

MSPO CERTIFICATION SUMMARY REPORT

SYARIKAT KRETAM MILL SDN BHD

STAGE 2 – CERTIFICATION AUDIT

Date: 14/03/2019

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MSPO Certification Summary Report

Company Name: Kretam Holdings Bhd
Certifying Unit: Syarikat Kretam Mill Sdn Bhd
Client Number: 92-061
Audit Type: Stage 2 – Certification Audit



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Abbreviations

CHRA	Chemical Health Risk Assessment
CPO	Crude Palm Oil
DOE	Department of Environment
EFB	Empty Fruit Bunch
EIA	Environment Impact Assessment
ERT	Endangered Rare and Threatened species
FFB	Fresh Fruit Bunch
GMP	Good Milling Practice
GPS	Global Positioning System
SDS	Safety Data Sheet
NC	Non Conformity
OSH	Occupational Safety and Health
P&C	Principle and Criteria
PK	Palm Kernel
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
SA8000	Social Accountability 8000
SIA	Social Impact Assessment
SOP	Standard Operating Procedure
SHO	Safety Health Officer
MT	Metric Tonnes
WHO	World Health Organization
HA	Hospital Assistant

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1. INTRODUCTION

Syarikat Kretam Mill Sdn Bhd (SKM) has commissioned TUV NORD (Malaysia) Sdn Bhd to conduct stage 2 certification audit according to MS 2530-4:2013 Part 4 General principles for palm oil mills.

1.1. Objective

The objective of this certification audit is to assess Syarikat Kretam Mill by an independent certification body with the aim for compliance of the standards.

1.2. Scope

The certification is based on the documentation established by Syarikat Kretam mill.

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 based on MS 2530-4:2013 Part 4 General principles for palm oil mills. TUV NORD Malaysia has employed a risk-based approach in the audit, focusing on the identification of significant risks and reliability of the assessment and reporting.

In addition, the following reference is used as part of the assessment; the compliance of the requirements out of the guidelines applied was checked.

1. Malaysian Sustainable Palm Oil Part 4: General Principles for Palm Oil Mill audit guidance;

1.3. Appointment and Qualification of team members

A certification team consisting of one team leader and 4 team members are appointed. The team review documents, conduct onsite inspection, interview, assessment the project activity and preparation of this report..

Qualification of the Lead Auditor: Zul Hairi Bin Abu Hassan

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; iv) Energy Management, Quality Management; v) Social Sciences and/or Anthropology; vi) Business Management; or vii) Other relevant related fields	Graduate in Plantation Industry Management
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	9 years working experience in estate management.

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Requirement	Qualifications
process. (e.g., sustainability, palm oil management; agriculture, ecology; social science)	
Attended the MS 2530 series of standards training	Successfully completed MSPO Lead auditor training course
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.	Has conducted 6 MSPO and equivalent sustainability certification (MSPO) as lead auditor in training
A good knowledge in handling and evaluating sources of information and data. Able to communicate in Bahasa Malaysia or any other local language.	Able to communicate in Bahasa Malaysia, and English languages.
Field working experience in the palm oil sector, or demonstrable equivalent	9 years working experience in estate management.
Health and safety auditing on the farm and in processing facilities, for example ISO 45001 or Occupational, Health & Safety Assurance System	Successfully completed Lead Auditor Course ISO 45001:2018
Worker welfare issues and social auditing experience, for example with SA8000 or related social or ethical accountability codes	Successfully completed SA8000 Basic Training and 1 year auditor for RSPO and MSPO scheme
Environmental and ecological auditing, for example experience with organic agriculture, ISO 14001 or Environmental Management Systems (EMS) or High Conservation Value (HCV)	Successfully completed EMS ISO 14001: 2015 Lead Auditor training.

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	Mohamad Norhisham Bin Mohd Salleh	Graduate in Agrobiology	Yes
	Sheron, Pui Ling Wui	Graduate in Medical Science (Life science)	Yes
	Muhammad Khairul Anuar Bin Azizul Hasan	Graduate in Plantation Industry Management	Yes
	Ariff Bin Lokman	Graduate in Plantation Industry Management	Yes

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Requirement	Assessor	Qualification	Compliance
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)	Mohamad Norhisham Bin Mohd Salleh	5 years working experience in palm oil estates.	Yes
	Muhammad Khairul Anuar Bin Azizul Hasan	7 years working experience in palm oil estates.	Yes
	Ariff Bin Lokman	6 years working experience in palm oil estates.	Yes
Attended the MS 2530 series of standards training	Mohamad Norhisham Bin Mohd Salleh	Successfully completed MS 2530 Lead auditor training course	Yes
	Sheron, Pui Ling Wui	Successfully completed MS 2530 Lead auditor training course	Yes
	Muhammad Khairul Anuar Bin Azizul Hasan	Successfully completed MS 2530 Lead auditor training course	Yes
	Ariff Bin Lokman	Successfully completed MSPO Lead auditor training course	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.	Mohamad Norhisham Bin Mohd Salleh	Qualified as auditor base on audit log.	Yes
	Sheron, Pui Ling Wui	Qualified as auditor base on audit log.	Yes
	Muhammad Khairul Anuar Bin Azizul Hasan	Qualified as auditor base on audit log.	Yes
	Ariff Bin Lokman	Qualified as auditor base on audit log	Yes
A good knowledge in handling and evaluating sources of information and data. Able to communicate in Bahasa Malaysia or any other local language.	Mohamad Norhisham Bin Mohd Salleh	Bahasa Malaysia, English	Yes
	Sheron, Pui Ling Wui	Bahasa Malaysia, English and Mandarin.	Yes
	Muhammad Khairul Anuar Bin Azizul Hasan	Bahasa Malaysia, English	Yes
	Ariff Bin Lokman	Bahasa Malaysia, English	Yes
Field working experience in the palm	Mohamad Norhisham	5 years working	Yes

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Requirement	Assessor	Qualification	Compliance
oil sector or demonstrable equivalent	Bin Mohd Salleh	experience in palm oil estates.	
	Muhammad Khairul Anuar Bin Azizul Hasan	7 years working experience in palm oil estates.	Yes
	Ariff Bin Lokman	6 years working experience in palm oil estates.	Yes
Health and safety auditing on the farm and in processing facilities, for example ISO 45001 or Occupational, Health & Safety Assurance System	Mohamad Norhisham Bin Mohd Salleh	Successfully completed Lead Auditor Course ISO 45001:2018	Yes
	Sheron, Pui Ling Wui	Successfully completed Lead Auditor Course ISO 45001:2018	Yes
	Muhammad Khairul Anuar Bin Azizul Hasan	Successfully completed Lead Auditor Course IMS 9001,14001,45001	Yes
	Ariff Bin Lokman	Successfully completed Lead Auditor Course IMS 9001,14001,45001	Yes
Worker welfare issues and social auditing experience, for example with SA8000 or related social or ethical accountability codes	Mohamad Norhisham Bin Mohd Salleh	Successfully completed Basic SA 8000 training and qualified as RSPO and MSPO sustainability auditor.	Yes
	Sheron, Pui Ling Wui	Successfully completed Basic SA 8000 training and qualified as RSPO and MSPO sustainability auditor.	Yes
Environmental and ecological auditing, for example experience with organic agriculture, ISO 14001 or Environmental Management Systems (EMS) or High Conservation Value (HCV)	Mohamad Norhisham Bin Mohd Salleh	Successfully completed EMS ISO 14001: 2015 Lead Auditor training.	Yes
	Sheron, Pui Ling Wui	Successfully completed EMS ISO 14001: 2015 Lead Auditor training.	Yes
	Muhammad Khairul Anuar Bin Azizul Hasan	Successfully completed Lead Auditor Course IMS 9001,14001,45001	Yes
	Ariff Bin Lokman	Successfully completed Lead Auditor Course IMS 9001,14001,45001	Yes

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2. METHODOLOGY

The audit approach consists of the following steps:

- Contract review;
- Appointment of team members and technical reviewer;
- 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
- Peer review
- Address Peer Review Comments (if any)
- Final approval and issuance of certificate.

Stage 2-Certification Audit

The certification audit 2 is conducted on 19/12/2018 to 20/12/2018 covers the following activities but not limited to below:

- Onsite inspection, observations and inspections of mill facilities such as process, workshops, stores, wastewater treatment system, waste handling and disposal sites, workers and staff living quarters, receiving and delivery of products for compliance to relevant Principles & Criteria of the applied standard;
- Interview operation personnel for understanding for the work assigned;
- Reviewed revised and updated documentation established and implemented;
- Operating records;
- Training records;
- Reports established;
- Work plans established;
- Review and closed out of non-conformance raised during stage 1 audit;
- Assessment reporting;

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On-site Assessment

The audit of the mill is conducted according to the MS 2530-4: 2013 Part 4: General principles for palm oil mills.

The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes, interviews of stakeholders, communities, staff, workers and their families, review of documentation and data. Checklists and questionnaires are used to guide the collection of information. The comments made by external stakeholders are taken into account in the assessment.

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 and Minor as well as Observations (OBS) may be raised during the audit.

Major non-conformance shall be addressed and responded with 60 days from closing date of audit. All minor non-conformances will required submission of action plan for acceptance within 30 days from closing date of audit..Implementation of Minor NCs and OBS will be review and verify during the next audit.

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3. ORGANISATION INFORMATION

Syarikat Kretam Mill Sdn Bhd (SKM) is the subsidiary of Kretam Holdings Bhd located at Bode estate, Sandakan Sabah.

SKM met Malaysia Palm Oil Board licensing requirement. The mill began operation in 1980 with an operating capacity of 60 MT per hour.

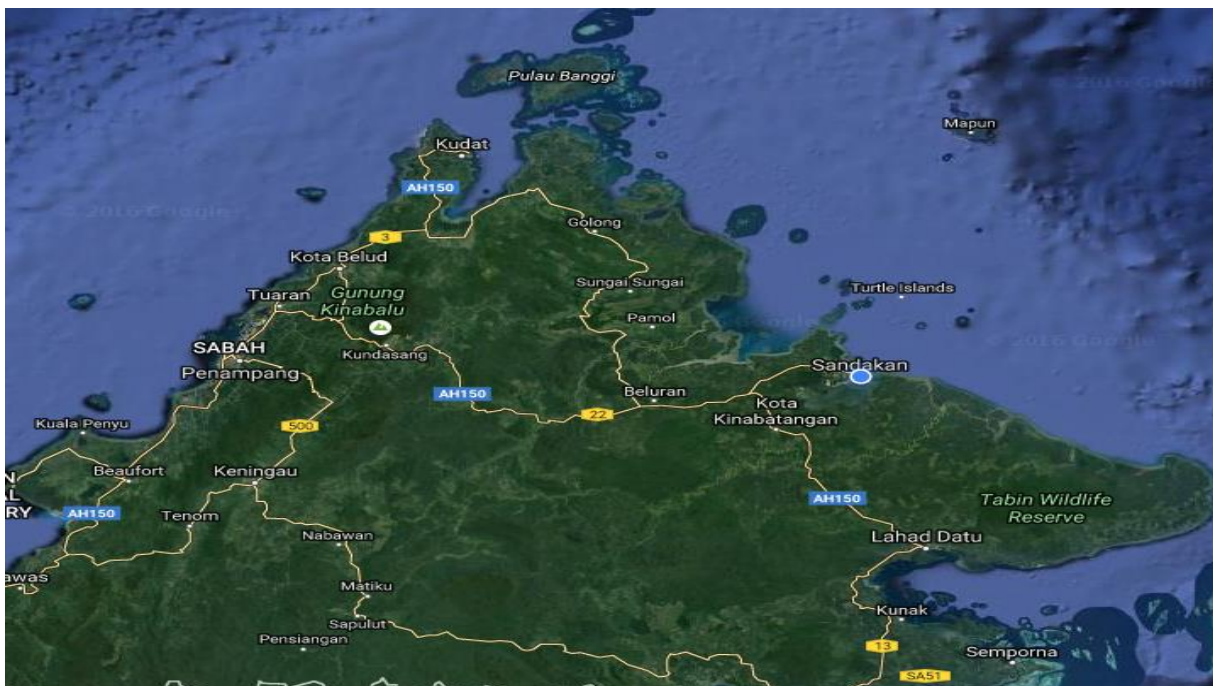
SKM has implement a biogas power plant of 1 MW is commissioned in 2018 generating renewable energy using POME from the mill and supply power to adjacent Bode estate compound, mill and housing compound.

Name of Mill	Location	Coordinates
Syarikat Kretam Mill Sdn Bhd	Off KM 45, Sandakan – Lahad Datu Highway, Sandakan, Sabah	E117° 50' 15", N05° 39' 25"

3.1. Production volume

Volume for the past year Jan 2017 to Dec 2017 (mt)			Actual volumes Jan 2018 to Dec 2018 (mt)			Projected volume Jan 2019 to Dec 2019 (mt)		
FFB	CPO	PK	FFB	CPO	PK	FFB	CPO	PK
149,129.07	31,186.31	6,388.61	172,731.42	35,809.46	7,507.03	189,000.00	41,580.00	8,505.00

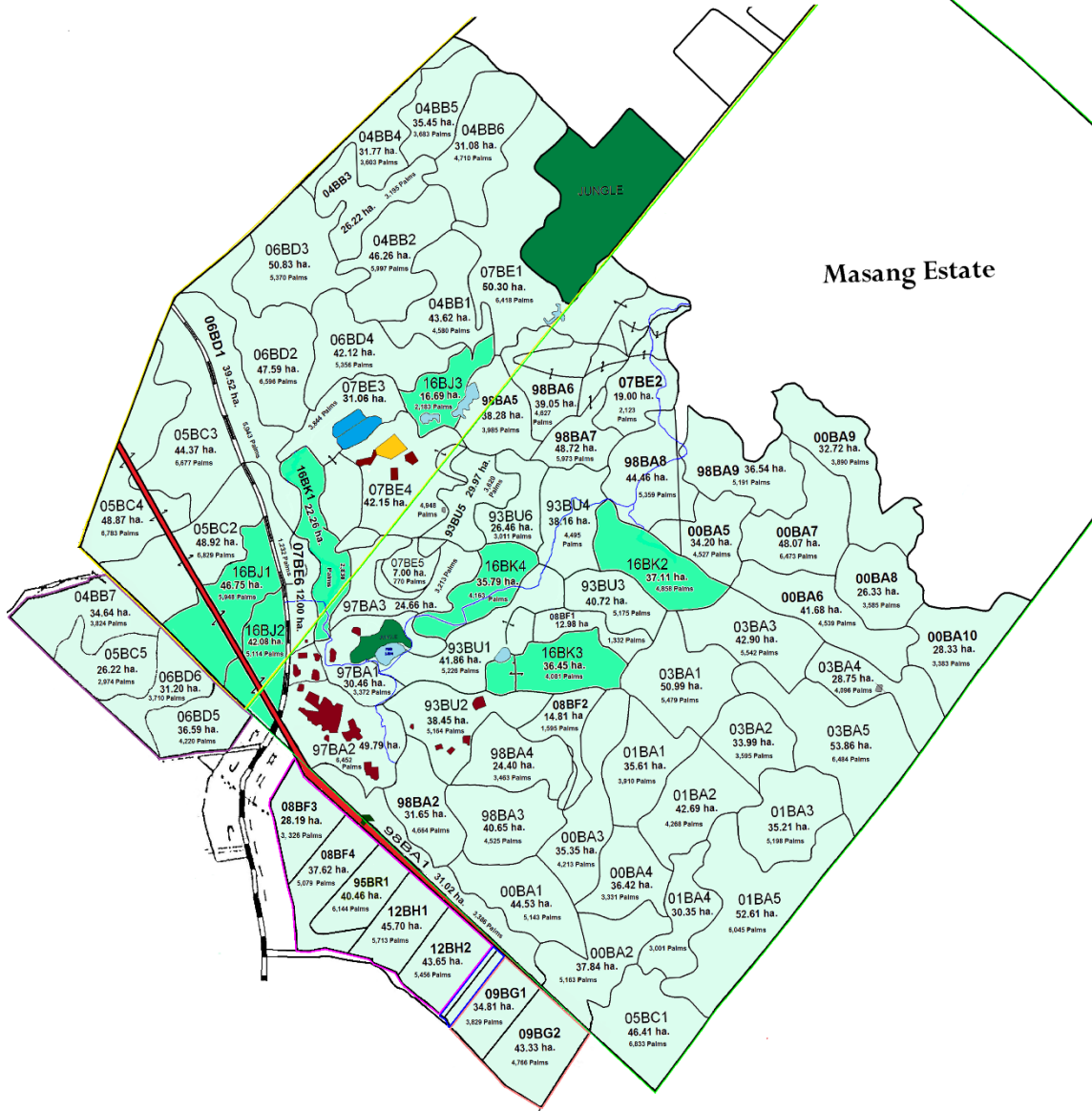
3.2. Maps of Company and Mill Location



Sabah Map

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Kretam Mill in Bode estate.

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4. CERTIFICATION ASSESSMENT

4.1. Certification Audit

The objective of the certification audit is to assess the activities of the mill is in compliance with MS 2530-4: 2013 Part 4: General principles for palm oil mills.

The audit findings raised in this audit are addressed in Section 4.4 of this audit report. For details of the assessment, refer to the summary in this report.

.Stage 2-Certification Audit

According to the Certification Scheme, operators who have obtained at least one international sustainability schemes for e.g. ISCC, and RSPO certification are exempted from Stage I audit.

Therefore, in this aspect, Syarikat Kretam Mill Sdn Bhd is RSPO P&C certified therefore, exempted from Stage I audit.

The audit team has applied the Malaysian Sustainable Palm Oil Part 4: General principles for oil palm mills audit guidance to assess the established documents against the Principles and Criteria of the standard.

4.1.1. Stage 2-Certification Audit

The certification audit is conducted on 19/12/2018 to 20/12/2018 covering Kretam mill.

There are no findings raised during this audit.

4.2. Stakeholders' Consultation

TUV NORD (Malaysia) Sdn. Bhd., has published the public notification on 08/11/2018 to obtain feedback and comments. As at audit date on 19/12/2018 to 20/12/2018 there are no comments received.

Invitation letters are sent on 08/12/2018 to invite relevant stakeholders to attend a local stakeholder consultation on 17/12/2018 conducted together with the estates 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:

1. Introduction of Syarikat Kretam Mill applying for MSPO certification.
2. Development of oil palm plantations by Syarikat Kretam Mill.
3. Community service and support provided by Syarikat Kretam Mill.
4. Local communities' development.

The following relevant Principles & Criteria of the applied standard have discussed during the stakeholders' consultation:

1. Principle 2 Criteria 2 Indicator 1: Consultation and Communication with stakeholders:
The stakeholders could confirm they have attended meetings with Kretam Mill personnel on MSPO certification.

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2. Principle 4 Criteria 2 Indicator 3 & 4: A complaint form should be made available at the premises, where employees and affected stakeholders can make a complaint

The stakeholders' advice they have been informed a logbook and form is available to lodge any complaints or suggestions is available at the office.

3. Principle 4 Criteria 3 Indicator 1: Contribute to local development in consultation with the local communities.

The stakeholders could confirm SKM has provide assistance and support to communities.

4. Principle 6 Criteria 4 Indicator 1: Where contractors are engaged, they shall understand the MSPO requirements and shall provide the required documentation and information

The stakeholder who provides maintenance and service could confirm briefing on MSPO requirements have been provided.

TUV NORD (Malaysia) Sdn. Bhd. has published the public notification on 08/12/2018 as to accommodate stakeholder's consultation meeting for Syarikat Kretam Mill Sdn Bhd.

There no issues raised during the stakeholder's consultation in terms of tenure and/or land use rights, social or environmental aspects of management and operations that need to be addressed by the certified unit. 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.

Items	Subject discussed	Audit team findings	Company response and proposed action to be taken
1	Any information from Company in regards to the MSPO audit?	During the interview with the stakeholders, they are aware of MSPO audit and aware of Kretam mill involvement in MSPO certification.	Kretam mill committed to the MSPO requirement
2	Social context	No social issue raised during the stakeholders meeting.	Good comment from the Kretam mill. Provided proper housing and health facilities.
3	Land Title	There is no issue concerning land use rights. Kretam mill is located inside Bode estate.	Kretam mill is located inside Bode estate. Bode estate land title is country leased.
4	Economy / livelihood Is there any impact on livelihood after the introduction of MSPO?	The villagers confirmed that the livelihood have been improved since involved in the palm oil plantation. They acknowledged there is improvement in income since working in the estates and mill.	Kretam mill will continue to support local community.
5	Does MSPO will largely benefits the local	MSPO has largely benefits the local community. There are job	Kretam mill will continue to

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Items	Subject discussed	Audit team findings	Company response and proposed action to be taken
	community?	and contracts opportunities for the local communities.	support local community.
6	Are there any mill practices that affect you?	There is no complaint from the stakeholders on Kretam mill operation practices.	Kretam mill practices have not affected of surrounding stakeholders.
7	Support to smallholders	Kretam mill support the smallholders by receiving their FFBS and send to Abedon mill to process.	Received FFB from surrounding smallholders.

4.3. Summary of Findings

MSPO Principle and sample of the Criteria Assessment Summary

The assessment team conducted 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 were sought for conformity with the MSPO 2530-4. The summary of the assessment can be seen below, where the "Findings/Comments" column reflects the findings in accordance with each criteria and indicator or evidences when non conformity is found,. Summary of the non-conformity can be found below

Principle 1: Management Commitment & responsibility

Criterion By Audit	Summary of Assessment	Compliance
4.1.1	<p>Kretam mill adopted KHB group Sustainability Policy dated 02/01/2018 signed by Chief Executive Officer.</p> <p>Stated in the policy, KHB committed to adhere to all relevant laws, RSPO, ISCC and MSPO certification principles and criteria that will ensure a sustainable future and continuous improvement.</p> <p>Implementation Good Agriculture Practices and Good Manufacturing Practices for business sustainability.</p> <p>The policy is publicly available at the mill noticeboards and KHB website.</p> <p>Sustainability policy training is conducted on 08/11/2018 to workers. Interviews with workers confirmed that they are briefed and understood the policies.</p>	Yes
4.1.2	<p>SKM adopted KHB group Internal audit procedure, Doc no: KHB/G/SOP-49. Rev no: 3, dated 09/02/2018. .</p> <p>Internal audit is conducted quarterly and the latest was conducted on 09/11/2018.</p> <p>The results of the internal audit identify nonconformities and area for improvement. The conformances is major and minor issue. All non-conformities was close timely.</p> <p>Sighted the corrective action plan at the internal audit example: Environmental</p>	Yes

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Principle 1: Management Commitment & responsibility		
Criterion By Audit	Summary of Assessment	Compliance
	Findings: Water Management Plan not sighted Non-confirmation: Major Time-frame: 03/12/2018 The internal audit results are presented in the management review conducted on 09/11/2018.	
4.1.3	SKM conducted management review on 09/11/2018. Management review is conducted quarterly. The minutes of meeting agenda as follows: <ol style="list-style-type: none"> 1. Review of internal audit results. 2. Non- conformities of external audit results 3. Customers feedback 4. Prevention/corrective action. 5. Follow up action 6. Changes on management system 7. Recommendation 8. Improvement of management system. 9. Any other business Management review discuss of improvement of management system example: 2.2.2.1 MSPO Internal Audit Findings: Some training records lack of evidence. From now on, all training records shall provide with evidence of training conducted. Time frame for implementation immediate after training conducted.	Yes
4.1.4	SKM has established the continual improvement program doc no: 8.1.1 dated 30/12/2018. CIP covers topics on environmental, waste reduction, pollution and emissions, social impact, health and safety, legal compliance and transparency. Example for environmental: Improvement action: Install additional flow meter to process & tertiary plant for performance monitoring. Expected Outcome: Reduce water consumption Timeframe: December 2018 Indicator: Water consumption per ton/FFB decrease Responsibility: Mill engineer Status at Review: Waiting for parts SKM has establish SOP Improvement and New Information Procedure Doc. No. SKM/SDK-RSPO-12 rev. 0 dated 01/01/2018 to manage any new technology and improvement of operation process. Sighted construction for boiler stack emissions (Flue gas scrubber system)	Yes

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Principle 1: Management Commitment & responsibility		
Criterion By Audit	Summary of Assessment	Compliance
	to reduce stack emissions to meet DOE requirements. The new boiler scrubber system is included in 2019 CAPEX budget.	

Principle 2: Transparency		
Criterion By Audit	Summary of Assessment	Compliance
4.2.1	<p>SKM has conduct stakeholders consultation jointly with Syarikat Kretam Plantations Sdn Bhd on 11/12/2018.</p> <p>The purpose of the stakeholders' consultation is to provide awareness on MSPO certification that include social, environmental and MSPO requirements.</p> <p>The publicly available management documents are display at notice boards of the mill, security guard house, labour quarters and KHB website.</p>	Yes
4.2.2	<p>SKM I adopted the KHB group SOP Consultation and Communication document no. KHB-HR-P08, Revision 1 effective date 01/08/2018.</p> <p>The purpose of this procedure is to maintaining open and transparent methods of consultation and communication between the employees, estates, mills, local communities and any other affected or interested parties.</p> <p>SKM has established SOP Stakeholder Engagement/ Negotiation effective date 01/04/2015. This procedure include request and response, consultation meeting, and compliance & grievances.</p> <p>Stakeholder consultation indicate the stakeholders are aware of the procedure Consultation and Communication and any information may be request by submitting request form.</p> <p>The Mill Manager is appointed as the mill representative to handle request for information and communication with stakeholders.</p> <p>SKM has established list of stakeholders dated 12/06/2018 that include Government Agencies, Villagers, Internal stakeholders, Transporters, School, Contractors, local communities and neighbors other plantations.</p> <p>Complaint and grievance logbook is review and there are no complaints received as of audit date.</p>	Yes
4.2.3	<p>SKM established SOP on traceability Document No. SKM/SDK-RSPO-15 effective date 01/08/2018.</p> <p>Inspection at ramp for grading according to MPOB guidelines. The process starts from weighbridge and FFBs are checked for quality at the ramp.</p> <p>The mill manager is the appointed person in charge for traceability is Mill Manager.</p> <p>SKM received FFBs from internal estates and smallholders.</p> <p>Internal audit was conducted on 09/11/2018 Is review with no finding raised on traceability.</p> <p>Record for traceability for CPO and PK is reviewed and cross-check information in delivery note against weighbridge and contract.</p>	Yes

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Principle 3: Compliance to legal requirements		
Criterion By Audit	Summary of Assessment	Compliance
4.3.1	<p>SKM has established list of related laws, regulations and guidelines totalling 82 dated 07/08/2018.</p> <p>Example of the related laws implemented are;</p> <ul style="list-style-type: none"> • Minimum Wages 2016 & 2018 • Occupational safety and health regulation 2000 – chemical health risk assessment • Human right commission of Malaysia Act 1999 (Act 597) <p>Training was conducted on 12/01/2018. Interviewed workers understand the laws and regulations applicable for the work place.</p> <p>Mill has established list of relevant licenses, permits and status of validity date. Example</p> <ul style="list-style-type: none"> • Compressor license, doc no PMT-SB/18 10653 and register no SB PMT 387 for Syarikat Kretam Mill Sdn Bhd validity date until 04/06/2019 is checked on 05/03/2018. • Boiler license, doc no PMD-SB/18 16147 and register no SB PMD 2324 for Syarikat Kretam Mill Sdn Bhd validity until 29/11/2019 is checked on 30/08/2018. • MPOB license for Syarikat Kretam Mill Sdn Bhd (Register no: 139092), license no: 500066404000 for activity 'Menjual dan Mengalih FFB, Pk, CPO SPO' valid from 01/12/2018 – 30/11/2019. • License for weighbridge calibration, serial no 20121129 for Syarikat Kretam Mill Sdn Bhd valid until 30/10/2019. • Lesen Berniaga for Syarikat Kretam Mill Sdn Bhd, registered no: R4217/83 regarding the 'Menjual, Membeli dan memproses Kelapa sawit' valid until 31/12/2018. <p>Sighted legal register dated 03/12/2018 for applicable law including land rules, environment, safety and health, human right and others.</p> <ul style="list-style-type: none"> • Environmental Quality (Prescribed premises) (Crude Palm Oil) Order 1977 is applicable to Mill operation. Sighted Jabatan Alam Sekitar license, doc no 003434 dated 25/05/2015. Sighted the quarterly reporting for Regulation 10 (2), file ref no: ASSH/SDK (B) 31/152000/004 date of submission 10/10/2018 • Boiler Man license grade 01, certificate no SB/12/EIS/01/27 dated 15/08/2012 for Boiler Man 1 been appointed under Akta Kilang dan jentera 1967 for operated as Boiler man grade 01. • Boiler Man license grade 02, certificate no SB/16/EIS/01/1 dated 22/02/2016 for Boiler Man 2 been appointed under Akta Kilang dan jentera 1967 for operated as Boiler man grade 01. <p>There is one amendment for new Minimum Wages Order 2018 listed in the register.</p> <p>The Mill Sustainability Executive is the appointed person in-charge to update the legal register.</p>	Yes

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Principle 3: Compliance to legal requirements		
Criterion By Audit	Summary of Assessment	Compliance
4.3.2	SKM is located inside Bode estate. The Bode estate map is review and include the boundary the mill location. Therefore, does not encumber any land use rights of others. Bode estate land title is country leased.	Yes
4.3.3	SKM is located inside Bode estate. Bode estate map is review that include SKM boundary. Therefore, not applicable	Yes

Principle 4: Social Responsibility, health, safety and employment conditions		
Criterion By Audit	Summary of Assessment	Compliance
4.4.1	SKM has conduct Social Impact Assessment (SIA) on June 2015 with review conducted on February 2018. A census is carried out to obtain input into the SIA during the review process to obtain both negative and positive impact and aspects of the mill workers and the surrounding communities. The impacts are reviewed every year as per Annual Social Management Plans to revisit impacts and aspects identified and to measure social performance. Time bound plans are adjusted based on review. Annex 8 of the SIA describes the time bound plan for promoting positive impacts and Annex 9 mitigation of negative impacts. Both the time bound plans describe Social Implication, Long term Monitoring Plan / Action Plan, Person in Charge, Timelines, Status (Will be updated during annual review).	Yes
4.4.2	SKM adopted KHB group procedure Complaint & Grievance dated 01/08/2018 in both English and Bahasa Malaysia languages. The procedure is made available at mill office notice board. The procedure states investigation and resolution within 30 working days. Complaint that resolve internally will refer to arbitration panel and resolved within 30 working days. Two forms are established. Complaint and grievance form and appeal form for use by internal or external stakeholders. SKM has communicated the complaint process and companies policy to all level of work force on 08/11/2018. There are no complaint records found in 2018 until audit date. The complaint box and form are available at the guardhouse. On site interviews of workers they are aware of the complaint process and complaint can be made when required. During stakeholders consultation interviewed stakeholders are informed of the complaint process.	Yes
4.4.3	SKM has provide job opportunities to local communities as mill operators and office staff. SKM contract local community to operate the mill canteen.	Yes

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Principle 4: Social Responsibility, health, safety and employment conditions		
Criterion By Audit	Summary of Assessment	Compliance
	The local communities are allowed to operate stores at the “Pasar Tamu” during monthly payday to increase their income.	
4.4.4	<p>SKM adopted HB group Health and safety policy dated 02/01/2018 signed by Chief Executive Officer.</p> <p>The policy is publicly available at mill and security guard house notice boards and KHB website.</p> <p>From onsite interview of workers at Polishing Plant they understand the policy and work safe requirements. Training was conducted on 08/11/2018.</p> <p>SKM has establish SOP Risk Assessment Doc. No. SKM/SDK-OSH-02 rev 0 dated 05/12/2018 for the purpose to ensure that hazardous work is identified in hazard, risk assessment and risk control measures obtained from the risky work.</p> <p>The SOP list 11 work locations HIRARC</p> <p>Example:</p> <ul style="list-style-type: none"> • OSH-HIRARC-03 (Ramp FFB / Lapangan BTS) <p>To ensure workers are adequately training, SKM conducted training regularly.</p> <p>Example:</p> <p>Training for chemical handling for water treatment plant is provided by chemical supplier on 10/08/2018.</p> <p>Training on Personal Protective Equipment (PPE) conducted on 07/05/2018</p> <p>SDS of chemical used in the process are available at the operation site.</p> <p>Example,</p> <ul style="list-style-type: none"> • Product: PAC-S (Poly Aluminum Chloride) • Molas mass : 216.9 <p>SKM provides appropriate PPEs to all workers according to the HIRARC assessment and CHRA conducted by external approved assessors for each operation.</p> <p>Based on site verification and interviewing workers, PPE provided include safety helmet, dust mask, safety boots, ear plug and hand glove.</p> <p>Sighted issuance records of PPE issue dated 08/10/2018.</p> <p>SKM has established SOP Chemical Handling Doc No HQ/SKM/SDK-QSP-06/F03, Rev No 1 dated 01/04/2013 to manage chemical used in the process and water treatment.</p> <p>A register of the chemicals used is available at the mill office.</p> <p>The mill manager is the appointed Safety & Health Committee Chairman to oversee the safety and health requirements of the mill supported by the group safety officer.</p> <p>SKM conducts OSH meeting on a quarterly basis according to DOSH requirements. Sighted OSH meeting minutes held on 27/03/2018,</p>	Yes

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Principle 4: Social Responsibility, health, safety and employment conditions		
Criterion By Audit	Summary of Assessment	Compliance
	<p>29/06/2018 and 28/09/2018.</p> <p>Topic discuss in the meeting includes safety shoes to be improved for comfortable and long lasting.</p> <p>SKM has established SOP accident reporting Doc No. SKM/SDK-QSP-26/SOP-07 dated 20/03/2014.</p> <p>During site interview of workers they could explain if any emergency happens, they will inform the supervisor immediately according to the SOP requirements.</p> <p>Emergency eye wash stations are available at specific locations in the mill and laboratory.</p> <p>First Aid training is provided to shift supervisors, engineers and selected office staff.</p> <p>First aid kits are available at main work stations such as boiler area, laboratory, water treatment, etc.</p> <p>According to DOSH OSH requirements, records of injuries and accidents must be kept. Permanent injuries or fatal accidents must be reported within 48 hours, injuries with 4 days medical leave must be reported within 7 days and all other injuries of less than 4 days must be reported annually.</p> <p>SKM has submit annual accident report form JKKP 8 Doc No: JKKP 8/9597/2017 to DOSH on 15/01/2018.</p> <p>Example:</p> <p>Minor injury occur on 02/10/2017 during maintenance of electrical motor Based on records, 2 days medical leave was given to the worker.</p> <p>Training on safe lifting conducted on 09/02/ attended by workers.</p> <p>Injury reporting is sighted in the JKKP 8 report submission on 15/01/2018.</p>	
4.4.5	<p>SKM adopted KHB group policies.</p> <ul style="list-style-type: none"> • Social Policy dated 03/01/2017 • Code of conduct and human right policy dated 03/01/2017 • Gender policy dated 07/01/2015 • Sexual harassment policy dated 07/01/2015 <p>All policies are publicly available and displayed at the mill and security gate noticeboards and KHB website in both English and Bahasa Malaysia languages.</p> <p>Policies training conducted on 08/11/2018 for all level of workforce.</p> <p>Social policy training conducted on 21/04/2018 for all female staffs and workers.</p> <p>The Code of Conduct and Human Rights Policy includes a statement provides fair and equal employment opportunities for all employees.</p> <p>SKM adopted KHB group SOP Recruitment and Selection, doc no: KHB-HR-P02 revision number 03 procedure dated 01/12/2014 that describe the recruitment process based on skills, experience and company needs.</p> <p>Both local and foreign workers are provided with a contract agreement, the</p>	No

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Principle 4: Social Responsibility, health, safety and employment conditions		
Criterion By Audit	Summary of Assessment	Compliance
	<p>contract agreement available in English and Bahasa Melayu language</p> <p>Both local and foreign workers are provided with a contract agreement. The contract agreement is in accordance to Sabah Labour Ordinance.</p> <p>SKM has established contract agreement for workers. The contract agreement is in accordance with Sabah Labour Ordinance and Minimum Wage Order 2016.</p> <ul style="list-style-type: none"> • Sighted worker contract agreement for general worker signed on 22/11/2009 • Sighted security guard agreement signed on 22/12/2015. <p>Pay slip for November 2018 is reviewed on the wage paid is according the checkroll for no. of days reporting for work. Overtime for normal working days is at 1.5 times hourly rate..</p> <p>SKM engaged contractors for transporting of CPO. The contractor workers are paid according to minimum wage regulations. The pay slip of contractor workers is reviewed.. Training is provided to contractor workers on MSPO requiremetns and regulation on 08/11/2018.</p> <p>SKM has established workers master list includes full names, gender, DOB, date of entry, wage, period of employment and designation.</p> <p>Workers signed a work contract with SKM with a copy of contract agreement retain by them The work contract states the job task, date of join, wage amount, OT, benefits provided, off days, annual leave, medical leave, annual leave, etc.,</p> <p>Workers time record for reporting to work is using punch card system.</p> <p>SKM operates on 2 shifts. The morning shift is 7 am to 3pm and the afternoon shift is 3pm to 11pm. Each shit observed an hour break. Sighted working hour at the mill notice board.</p> <p>The interviewed workers are aware of the working hours.. .</p> <p>SKM provides free housing with 24 hours water and electricity, free medical service at clinic, workers compensation scheme, Humane school for foreign workers children and local workers children to local government scheme schools, free transport and religious worship place.</p> <p>SKM adopted the industry best practices for living quarters with basic amenities.water, electricity, sport and recreational area and clinic.</p> <p>SKM adopted KHB group Sexual Harassment Policy that states the company view sexual harassment as a serious violation of company rules and regulations and work values. Any employee found guilty of such misconduct will be subject to disciplinary action that may include dismissal.</p> <p>The interviewed workers are aware on the Sexual Harassment Policy.</p> <p>KHB group policy Code of Conduct and Human Rights Policy states "Respect the right of freedom of association" However, there is no union form within KHB group of companies.</p> <p>SKM has establish a Joint Consultative Committee (JCC) as a 2-way communication structure between workers and management. The latest JCC meeting was held on 29/09/2018.</p>	

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Principle 4: Social Responsibility, health, safety and employment conditions		
Criterion By Audit	Summary of Assessment	Compliance
	Onsite observation confirmed there is no workers below age of 18 years, child labour or young person employed by SKM.	
4.4.6	<p>SKM has established training program for the year 2018 dated 05/01/2018. Briefing on MSPO for all employees conducted on 08/11/2018.</p> <p>SKM has establish training need analysis, Doc. No. HQ/SKM/SDK-QSP-06/F01 revision 01 identifying the training for each worker and staff.</p> <p>PPE training for workers conducted on 27/02/2018. Training materials and attendance records maintained in training file.</p>	Yes

Principle 5: Environment, natural resources, biodiversity and ecosystem services		
Criterion By Audit	Summary of Assessment	Compliance
4.5.1	<p>SKM adopted KHB group Environmental Policy dated 2/01/2018 sign by CEO.</p> <p>The policy is publicly display at the mill office and security guard noticeboards and KHB website.</p> <p>The environmental policy objective to minimise the environmental impacts of its operations and understands the importance of conserving natural resources.</p> <p>Policy training has been conducted on 08/11/2018 for all level of workers and staff.</p> <p>SKM has established Environmental Management Plan dated 03/12/2018.</p> <p>The purpose of the plan is to identify the environment impacts and to draw action for continuous improvement. The environment impacts identified exist as a general result of operations of palm oil mill processes</p> <p>The plan describes the compliance to Laws and Regulations. The subscribed legal documents are listed in the plan.</p> <p>Example: Environmental Quality (Clean Air) Regulations 2014 govern emission form burning activities and discharging of air pollutants. For extraction of crude palm oil and palm kernel, biomass is usually burned in steam boiler for steam generation. Hence, palm oil mill shall comply with this regulation.</p> <p>To meet this requirement, SKM has installed stack emissions and smoke density monitoring devices to meet the compliance.</p> <p>The plan includes following:</p> <p>Environmental Risk Assessment</p> <p>Environmental Targets for Environmental Impacts and Aspects for the all mill operations.</p> <p>Example of aspect and impact that has been assess such as;</p> <ol style="list-style-type: none"> Kernel Heating: Impact: Water Quality: 	Yes

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Principle 5: Environment, natural resources, biodiversity and ecosystem services		
Criterion By Audit	Summary of Assessment	Compliance
	<p>Objective: Prevent discharge oil & grease into water source</p> <p>Performance Indicator: Presence of oil & grease in drain discharge</p> <p>Trend: No oil discharge to environment</p> <p>Target 2018: All affected drain install with oil trap</p> <p>Revised target 2019: All oil & grease collected in oil trap.</p> <p>Awareness program to promote positive impact such as recycle program consist of education and briefing awareness to workers. Sighted recycle bins at operational site and housing compound.</p> <p>Environmental policy training conducted on 08/11/2018 to all workers.</p> <p>Latest mill monthly meeting, 'Mesyuarat Ketua Bahagian' dated 30/11/2018 include discussion on environmental matters.</p>	
4.5.2	<p>SKM has established 3 years baseline 2015 to 2017 for diesel consumption.</p> <p>The monitoring of diesel consumption litre/mt FFB for year 2018 (up to Oct) for processing of FFB was compared with the baseline and found to be lower.</p> <p>The actual diesel consumption (liter) is compared against budget for year 2018 is reduced with the implementation of the biogas generators for power generation replacing diesel generators.</p> <p>SKM generate steam for mill process and power generation using fibre and palm kernel shells renewable energy. In addition utilised captured methane replacing diesel for power generation.</p> <p>SKM has established biogas plan with capacity of 1 Megawatt and provided electric for Bode Estate and mill.</p>	Yes
4.5.3	<p>SKM has established Waste Management Plan doc no: SKM/SDK-RSPO-6 revision number 0 dated 01/12/2018,</p> <p>Example of waste identified:</p> <ul style="list-style-type: none"> • Waste Identified: Boiler ash/soot for boiler. • Source: Boiler Waste • Effect to Environment / Social: Produce leachate if mix with rain water; Corrosive to metal • Reduction Plan: Unable to reduce • Recycle / reuse: Road Patching • Treatment / Disposal: Landfill • Monitoring Plan: Log Book • Person-in-charge: Boiler man • Logbook was review for the disposal of boiler ash. <p>Example of reduction plan:</p> <ul style="list-style-type: none"> • Waste Identified: Domestic waste • Source: Workers housing • Reduction plan: Introduce recycle programme and organic fertilizer 	Yes

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Principle 5: Environment, natural resources, biodiversity and ecosystem services		
Criterion By Audit	Summary of Assessment	Compliance
	<p>application.</p> <ul style="list-style-type: none"> Recycle awareness training for housing residence and landfill has been conducted on 21/04/2018. All recycle item were send to Bode estate for recycle. <p>SKM has established SOP Chemical Handling Procedure Doc. No. SKM/SDK-RSPO-18 Rev. 0 dated 15/01/2019 that describes method for empty container shall be returned to supplier for reuse and recycle.</p> <p>SKM has established SOP Scheduled Wastes Procedure Doc. No. SKM/SDK-RSPO-13 Rev.0 dated 01/01/2018.</p> <p>Scheduled waste are disposal through 3rd party DOE licensed collector. Sighted summary of waste collection dated 28/11/2018 for used lubricant oil and used batteries.</p> <p>Domestic wastes are disposed at designated landfill site managed by Bode estate. Landfill site inspected is away from waterways and housing compound. Domestic waste collected twice a week.</p> <p>Waste segregation is practise for reuse and recycle by workers.</p>	
4.5.4	<p>SKM has established Pollution Management Plan dated 03/12/2018.</p> <p>The plan is to assess polluting activities focusing on greenhouse gas (GHG) emissions, particulate, soot emissions, scheduled wastes, solid wastes and effluent</p> <p>Example:</p> <p>Location: FFB Reception</p> <p>Activity: Smoke from FFB transportation</p> <p>Type of Pollution: Green House Gases (GHG), Air pollution and Particulate/ Soot</p> <p>Legal Obligation: No</p> <p>Effect: Permanent</p> <p>Significant: Yes</p> <p>The plan includes following:</p> <ol style="list-style-type: none"> Monitoring of Polluting Activities Future planning <p>POME is treated using a biodigester to capture methane for power generation. The outflow of treated POME from the biodigester with further treatment using aerobic ponding system with aerators before final discharge for land application. Monthly testing of discharged wastewater by 3rd party laboratory to meet DOE discharge limits.</p> <p>The test results dated 08/11/2018 is review and found below permissible limit.</p>	Yes
4.5.5	<p>SKM has established Water Management Plan Document No. SKM/SDK-RSPO-02 revision no. 1 effective date 01/12/2018.</p> <p>The plan includes identification of water sources and extraction points, water storage and treatment, water consumption, water quality analysis</p>	Yes

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Principle 5: Environment, natural resources, biodiversity and ecosystem services		
Criterion By Audit	Summary of Assessment	Compliance
	<p>and rainfall data.</p> <p>The source of water for the mill operation and domestic usage is from the water catchment pond as identify in the plan.</p> <p>SKM has establish 2018 monthly water consumption for mill operation and domestic usage that including ton of water per ton of FFB.</p> <p>SKM Water Management Plan describes monitoring of outgoing water to ensure no contaminated or polluted water is discharge into water ways.</p> <p>Oil traps are implemented to capture spilled oil from operation or workshop are monitored weekly and records of cleaning maintained.</p> <p>Treated water from the wastewater treatment system are tested monthly to meet DOE discharge requirements. The tests is conducted by external 3rd party laboratory.</p> <p>Sighted test report results that meet DOE discharge limits for Sabah.</p> <p>The water management plan identify reduce water usage method such as capture the steam from the boiler and recycle back into the system to reduce water wastage and discharge to drains.</p> <p>SKM practices rainwater harvesting for both housing and mill to optimize water usage.</p> <p>SKM has establish biogas system to capture methane from POME for power generation. The treated POME from the biogas system is further treated before discharge for land application at Bode estate.</p>	

Principle 6: Best Practices		
Criterion By Audit	Summary of Assessment	Compliance
4.6.1	<p>SKM has established a list of SOPs for all operations processes.</p> <p>Example:</p> <p>SOP Procedure for Processing of FFB, document number SKM/SDK-QSP 15 revision number 4 dated 08/06/2015.</p> <p>Safety & Health Procedure, Doc no: SKM/SDK-QSP-26, rev no: 4, effective date 01/11/2016.</p> <p>SOP covering work permit- working at water reservoir or effluent pond. All monitoring done by log sheet/book.</p> <p>Work permit- working at water reservoir or effluent pond. Doc no: SKM/SDK-QSP-26/F06, effective date 20/03/2014. Step of safety on working at POME example provide PPE to workers.</p> <p>Tool box briefing conducted periodically as part of process in ensuring workers understand their job.</p> <p>Example tool box briefing conducted on 21/08/2018 for PPE usage.</p> <p>SKM adopted industry milling practices such as environmental control on stack emissions, treatment of POME, annual inspection by DOSH to meet safe operation requirements and provide appropriate PPEs to workers.,</p>	Yes

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Principle 6: Best Practices		
Criterion By Audit	Summary of Assessment	Compliance
4.6.2	<p>SKM has established Long Term Plan & Financial Projection for seven years (2017 – 2023).</p> <p>The financial projection include:</p> <ol style="list-style-type: none"> 1. Revenue from sales of CPO, PK and other income. 2. Operating cost for purchase of FFB, processing and overhead costs. 3. Expenditure for levy, taxes, transport costs, new improvement for environmental control, safety and social. <p>The projection is review annually for any changes..</p>	Yes
4.6.3	<p>Pricing for CPO and PK was based on contract agreement which was mutually agreed by both parties (buyer and Abedon Palm Oi Mill).</p> <p>Contract agreement for transport services sighted and reviewed that include type of service rates, terms and conditions that is agreed and signed t by both parties.</p> <p>Payment made on rate agreed by both parties stated in the agreement.</p>	Yes
4.6.4	<p>Sighted agreement between SKM and transport contractor for carriage of palm oil & palm kernel dated 02/01/2018 signed by both parties.</p> <p>The agreement includes following:</p> <ol style="list-style-type: none"> 1. Contractor must fulfill SKM RSPO, MSPO, ISCC and other certification systems requirements; 2. Subject to audit by SKM certification auditors <p>Policies briefing conducted on 01/10/2018 to the transport contractors.</p> <p>Kretam Mill has conducted the briefing on safety & health ISO, RSPO, SCC, MSPO procedure and company policies dated 01/10/2018.</p>	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 corrections and corrective actions have been implemented to address the identified audit findings. Details of the follow up action taken on stage 1 audit findings were recorded in the Stage 1 audit report.
	The last audit results of this system have been reviewed, in particular to assure appropriate corrections and corrective actions have implemented to address any nonconformity identified.
	The last audit results of this system have been reviewed, in particular to assure appropriate corrections and corrective actions have not been implemented effectively. The non-conformity will be re-raised.
x	Not applicable. No stage 1 conducted.
<p>Note 1: If a minor non-conformity raised in last audit is not closed out or repeated, then the finding shall be raised to a Major non-conformity.</p> <p>Note 2: All minor NCs raise in last audit are required to be capture in this report together with the closing of the non-</p>	

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compliance.

Note3: All major NCs raise in last audit are required to be verify for effective implementation. Otherwise will lead to suspension of certificate.

4.5. Detail of Audit Findings Identified During This Audit

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

AUDIT OUTCOME	
MAJOR Non-Conformities	0
MINOR Non-Conformities	0
OBSERVATION	0

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5. CONCLUSION

Syarikat Kretam Mill Sdn Bhd has commissioned TUV NORD (Malaysia) Sdn Bhd to conduct Stage 2 audit for its mill according to MSPO 2530-4:2013 Part 4 General principles for palm oil mills.

The no raised in this audit.

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 certification audit have provided to TUV NORD Malaysia with sufficient evidence on the fulfilment of the applied standard Principles & Criteria.

In conclusion the certified unit has established and implemented in managing the mill are in line with the Principles & Criteria of the applied standard of MS 2530-4:2013. Part 4.

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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.

The structure of the audit was in accordance with the audit plan included in to this summary report.

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 products and/or services within the scope and the organisation's policy and objectives.

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

<input checked="" type="checkbox"/>	Recommended for Certification
<input type="checkbox"/>	Recommended for Continuity of Certification
<input type="checkbox"/>	Recommended for Suspension of Certification

Puchong, 14/03/2019

Zul Hairi Bin Abu Hassan
TUV NORD (Malaysia) Sdn Bhd
Team Leader

Puchong, 14/03/2019

Cheong Chun Yuen (Robert)
TUV NORD (Malaysia) Sdn Bhd
Certifier / Approver

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7. REFERENCES

Table 7-1: List of Interviewed Persons and Stakeholders

No.	Name	Organisation / Function
1.	Dr. Edwin Bosi	Sabah Veterinary Supply
2.	Mohd Shah Fikri B. Rosli	Sabah Forestry Department
3.	Masran Bin Hasim	S.K Ldg Bode Kertam
4.	Lo Ken Jun	Harimaju Plt Sdn Bhd
5.	Low Yuan Loon	Low Seng Weng Dev. Co (contractor)
6.	Jimli Perijin	Sabah Wildlife
7.	Aidde Jumali	Sabah Wildlife
8.	N. Azlan Shah B. Jamaluddin	BOMBA
9.	Dian Haril Shah B. Hamzah	BOMBA

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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 or 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