:</p> <p>Aktiviti: Meracun.</p> <p>Impak Sosial: Pelupusan bahan buangan berjadual (tong racun kosong).</p> <p>Pelan Tindakan: Pembasuhan 3 kali, ditebuk lubang dan disimpan di tempat khas.</p> <p>Action: Amalan diteruskan</p> | Yes |
| 4.1.2.2 | <p>SPOC Q23 Beluru 1 provide latest Warta Sawit was Bil. 72 (2)/ Mei - August 20192019 to smallholders during Taklimat or MSPO briefing.</p> <p>Interview with smallholders informed that they are receiving copy of Warta Sawit through LKN visit and GAP training.</p> | Yes |

| Principle 2: Transparency | | |
|---------------------------|---|------------|
| Indicator | Summary of Assessment | Compliance |
| 4.2.1.1 | <p>SPOC Q23 Beluru 1 established SOP Traceability, doc no MSPO/SSCC/GP-01/PEK, dated 10/07/2019.</p> <p>The procedure describe as below:</p> <ul style="list-style-type: none"> FFB send to dealers or mills. Received weighbridge ticket / sell receipt. | Yes |

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| Principle 2: Transparency | | |
|---------------------------|--|------------|
| Indicator | Summary of Assessment | Compliance |
| | <ul style="list-style-type: none"> Smallholders to keep the weighbridge ticket and copy to BRL. SPOC GM to check FFB records regularly. <p>Interviewed smallholders understand the requirement to keep and update Buku Record Ladang (BRL).</p> | |
| 4.2.1.2 | <p>SPOC Q23 Beluru 1 established list of smallholders and FFB records to monitor the yield.</p> <p>Smallholders obtain information on FFB prising from dealers, mill and MPOB website.</p> <p>Interviewed smallholders and review of files weighbridge tickets are kept and BRL updated.</p> | Yes |

| Principle 3: Compliance to legal requirements | | |
|---|--|------------|
| Indicator | Summary of Assessment | Compliance |
| 4.3.1.1 | <p>SPOC Q23 Beluru 1 established Legal register, document number: MSPO/SSCC/L-01/SKU, revision 02, dated 10/07/2019.</p> <p>The list includes laws applicable for the state of Sarawak.</p> <p>Example:</p> <ol style="list-style-type: none"> Undang-undang Sarawak: Kod Tanah (Cap. 81) 1958 MPOB Act 1998. <p>Smallholders MPOB license is valid and copy available on file</p> | Yes |
| 4.3.2.1 | <p>SPOC Q23 Beluru 1 smallholders land titles are NCR type.</p> <p>The land use is for agricultural purposes.</p> <p>SPOC Q23 Beluru 1 established form, MPOB (PK) that includes information of land owners name, address, land area and location as evidence of smallholders land ownership.</p> <p>Tuai Rumah acknowledge land ownership by signing MPOB (PK) form.</p> | Yes |
| 4.3.3.1 | <p>SPOC Q23 Beluru 1 smallholders land titles are NCR type.</p> <p>SPOC Q23 Beluru 1 established form MPOB (PK) with information of land owners name, address, land area and location as evidence of smallholders land ownerships.</p> <p>Smallholders have letter of acknowledgement from Tuai Rumah as evidence of land ownership.</p> | Yes |
| 4.3.3.2 | <p>Maps has location, size and boundary markers.</p> | Yes |

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| Principle 4: Social Responsibility, health, safety and employment conditions | | |
|--|---|------------|
| Indicator | Summary of Assessment | Compliance |
| 4.4.1.1 | <p>SPOC Q23 Beluru 1 established SOP 'Aduan dan Rungutan', doc no: MSPO/SSCC/SOP-01/AR, dated: 10/07/2019.</p> <p>Describe in the SOP:</p> <ol style="list-style-type: none"> 1. Timeline for addressing the grievance and complaint are within 14 days. 2. Group manager in charge in handling the complaint and grievances. <p>There are no complaints either from staholders or smallholders as at audit date.</p> | Yes |
| 4.4.1.2 | <p>SPOC Q23 Beluru 1 established SOP 'Aduan dan Rungutan', doc no: MSPO/SSCC/SOP-01/AR dated: 10/07/2019. Review on grievance documents no complaints and grievances lodge by smallholders or stakeholders.</p> <p>Interview with smallholders understand and aware of grievance procedure.</p> | Yes |
| 4.4.2.1 | <p>SPOC Q23 Beluru 1 established Guidelines for Safety and Health, documents no: MSPO /SSCC/GP-02/KKP, dated 10/07/2019.</p> <p>The guideline describes:</p> <ol style="list-style-type: none"> 1. Responsibility of GM and smallholders regarding safety and health. 2. Guideline of usage and type of PPE for harvesting, manuring and chemical spraying. <p>Safety and health training conducted on 10/09/2019 by SPOC Q23 Beluru 1 group manager.</p> <p>Interview with smallholders confirmed understand safety measures. They are using suitable PPE for harvesting or chemical spraying.</p> | Yes |
| 4.4.3.1 | <p>SPOC Q23 Beluru 1 established form, terma penggajian pekerja document number MSPO/SSCC/TPP-01, dated 10/07/2019.</p> <p>The form includes payment rates for harvesting, chemical spraying, manuring and pruning.</p> <p>Interview with smallholders informed working by themselves or assisted by family members.</p> | Yes |
| 4.4.3.2 | <p>SPOC Q23 Beluru 1 established Syarat Mengupah Pekerja di Kebun Sawit, document number MSPO/SSCC/SMP-01 dated 10/07/2019. The procedure describe :</p> <ul style="list-style-type: none"> • Against any form of discrimination, and implying human right in terms of opportunities, disregards of races, gender, religion, political affiliation and nationality. <p>Interviewed with smallholders, GM SPOC Q23 Beluru 1 and review on grievances records no discrimination occurs.</p> | Yes |

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| Principle 4: Social Responsibility, health, safety and employment conditions | | |
|---|--|------------|
| Indicator | Summary of Assessment | Compliance |
| 4.4.3.3 | <p>SPOC Q23 Beluru 1 established form, terma penggajian pekerja document number MSPO/SSCC/TPP-01, dated 10/07/2019.</p> <p>The form h includes payment rates for harvesting, spraying, manuring and pruning.</p> <p>Interview with smallholders working by themselves or assisted by family members.</p> | Yes |
| 4.4.3.4 | Field visit to smallholders block no living quarters observed. . | Yes |
| 4.4.3.5 | <p>SPOC Q23 Beluru 1 established Syarat Mengupah Pekerja di Kebun Sawit, document number MSPO/SSCC/SMP-01 dated 10/07/2019.</p> <p>The procedure describe:</p> <ul style="list-style-type: none"> Prohibition of hiring young workers age of 15-18 years old for working in dangerous and heavy work. <p>Interview with smallholders informed no child workers allowed. Smallholders understand on legal requirement for no hiring underage workers..</p> | Yes |
| 4.4.4.1 | <p>SPOC Q23 Beluru 1 established training programme.</p> <p>Sighted Kalender Aktiviti 2020 which include Latihan Khidmat Nasihat (LKN) and MSPO Awareness Training.</p> <p>Example training conducted in 2019, “Kesedaran MSPO Bersama Pekebun Kecil SPOC Q23 Beluru 1” on 24/07/2019.</p> | Yes |

| Principle 5: Environment, natural resources, biodiversity and ecosystem services | | |
|---|---|------------|
| Indicator | Summary of Assessment | Compliance |
| 4.5.1.1 | <p>SPOC Q23 Beluru 1 established list of social impact, environmental impact and action plan, document no MSPO/SSCC/L-04/ISP, revision 02, dated 10/07/2019.</p> <p>Example of environmental impact and action plan:</p> <p>Activity: Spraying</p> <p>Environmental impact: Empty chemical containers</p> <p>Action Plan: Empty chemical container to be triple rinse, punctured and stored at designated area.</p> <p>Briefing on environmental awareness conducted on 27/08/2019.</p> <p>Smallholders are aware of the environmental impact. Sighted during field visit the vegetation was retain and no sign of over spraying or other non-permitted activities occur.</p> | Yes |
| 4.5.2.1 | There is no usage of renewable energy by the smallholders observed as of audit date. | Yes |

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| Principle 5: Environment, natural resources, biodiversity and ecosystem services | | |
|--|---|------------|
| Indicator | Summary of Assessment | Compliance |
| 4.5.3.1 | <p>SPOC Q23 Beluru 1 established SOP “Senarai Sisa Racun dan Domestik”, document no MSPO/SSCC/L-03/SRD, issue 02, date effective 10/07/2019.</p> <p>Example list of waste generated:</p> <ol style="list-style-type: none"> 1. Empty chemicals containers. 2. Used fertilizer bags. <p>Document ‘Rekod Pengurusan Bahan Buangan Terjadual Tahun 2019’ established by SPOC Q23 Beluru 1.</p> <p>During site visit and interviewed, smallholders are aware that empty chemical containers can be recycle and reused after triple rinsing. Smallholders reused empty fertilizer bag for loose fruit collection.</p> | Yes |
| 4.5.3.2 | <p>SPOC Q23 Beluru 1 established Manual Prosedur Kerja: Pengurusan Bahan Buangan Terjadual, document no. MSPO/SSCC/SOP-03/BT, no issue: 2, no revision: 2, dated 10/07/2019.</p> <p>The SOP describe:</p> <ol style="list-style-type: none"> 1. To conduct triple rinsing for each empty chemical container before disposed. 2. To put marking on empty chemical container for chemical mixing purposes. 3. All scheduled waste shall be disposal according to the Environmental Quality (Scheduled waste) Regulations, 2015. <p>Briefing on environmental awareness conducted on 27/08/2019.</p> <p>Interview with smallholders confirmed reused empty chemical container as water container for chemical mixing purpose after triple rinsed.</p> | Yes |
| 4.5.4.1 | <p>SPOC Q23 Beluru 1 established Manual Prosedur Kerja: Garis Panduan Zon Penampunan Sungai, document no. MSPO/SSCC/GP-03/ZPS, no issue: 2, dated 10/07/2019.</p> <p>The SOP describes:</p> <ol style="list-style-type: none"> 1. Guideline on buffer zone length. 2. Non permitted activities such as chemical spraying and manuring. 3. Flow chart on buffer zone establishment. <p>Briefing on environmental awareness conducted on 27/08/2019.</p> <p>During site interviewed smallholders aware on importance to maintain the water quality.</p> <p>Field visit observed that empty chemical container is keep at appropriate location after triple rinsed.</p> | Yes |
| 4.5.4.2 | <p>Smallholders practise rain harvesting by collecting water using drum and culvert for chemical premix and spraying activities.</p> | Yes |

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| Principle 5: Environment, natural resources, biodiversity and ecosystem services | | |
|--|---|------------|
| Indicator | Summary of Assessment | Compliance |
| 4.5.5.1 | <p>SPOC Q23 Beluru 1 provide training to smallholders on 10/09/2019 for protection of wildlife.</p> <p>SPOC Q23 Beluru 1 established document list of wildlife.</p> <p>Example:</p> <ul style="list-style-type: none"> • Tenggiling. • Tupai Kerawak. • Buaya. <p>Interviewed with smallholders they are aware and understand on protection of wildlife and illegal hunting prohibited by laws.</p> | Yes |
| 4.5.6.1 | <p>SPOC Q23 Beluru 1 established Manual Prosedur Kerja: Garis Panduan Amalan pembakaran Sifar, document no: MSPO/SSCC/GP-04/APS, no issue: 2, dated 10/07/2019.</p> <p>SOP describes that all smallholders prohibited to practise open burning for replanting or new planting work.</p> <p>SPOC Q23 Beluru 1 conducted awareness training on zero burning dated 27/08/2019.</p> <p>There is no open burning sighted during site visit. Interviewed with smallholders confirmed they are aware and understand that open burning is prohibited and against the law.</p> | Yes |

| Principle 6: Best Practices | | |
|-----------------------------|--|------------|
| Indicator | Summary of Assessment | Compliance |
| 4.6.1.1 | <p>SPOC Q23 Beluru 1 Group Manager conducted field visit for LKN by using form 'Laporan Lawatan Khidmat Nasihat' or use 'Borang Permohonan Pensijilan Minyak Sawit Mampan Malaysia (MSPO)'.</p> <p>Field observation found smallholders has implement the MPOB Good Agriculture practice (GAP) in the field such as stack fronds to prevent soil erosion, minimize used of chemical and water harvesting practices..</p> | Yes |
| 4.6.1.2 | <p>During on site visit at smallholders field, sighted identification signage with details:</p> <ul style="list-style-type: none"> • Nama pemilik • No Lot • Keluasan • Tahun Tanah • Koordinat GPS | Yes |
| 4.6.2.1 | <p>SPOC Q23 Beluru 1 established Garis Panduan Pelan Daya Ekonomi Dan Kewangan" no, MSPO/SSCC/GP-01/PEK, issue no: 2, revision 1, dated 10/07/2019.</p> | Yes |

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| Principle 6: Best Practices | | |
|-----------------------------|--|------------|
| Indicator | Summary of Assessment | Compliance |
| | The document describe expenses for PPE, storage cabinets and MSPO training for smallholders. | |
| 4.6.3.1 | Interviewed smallholders inform they have access to the FFB prices via phone call, WhatsApp group, MPOB portal and FFB price display on mill or dealer's weighbridge. Site observation at collecting centre FFB price is display at the notice board. | Yes |

| Principle 7: Development of new planting | | |
|--|--|------------|
| Indicator | Summary of Assessment | Compliance |
| 4.7.1.1 | SPOC Q23 Beluru 1 established smallholders planting statement with first planting year in 1998 and latest planting in 2019. There are four smallholders block with new planting in year 2019. Review on Borang Permohonan Pensijilan MSPO state previous land use for rubber and orchard. Since the land is planted with agricultural crop before planting oil palm, therefore the planting is not in a HBV area. | Yes |
| 4.7.2.1 | SPOC Q23 Beluru 1 established Borang Permohonan MSPO which includes assessment on soil type. Stated in the Borang Permohonan Pensijilan MSPO for new planting block, the land type is pendalaman | Yes |
| 4.7.3.1 | SPOC Q23 Beluru 1 established Borang Permohonan Pensijilan Minyak Sawit Mampan Malaysia (MSPO) that states planting not allowed for land with topography of 25 ° and above. Review on Borang Permohonan for smallholders having new planting the land topography is undulating | Yes |

4.4. Status of Non-Conformities Previously Identified

| | |
|---|---|
| | The stage 1 audit findings of this system have been reviewed, in particular to assure appropriate correction and corrective action HAS implemented to address identified audit findings. Details of the follow up action taken on stage 1 audit findings were recorded in the Stage 1 audit report. |
| X | The last audit results of this system have been reviewed, in particular to assure appropriate correction and corrective action HAS implemented to address any nonconformity identified. |
| | The last audit results of this system have been reviewed, in particular to assure appropriate correction and corrective action HAS NOT been implemented effectively. Non-conformity will be re-raised. |
| | Not applicable. No non-conformity raised in previous audit. |
| <p><i>Note 1: If a minor non-conformity raised in last audit, is not closed out, then this finding will be re-raised to a Major non-conformity.</i></p> <p><i>Note 2: All minor NCs raise in last audit are required to capture in this report together with the closing of the non-compliance.</i></p> | |

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4.5. Detail of Audit Findings in last Audit

| AUDIT OUTCOME | | |
|-------------------|---|------------------------|
| During last Audit | 2 | MAJOR Non-Conformities |
| | 0 | MINOR Non-Conformities |

| Non Conformity Number < 01 > | | | |
|--|---|--------------------------------|------------|
| Indicator # and Description: | 4.3.3.2 Maps of an appropriate scale showing extent of recognized customary rights land, if any, should be made available. (Minor) | | |
| Location: | SPOC Q23 Beluru 1 | | |
| Description of Finding / Objective Evidence: | | | |
| Individual file reviewed. Smallholders have established map for their field location. However, the maps are not signed and authorized by the Tuai Rumah to verify the maps and location. This issue has been raised in the previous audit as Minor NC. This issue has been closed but repeated for new smallholders map are not verified by Tuai Rumah. Therefore elevated to Major NC. | | | |
| Classification | <input checked="" type="checkbox"/> Major | <input type="checkbox"/> Minor | |
| Raise by: | Zul Hairi Bin Abu Hassan | Date Raise: | 13/02/2019 |
| Deadline for implementation | 15/04/2019 | | |
| Root Cause Analysis (by company): | | | |
| The smallholders map is not signed by the tuai rumah which is found in the individual file. | | | |
| Correction (by company): | | | |
| The group manager will visit to the tuai rumah to sign and authorize the map. | | | |
| Corrective / Preventive Action (by company) | | | |
| Group Manager has visited smallholders on 13/03/2019 to make sure maps endorsed by tuai rumah. | | | |
| Review of Correction & Corrective / Preventive Action | | | |
| All 3 maps have been endorsed by the "tuai rumah". The NC is considered closed and will be further reviewed in the next audit. | | | |
| Closed: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | Site verification: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |
| Name of Auditor: Zul Hairi Bin Abu Hassan | Date of Closure: 21/03/2019 | | |
| Review of Implementation | | | |
| The maps in the land titles are reviewed and endorsed by Tuai Rumah. | | | |
| Name of Lead Auditor: Mohamad Norhisham Bin Mohd Salleh | Date of Review: 05/02/2020 | | |

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| Non Conformity Number < 02 > | |
|---|---|
| Indicator # and Description: | 4.6.1.2 A visual identification or reference system shall be established for each field or block of oil palm planting. (Major) |
| Location: | SPOC Q23 Beluru 1 |
| Description of Finding / Objective Evidence: | |
| Field visit indicate that smallholders have established installed visual identification signage. However, seven smallholders from sampled smallholders do not have visual identification | |
| Classification | <input checked="" type="checkbox"/> Major <input type="checkbox"/> Minor |
| Raise by: | Arif Bin Lokman Date Raise: 13/02/2019 |
| Deadline for implementation | 15/04/2019 |
| Root Cause Analysis (by company): | |
| 7 sample smallholders do not have visual identification to confirm their field. | |
| Correction (by company): | |
| The group manager will make sure the participants to establish the identification signage. | |
| Corrective / Preventive Action (by company) | |
| Group manager have visits the 7 smallholders on 13/03/2019 to make sure the identification at their field. | |
| Review of Correction & Corrective / Preventive Action | |
| Group manager has submitted evidence of the installation of visual identification of the smallholders that do not have. The NC is considered closed and will be verify in next surveillance audit. | |
| Closed: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | Site verification : <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Name of Auditor: Ariff Bin Lokman | Date of Closure: 21/03/2019 |
| Review of Implementation | |
| Field observation at audited smallholders identification signage is with information of smallholder name, MPOB license number, coordinate, and area size The implementation is effective and closure of this NC | |
| Name of Lead Auditor: Mohamad Norhisham Bin Mohd Salleh | Date of Review: 05/02/2020 |

4.6. Detail of Audit Findings Identified During This Audit

This section gives an overview of the non-conformities raised during this audit.

| AUDIT OUTCOME | | |
|--------------------|---|------------------------|
| During this audit, | 0 | MAJOR Non-Conformities |
| | 0 | MINOR Non-Conformities |

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| Nr. | Indicator | Location | Opportunity for Improvement |
|-----|-----------|----------|---|
| 1 | 4.2.1.2 | Office | SPOC Q23 management may improve the traceability documents. |
| 2 | 4.4.4.1 | Office | SPOC Q23 management may consider improve frequency of training. |

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5. CONCLUSION

Malaysia Palm Oil Board has commissioned TÜV NORD (Malaysia) Sdn Bhd to carry out the certification for the Sustainable Palm Oil Cluster (SPOC) for SPOC SPOC Q23 Beluru 1 consisting of 788 independent smallholders according to MS 2530-2:2013 Part 2, General Principles for Independent Smallholders.

From the review of the standard operating procedures, relevant forms, work flow charts established and implemented; the subsequent background investigation and interviews conducted during this surveillance audit have provided TÜV NORD (Malaysia) with sufficient evidence on the fulfilment of the applied standard Principles & Criteria.

In conclusion the certified organisation has been established, implement and continue to improve in managing the independent smallholders are in line with the Principles & Criteria of the applied standard MS 2530-2:2013 Part 2.

As a result of this audit, the audit team confirms that:

| | |
|---|--------------|
| Total certified number of independent smallholders: | 788 |
| Total certified acreage of smallholders: | 4,180.38 Ha |
| Certified FFBS output January 2020: | 6,066.62 Mt |
| Projected FFBS output February to December 2020: | 66,730.60 Mt |
| Projected FFBS output January to December 2021: | 74,276.64 mt |

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6. RECOMMENDATION

The audit team conducted a process-based audit focussing on significant aspects / risks and objectives required by the standard(s). The audit methods used are interviews, observations, sampling of activities, review of documentation and records.

Any audit is based on sampling within an organization's management system and therefore is not guarantee of 100 % conformity with requirements.

The structure of the audit is in accordance with the audit plan included to this summary report as annex.

The audit team concludes that the organisation has established and maintained its management system in line with the requirements of the standard(s) and demonstrated the ability of the system to achieve requirements for production and management within the scope and the organisation's policies and objectives.

Therefore, the audit team recommends that, based on the results of this audit and the system's demonstrated state of development and maturity that this management system certification be

| | |
|----------|---|
| | Recommended for Certification / Recertification |
| X | Recommended for Continuity of Certification |
| | Suspended of Certification |

Puchong, 19/03/2020

Mohamad Norhisham Bin Mohd Salleh
TUV NORD (Malaysia) Sdn Bhd
Audit Team Leader

Puchong, 19/03/2020

Nur Amanina Zahir
TUV NORD (Malaysia) Sdn Bhd
Certifier / Approver

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7. LIST OF INTERVIEWEES

Table 7-1: List of Interviewed Persons, Observers and Smallholders

| No. | Name | Organization / Function |
|-----|--------------------------|--------------------------|
| 1. | Mohd Suhaimi Bin Suhaili | Jabatan Pertanian Beluru |
| 2. | Suaiputra Hj Naraloi | Jabatan Pertanian Bakong |
| 3. | Haslina Binti M. Najib | KPSM Bakong Marudi Bhd. |

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Distribution / Confidentiality / Rights of ownership / Limitations / Responsibilities / Audit Objectives

This report is sent to the certification body or bodies, the members of the audit team and the audit representative of the organisation. All documents (such as this report) regarding the certification procedure are treated confidentially by the audit team and the certification body. This audit report remains the property of the certification body.

An audit is a procedure based on the principle of random sampling and cannot cover each detail of the management system. Therefore nonconformities of weaknesses may still exist which were not expressly mentioned by the auditors in the final meeting or in the audit report.

The responsibility for continuous effective operation of the management system always rests solely with the audited and certified organisation.

Salvo clause:

The audit report will be left to the organisation at the end of the audit - subject to approval by the certification body. The independent release process may cause modifications or additions. In these cases a modified revision will be sent to the audited organisation.

The objective (goal) of the audit is to establish compliance of the management system of the aforementioned organization with the requirements of the aforementioned standard in order to achieve or maintain certification through an independent and accredited certification body. Identification of possibilities to improve the management system can also be a component of the audit and is considered simply to be an enhancement; it does not constitute consultancy or advice with regard to the management system.

Annex / Enclosures

Annex /
corresponding audit documentation

- P&C Audit Report / Checklist(s)
- Audit Plan
- Additional annexes, number