



MSPO CERTIFICATION SUMMARY REPORT

KRETAM HOLDINGS BHD – SYARIKAT
KRETAM PLANTATIONS 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 Plantations Sdn Bhd
Client Number: 92-062
Audit Type: Stage 2 - Certification Audit



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Abbreviations

CHRA	Chemical Health Risk Assessment
CPO	Crude Palm Oil
CSR	Corporate Social Responsibility
CIP	Continues improvement Plan
DOE	Department of Environment
EFB	Empty Fruit Bunch
EIA	Environment Impact Assessment
ERT	Endangered Rare and Threatened species
FFB	Fresh Fruit Bunch
GPS	Global Positioning System
HBV	High Biodiversity Value
HREP	Head of Research Environmental Protection
IPM	Integrated Pest Management
KHB	Kretam Holdings Berhad
MPOB	Malaysian Palm Oil Board
MT	Metric Tonnes
NC	Non Conformity
OSH	Occupational Safety and Health
PPE	Personal Protective Equipment
SA8000	Social Accountability 8000
SDS	Safety Data Sheet
SEM	Sr. Estate Manager
SIA	Social Impact Assessment
SKPSB	Syarikat Kretam Plantations Sdn Bhd
SOP	Standard Operating Procedure
WHO	World Health Organization

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1. INTRODUCTION

Syarikat Kretam Plantations Sdn Bhd (SKPSB) has commissioned TUV NORD (Malaysia) Sdn Bhd to conduct an initial certification audit for oil palm estates according to MS 2530-3:2013 Part 3 General principles for Plantations and Organised Smallholders.

1.1. Objective

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

1.2. Scope

The certification is based on the documentation established and implemented by the group office and estates.

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 MSPO 2530-3:2013 Part 3 General principles for Plantation and Organised Smallholders.

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 3: General Principles for Plantation and Organised Smallholders audit guidance

1.3. Appointment and qualification of team members

The audit team consists of one team leader and 4 team members are appointed. The onsite the team review documents, onsite inspection, interviews, assessment the project activity and preparation of the 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 /	9 years working experience in estate management.

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Requirement	Qualifications
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)	
Attended the MS 2530 series of standards training	Successfully completed MSPO Lead auditor training course MS 2530
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 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.
Good Agricultural Practices (GAP), and Integrated Pest Management (IPM), pesticide and fertilizer use	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	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

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Requirement	Assessor	Qualification	Compliance
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
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 MSPO Lead auditor training course	Yes
	Sheron, Pui Ling Wui	Successfully completed MSPO Lead auditor training course	Yes
	Muhammad Khairul Anuar Bin Azizul Hasan	Successfully completed MSPO 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	Mohamad Norhisham Bin Mohd Salleh	Bahasa Malaysia, English	Yes
	Sheron, Pui Ling Wui	Bahasa Malaysia, English and Mandarin.	Yes

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Requirement	Assessor	Qualification	Compliance
Bahasa Malaysia or any other local language.	Muhammad Khairul Anuar Bin Azizul Hasan	Bahasa Malaysia, English	Yes
	Ariff Bin Lokman	Bahasa Malaysia, English	Yes
Field working experience in the palm oil sector, or demonstrable equivalent	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
Good Agricultural Practices (GAP), and Integrated Pest Management (IPM), pesticide and fertilizer use	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
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

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Requirement	Assessor	Qualification	Compliance
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

Certification audit is conducted on 17/12/2018 to 20/12/2018 covers the following activities but not limited to below:

- Onsite visit, observations and inspections of estate facilities and field activities;
- Interview operation personnel and field workers for understanding for the work assigned;
- Reviewed revised and updated documentation established and implemented;
- Operating records;
- Training records;
- Reports established;
- Work plans established;
- Stakeholders consultation meeting;
- 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 estates is conducted according to the MS 2530-3:2013 Part 3 for Plantation and Organised Smallholders.

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.

For the Stage 2 certification audit, the selected estates is based on the formula $S = 0.8\sqrt{n}$ where S = sample size and n = number of estates which is in accordance to MSPO certification procedure.

Based on the formula, the sample size for the estate $S = 0.8\sqrt{4}$ is 1.6, therefore round up to the next integral of 2 estates. Thus, a total of 2 estates are selected for the onsite assessment and inspection as listed in Table 2-1 below:

Table 2-1: List of Estates Selected

Name of Estate	Coordinates
Bode estate	E 117°49'54.0" N 05°38'37.3"
Bukit Sekong estate	E 117°55'29.0" N 05°35'49.0"

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

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

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3. ORGANISATION INFORMATION

Syarikat Kretam Plantations Sdn Bhd (SKPSB) is a subsidiary of Kretam Holdings Bhd located at Sandakan.

The details of the 4 estates as below:

Name of Estate	Location/Address	Coordinates
Bode estate	Off Mile 44, Sandakan-Lahad Datu Highway, Sandakan, Sabah	E 117°49'54.0" N 05°38'37.3"
Bukit Sekong estate	Off Mile 57, Sandakan-Lahad Datu Highway, Sandakan, Sabah	E 117°55'29.0" N 05°35'49.0"
Masang estate	Off Mile 44, Sandakan-Lahad Datu Highway, Sandakan, Sabah	E 117°51'55.8" N 05°39'47.3"
Sapagaya estate	Off Mile 60, Sandakan-Sukau Road, Sandakan, Sabah	E 118°01'06.3" N 05°34'52.9"

3.1. Production volume

Name of Estate	Area (Ha)		Projected FFB Production (mt) (January 2019 to December 2019)
	Total	Total planting/production	
Bode estate	3,472.41	2,811.62	55,000.00
Bukit Sekong estate	954.66	866.86	5,500.00
Masang estate	3,178.62	2,936.18	61,000.00
Sapagaya estate	3,049.77	2,998.18	66,000.00
Total:	10,655.46	9,612.84	187,500.00

*includes productive and non-productive area (infrastructures, conservation, HCV, housing & office compound use, set aside area etc.)

**Immature + Mature Area

3.2. Planting Program for Each Estate

Year estate /	Bode estate	Bukit Sekong estate	Masang estate	Sapagaya estate
1995	40.46	-	-	-
1996	-	-	-	-
1997	102.03	-	24.14	-
1998	334.77	-	-	-
1999	-	-	40.43	203.22
2000	365.47	61.45	68.87	-
2001	196.47	-	292.19	445.24
2002	-	-	51.12	-

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2003	210.49	-	10.51	135.71
2004	249.04	-	237.81	193.79
2005	214.64	-	247.14	232.01
2006	246.34	-	-	286.66
2007	158.03	-	215.63	288.20
2008	90.90	-	-	275.74
2009	78.14	-	-	294.25
2010	-	-	312.41	252.47
2011	-	-	384.70	197.99
2012	89.35	194.72	238.48	192.90
2013	-	-	324.68	-
2014	-	-	131.45	-
2015	-	156.55	80.55	-
Total Mature	2,376.13	412.72	2,660.11	2,998.18
2016	123.94	240.55	-	-
2017	101.63	213.59	-	-
2018	209.92	-	145.61	-
2019	-	-	130.46	-
Total Immature	435.49	454.14	276.07	-
Total Oil Palm	2,811.62	866.86	2,936.18	2,998.18

3.3. Replanting program for each estate

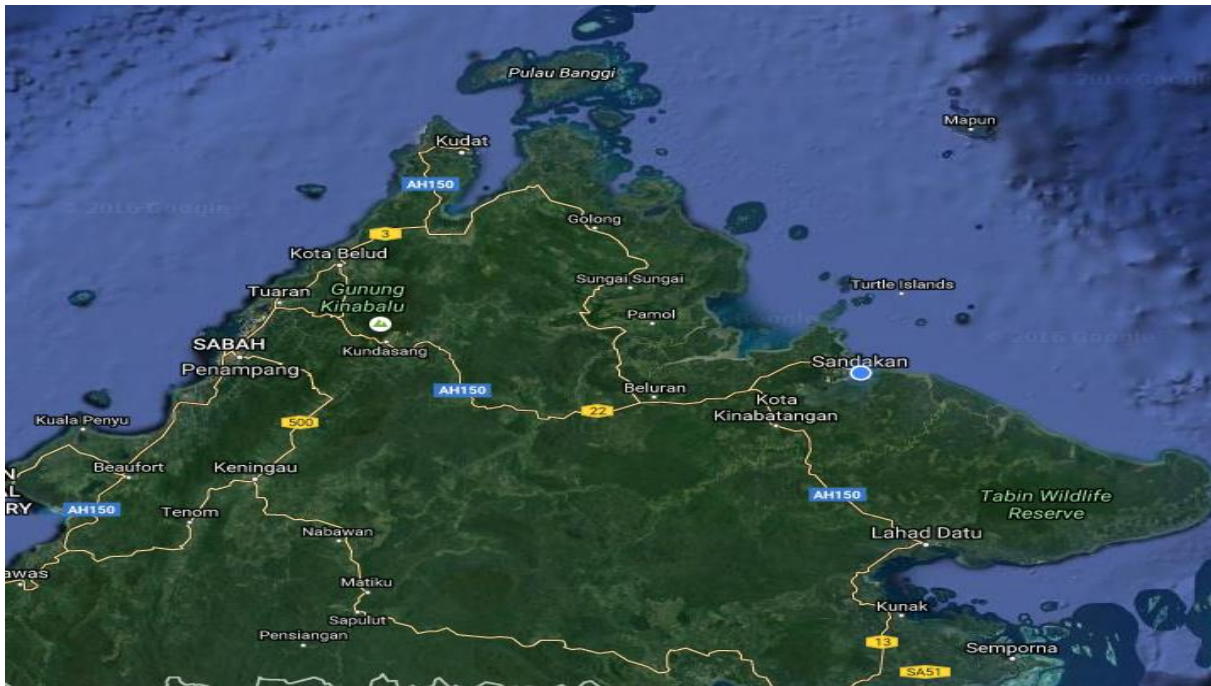
Year of replanting/ Name of estate	Planted area (ha) in each estate					Total area to be replanted (ha)
	2019	2020	2021	2022	2023	
Bode	170.92	-	187.62	647.29	-	1005.83
Bukit Sekong	-	-	-	-	-	-
Masang	130.46	-	24.14	109.30	-	263.90
Sapagaya	-	-	-	-	-	-
TOTAL	301.38	-	211.76	756.59	-	1269.73

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3.4. Maps of Company Location, Plantations and Organised Smallholders



Sabah Map

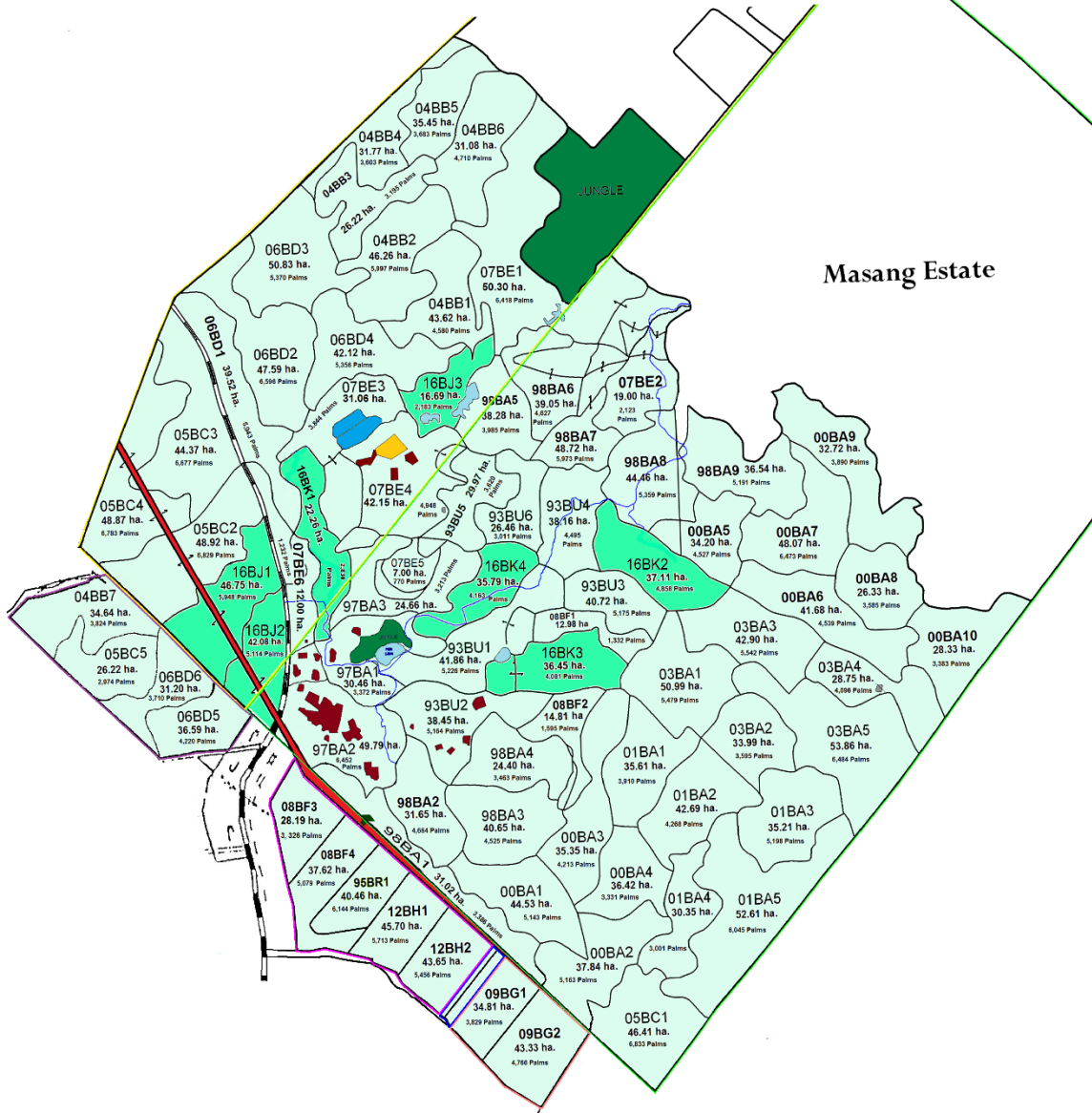
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Bode Estate

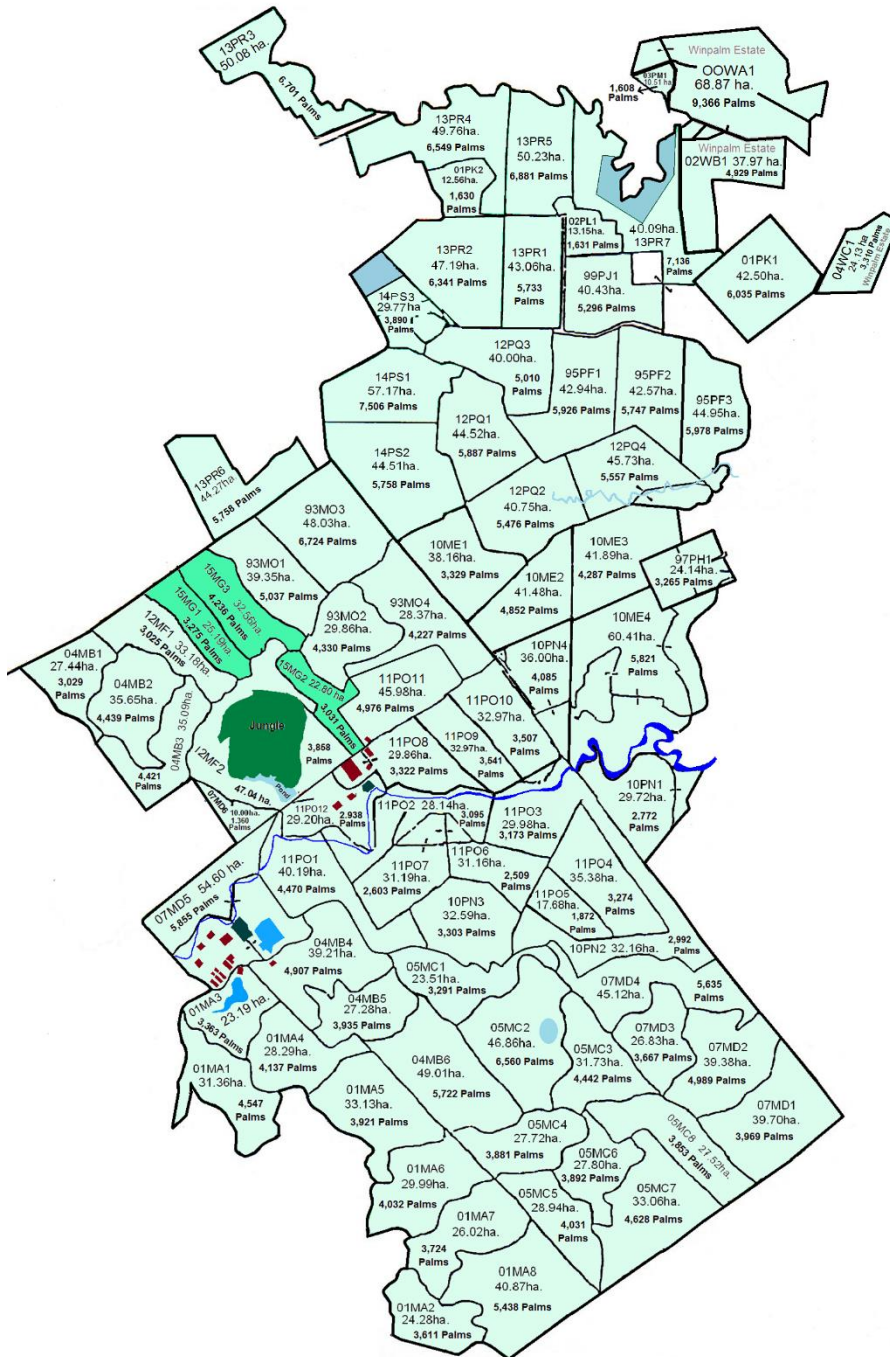
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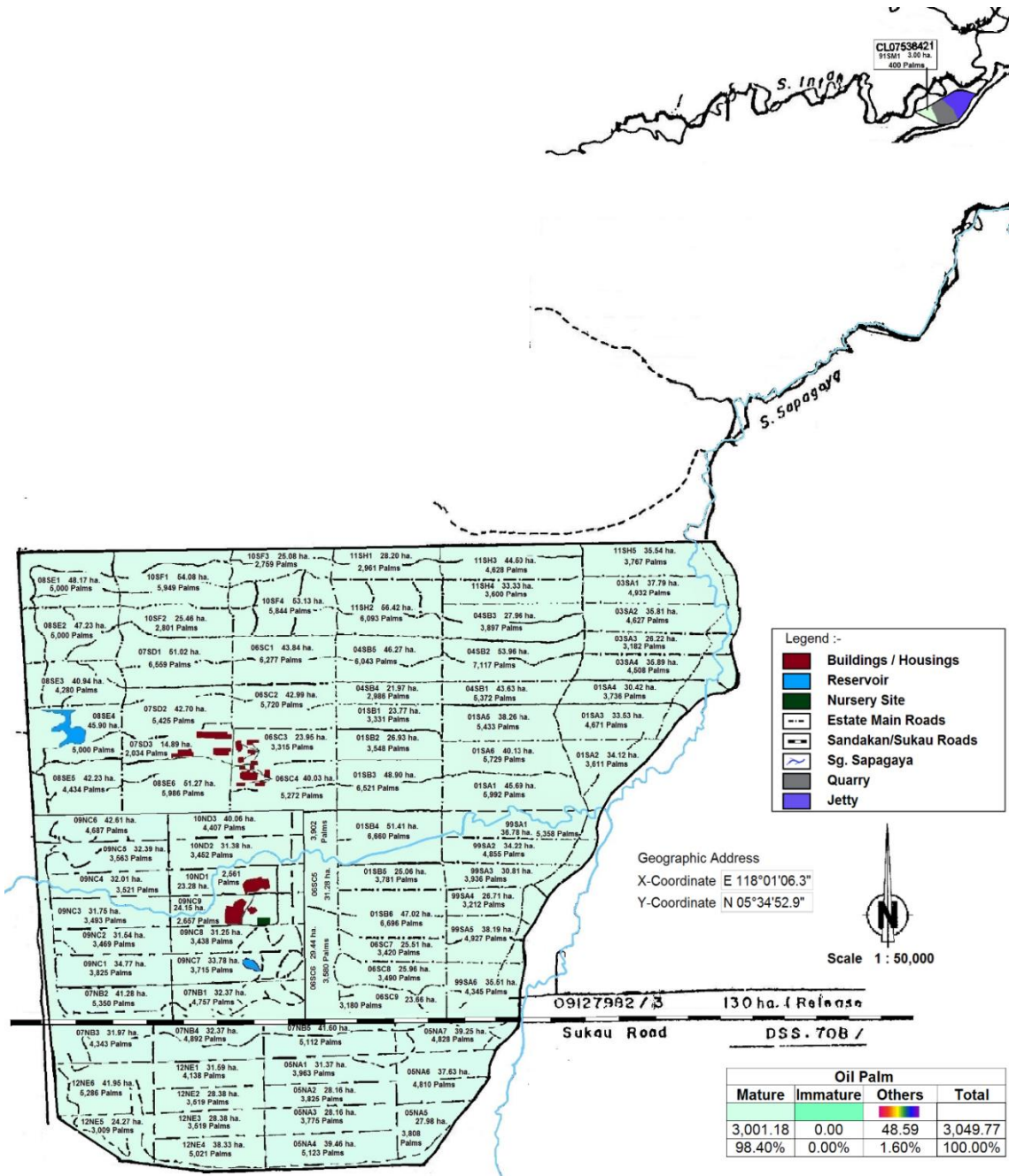
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Masang Estate

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Sapagaya Estate

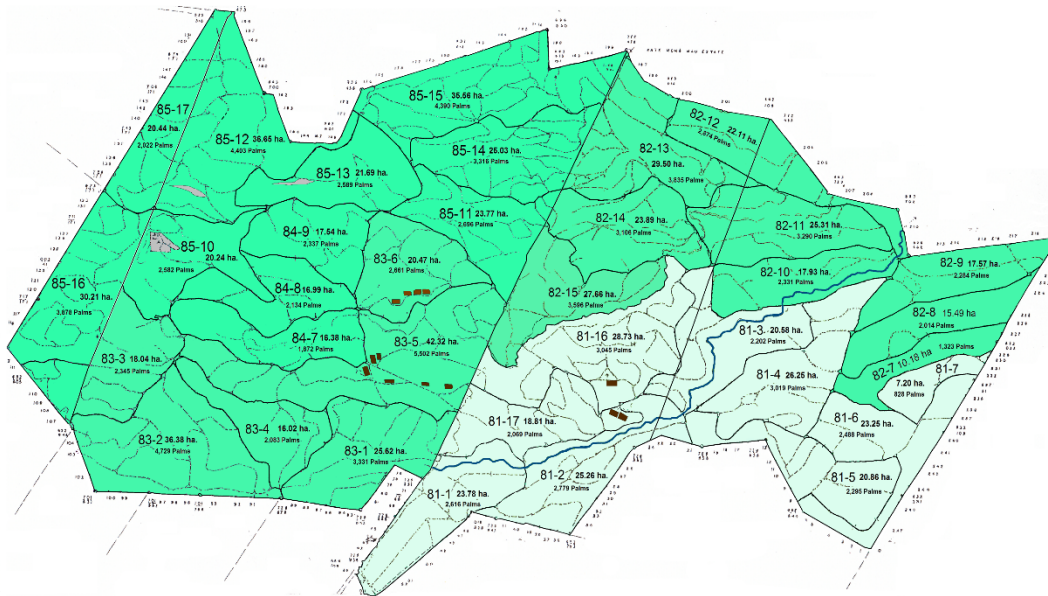
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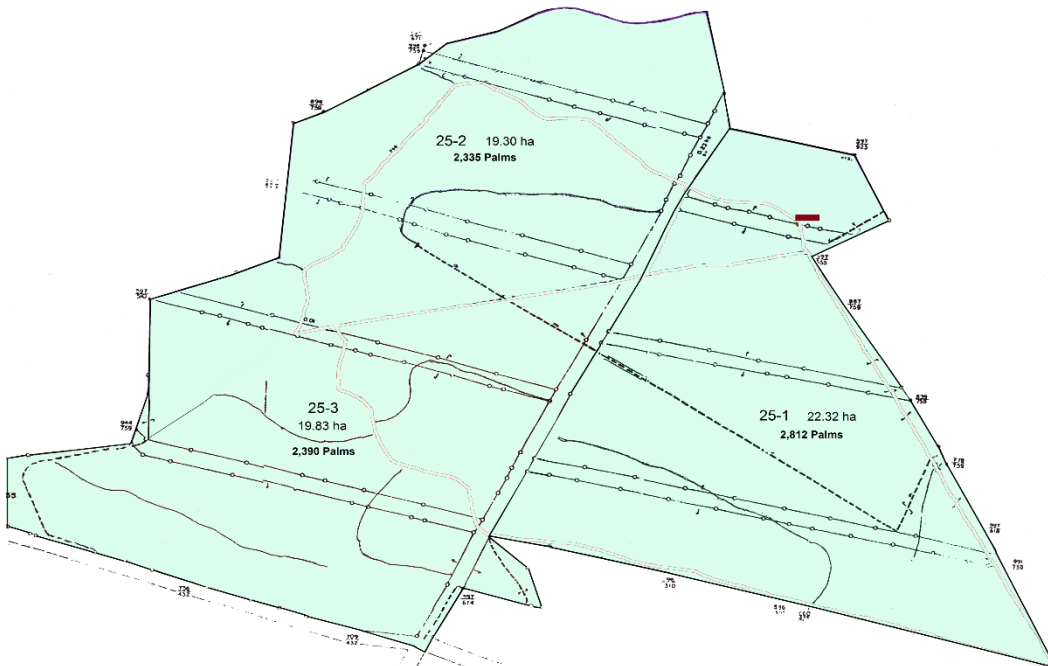
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Bukit Sekong Estate



Sukau Division

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4. CERTIFICATION ASSESSMENT

4.1. Stage 2- Certification Audit

The objective of the Stage 2 certification audit is to assess the activities of the estates are in compliance with MS 2530-3:2013 Part 3 General principles for Plantations and Organised Smallholders.

The audit team has applied the Malaysian Sustainable Palm Oil Part 3: General principles for oil palm Plantations and Organised smallholders audit guidance to assess the established documents against the standard.

During this Stage 2 certification audit, two Major non-conformance are raised. There is one Observations (OBS) rise for improvement that will be assess and verify in the next surveillance audit.

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

Syarikat Kretam Plantations Sdn Bhd is certified to RSPO under the mill and supply base of Syarikat Kretam Mill Sdn Bhd, therefore stage 1 is exempted.

The Stage 2 certification audit is conducted on 17/12/2018 to 20/12/2018 at two Estates covering the following activities:

- Onsite interviews and inspections;
- Review of documentation for compliance to relevant requirements for plantations

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 17/12/2018 to 20/12/2018 there were no comments received.

Invitation letters are sent on 08/11/2018 to invite relevant stakeholders to attend a local stakeholder consultation on 17/12/2018 to gather information in accordance to §7, 3.2 of the Certification Procedure requirements.

The topics of discussion are as below:

1. Introduction of SKPSB applying for MSPO certification.
2. Development of oil palm plantations by SKPSB
3. Community service and support provided by SKPSB
4. Wildlife management and wildlife corridor established by SKPSB
5. Type of wildlife sighted at SKPSB plantations and wildlife corridor.
6. 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:

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The stakeholders could confirm they have attend meetings organized by SKPSB personnel on MSPO certification.

- 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.

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

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

- 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 stakeholders who provides maintenance and service could confirm briefing on MSPO requirements have been provided.

There no issues raised during the stakeholder's consultation in terms of tenure and/or 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 SKPSB MSPO audit and KHB certification.	SKPSB is committed to the MSPO requirement
2	Social context	No social issue raise during the stakeholders meeting.	Good comment from the SKPSB
3	Land title – Country Leased, Sub-leased or native land	There are no issue concerning on land titles.	SKPSB land titles are country leased.
4	Economy / livelihood Is there any impact on livelihood after the introduction of MSPO?	The villagers confirmed that livelihood have been improved since involved in the palm oil plantation. They acknowledged improvement in income due working in the estates and mill.	SKPSB will continues to support local community.
5	Does MSPO will largely benefits the local community?	MSPO has given some benefits to the local community around SKPSB. There are job opportunities for local communities.	SKPSB will continues to support local community.
6	Awareness towards species, habitats, and	Stakeholders could name the animals listed as protected	SKPSB will continues collaboration with 'Jabatan

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Items	Subject discussed	Audit team findings	Company response and proposed action to be taken
	high conservation values?	during the meeting. There are signage to display RTE.	Perhilitan'. When any new species and habitats found, they will conduct awareness training to workers and relevant stakeholders
7	Are there any plantation practices that affect you?	There is no complaint from the stakeholders on SKPSB plantation practices.	SKPSB with continue their relationship with the stakeholders.

4.3. Summary of Assessment

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 2530-3. 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>SKPSB adopted KHB group Sustainability Policy dated 02/01/2018 signed by Chief Executive Officer.</p> <p>Stated in the policy, KHB is committed to adhere to all relevant laws, RSPO, ISCC and MSPO certification principles and criteria that will ensure a sustainable future and continuous improvement. Ensure the protection on rare, threatened and endangered.</p> <p>The policy is publicly available at the estates offices, workers quarters, security guard house notice boards and KHB website.</p> <p>Sustainability policy training conducted on 03/12/2018. Interviews with workers indicate they are aware and understand the policies.</p>	Yes
4.1.2	<p>SKPSB has established Internal audit procedure, Doc no: KHB/G/SOP-49. Rev no: 3 revision date: 09/02/2018.</p> <p>Stated in 5.1 of SOP audit planning, all activities within the scope of all sustainable certification such as ISCC, RSPO, MSPO and etc.</p> <p>Internal audit shall be conducted at least once per year. The frequency of internal audit may be increased.</p> <p>The latest internal audit conducted for Bode estate is on 05/11/2018 and Bukit Sekong estate is on 07/11/2018.</p> <p>Internal audit results include non-conformance and area for improvement. There 3 major non-conformances and 1 minor non-conformance issue for Bode estate. The non-conformances are closed timely.</p>	Yes

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Principle 1: Management Commitment & responsibility		
Criterion By Audit	Summary of Assessment	Compliance
	Management review has been conducted 25/07/2018 due the 1 st internal audit 29/06/2018 findings at Bode estate.	
4.1.3	<p>SKPSB has conduct management review for Bode estate 1st meeting on 25/07/2018 and 2nd on 16/11/2018. Bukit Sekong 1st meeting on 02/07/2018 and 2nd 15/11/2018.</p> <p>The frequency of the management review is twice a year for Bode and Bukit Sekong estates. Minutes of meeting management review dated 01/10/2018 for central Sandakan region meeting is review. The meeting discuss on findings of internal audit, external audit MSPO, RSPO, ISCC, CIP program and action plan.</p>	Yes
4.1.4	<p>SKPSB has established the continual improvement program doc no: SD-Jil.03/2018dated 26/03/2018 for the Sandakan region estates namely Bode, Masang, Bukit Sekong and Sapagaya.</p> <p>The CIP has sections for pesticides, environmental, waste reduction, pollution and emissions, social impact, health and safety, legal compliance and transparency.</p> <p>Example: Bode estate Environmental</p> <p>Improvement action: Protection and preservation of buffer zones in replant area.</p> <p>Expected outcome: All watercourses in the plantation areas are required to have buffer zones and to maintain or preserves the current or future replanting area.</p> <p>Timeframe: on-going</p> <p>Review and monitor: Evidence of established buffer zones and continuously monitoring.</p> <p>Responsibility: Estate Manager</p> <p>Sighted new techniques of accounting system to replace previous accounting system. Training was conducted on 04/09/2018 & 05/09/2018 for the improvement new accounting system. Representative of Bode and Bukit Sekong estates who attended sighted in attendance records.</p>	Yes

Principle 2: Transparency		
Criterion By Audit	Summary of Assessment	Compliance
4.2.1	<p>SKPSB has conduct stakeholder meeting on 11/12/2018.</p> <p>Topics discussed at the stakeholders meeting is on MSPO certification and awareness on social and environmental.</p> <p>The listed documents are made publicly available at the location as follows:</p> <ul style="list-style-type: none"> • SKPSB main office • Estates notice boards • Company website 	Yes

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Principle 2: Transparency		
Criterion By Audit	Summary of Assessment	Compliance
	<ul style="list-style-type: none"> HREP department <p>Sighted list publicly documents at KHB website. Example company policies, complaint & grievances procedure and form.</p>	
4.2.2	<p>SKPSB adopt KHB group SOP Consultation and Communication procedure, document no: KHB-HR-P08, Revision 1 and effective date 01/08/2018.</p> <p>The purpose of this procedure is to maintain open and transparent methods of consultation and communication with all employees / workers, local communities and any other affected or interested parties.</p> <p>The communication representatives at respective locations are: Estates: Estate Managers / SEM / CPO Mills: Mill Manager / Mill Processing Controller (MPC) Head Office: Human Resource Manager (HRM) /Executive Director (ED) / Chief Plantation Officer (CPO) / Group Director Plantation (GDP)</p> <p>SKPSB has established list of stakeholders dated 07/08/2018 that includes Government Agencies, Villagers, Transporters, Schools, Contractors, NGO's and Neighbours (other plantations).</p>	Yes
4.2.3	<p>SKPSB adopt KHB SOP on Traceability document no: KHB/G/SOP-57 effective date 01/12/2017.</p> <p>The SOP includes description to identify, implementation, monitoring, documents, records, quality, physical check and person responsible for each step.</p> <p>Traceability monitoring form document No: MSPO/TD- 4.2.3.2/01 dated 29/10/2018 is establish for tracking of delivery of FFBs:</p> <ol style="list-style-type: none"> Estate FFB tickets FFB delivery chit Mill FFB tickets Summary report <p>The records of delivery are maintained that could be trace to date of harvesting, block number, harvesting chit and delivery note issued by the estates to the mill.</p> <p>The unique identification number is the delivery note issued by the estate is stated in the mill weighbridge ticket.</p> <p>Internal audit conducted on 07/11/2018 include traceability indicator monitoring. No findings found.</p> <p>The assigned person in charge is the Estate Manager.</p>	Yes

Principle 3: Compliance to legal requirements		
Criterion By Audit	Summary of Assessment	Compliance
4.3.1	SKPSB has established list of relevant laws, regulations and guidelines dated 07/08/2018.	Yes

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Principle 3: Compliance to legal requirements		
Criterion By Audit	Summary of Assessment	Compliance
	<p>Example of the relevant laws available:</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>The applicable clauses of the relevant legal requirements are included in the list.</p> <p>SKPSB has established list of relevant licenses, permits, status of validity period.</p> <p>Example</p> <ul style="list-style-type: none"> • Lesen Berniaga registration no 1195/83 for Syarikat Kretam Plantations Sdn Bhd valid from 23/11/2017 to 31/12/2018, • MPOB license Registration no: 96629-U) for activity 'Menjual dan Mengalih FFB' valid from 01/12/2018 to 30/11/2019. • MPOB license Registration no: 96429-U for Nursery valid from 01/10/2018 to 30/09/2019. <p>Sighted Minimum Wages Order (Amendment) 2018 dated 28/11/2018 issued by Human Resources to be implemented in year 2019 for the change of minimum wage from RM9200/month to RM1, 100/month.</p> <p>SKPSB adopt KHB group SOP Mechanism for implementation of legal requirement and system for tracking changes in the law. Doc no KHB/G/SOP-36, revision 2 dated 09/02/2018.</p> <p>The tracking mechanism for changes as follows:</p> <ul style="list-style-type: none"> • News release through daily newspaper • Change from government published materials • Circular from relevant government agencies and associations • Information from within the management unit. <p>Example: Date: 03/08/2018 Law: Employment Insurance System Act 2017 (Act 800) Remarks: To comply with the latest legal documents enforced by the government. PIC: Head of Human Resources & Sustainability (HHR&S) Date: 03/08/2018</p> <p>There is person in charge for tracking any updates or changes in the legal documents is Head of Human Resources & Sustainability (HHR&S). Sighted SOP Mechanism for implementation of legal requirement and system for tracking changes in the law.</p>	
4.3.2	<p>SKPSB estates land titles are country leased issued by State Land Department with a tenure of 999 years.</p> <p>The land titles for Bode and Bukit Sekong estates are reviewed.</p>	Yes

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Principle 3: Compliance to legal requirements		
Criterion By Audit	Summary of Assessment	Compliance
	<p>Land use rights stated is for agriculture and not of other use. There is no dispute land sighted during review the land title and stakeholders meeting.</p> <p>The estate maps are review against the map in the land title to confirm the hectare. The maps include boundary markers and verify during field visits.</p> <p>SKPSB adopts KHB group SOP Boundary Marking Demarcation doc. No. KHB/G/SOP-38 rev. 03 effective date 18/01/2016 a guidance / procedure and method of implementation for estate boundary marking, demarcation and maintenance.</p>	
4.3.3	<p>SKPSB estates land titles are country leased titles issued by Sabah state land authority with a tenure of 999 years.</p> <p>The land titles are review to confirm the title type, tenure of lease and usage rights.</p> <p>Therefore, the land use rights does not encumbered by customary rights of others or ethnic groups. This is confirmed during the stakeholders consultation conducted during the audit.</p> <p>However, SKPSB adopts KHB group SOPs:</p> <p>Free Prior Informed Consent (FPIC) KHB/G/SOP-54, Rev 01, dated 09/02/2018 that describes the FPIC process of FPIC identifying affected parties, assessment and verification on proposed project through consensus, finalization of agreement for implementation. When disputes arise between company and affected parties there will go through mediation, arbitration and adjudication.</p> <p>SOP Guideline on Managing Land Conflict, doc no: KHB/G/SOP-55 dated 09/02/2018 guideline to manage of any land conflict in the event any arises.</p>	Yes

Principle 4: Social Responsibility, health, safety and employment conditions		
Criterion By Audit	Summary of Assessment	Compliance
4.4.1	<p>SKPSB has establish Social Impact assessment (SIA date February 2018). The social impact assessment cover applicable issues related to both mill and estates.</p> <p>The SIA include information from survey and interview with internal and external stakeholders.</p> <p>The SIA includes a summary of positive and negative impacts and the time bound plan to monitor for the completion.</p> <p>The SIA will be reviewed once a year with feedback from stakeholders' consultation and interviews.</p> <p>OBS: 4.4.1.1</p> <p>SIA has been established which involved all applicable activities. Management may consider a different methodology to cover a wider scope of social impacts.</p>	OBS 4.4.1.1

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Principle 4: Social Responsibility, health, safety and employment conditions		
Criterion By Audit	Summary of Assessment	Compliance
4.4.2	<p>SKPSB adopts KHB group SOP Complaint & Grievance procedure, doc no: KHB-HR-P05 revision 02 dated 01/08/2018 in both English and Malay languages.</p> <p>The procedure state investigation and resolution within 30 working days. Complaint that resolve internally will refer to arbitration panel and resolved within 30 working days.</p> <p>Two forms are establish for internal or external party to submit complaint.</p> <ul style="list-style-type: none"> • Complaint and grievance form • Appeal form. <p>There are no complaints lodged for both estates as at audited date. However, there are house maintenance records from both estates.</p> <p>On site interview at Bode and Bukit Sekong estates the workers and their dependents are aware on the complaint process and can be lodged at any time.</p> <p>At the stakeholders' consultation, stakeholders confirmed they are aware on complaint process.</p> <p>The grievance and complaint forms are available at the complaint box allocated in front of office and store. The complaint box is checked weekly to ensure any complaints are lodged will be resolved in a timely manner.</p> <p>Training for the the procedure is conducted on 12/09/2018 at Bode estate and on 10/05/2018 at Bukit Sekong Estate attended by all levels of workers and staff.</p>	Yes
4.4.3	<p>SKPSB management provide opportunity to local communities such as operate grocery store in Bode and Bukit Sekong estates, employ locals for office administrative work and sub-contract work.</p> <p>SKPSB provide contributions to local communities such support to local schools and medical services when request.</p>	Yes
4.4.4	<p>SKPSB adopted KHB group health and safety policy dated 02/01/2018 signed by Chief Executive Officer</p> <p>The policy is made available at noticeboards of main and estates offices, stores, labour quarters, workshop, clinics and KHB website.</p> <p>Briefing of OSH policy conducted on 05/01/2018 at Bode estate and on 05/04/2018 at Bukit Sekong estate.</p> <p>SKPSB estates has establish OSH plan covering all activates and include the HIRARC.</p> <p>The HIRARC has identify 60 operations of the estates. In each operation, the identify activity includes hazards, risks and effects, existing control, risk assessment (likelihood, severity, risk level and description), risk control proposal, PIC, Risk Assessment After Risk Control and date.</p> <p>Safety training for sprayer conducted on 03/11/2016. Records and training materials are maintained.</p> <p>Safety Data Sheet (SDS) for all agro-chemicals used by the estates are available and kept at the stores</p>	No

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Principle 4: Social Responsibility, health, safety and employment conditions		
Criterion By Audit	Summary of Assessment	Compliance
	<p>Appropriate PPEs are provided to workers based on the SDS and CHRA report. Records of PPE issued are reviewed and well maintain.</p> <p>SKPSB adopt KHB group SOP Chemical Handling Doc. No. KHB/G/SOP-13 Rev 04 dated 09/02/2018 for the proper handling and storage of chemical to protect the environment and minimise chemical contamination to human. The SOP is to comply with requirements and reference from the "Occupational Safety and Health (Classification, Labelling and Safety Data Sheet of Hazardous Chemical) Regulation 2013" and "Occupational Safety and Health (Use and Standards of Exposure of Chemical Hazardous to Health) Regulation 2000.</p> <p>SKPSB adopted KHB group SOP Chemical Storing Doc. No. KHB/G/SOP-16 rev. 05 dated 09/02/2018 to ensure estate chemicals are handled according to procedure with regards to taking delivery, recording, storage and issue and chemicals are stored and organized in a systematic manner so as to prevent theft, spillage and causing harm to personnel or environment.</p> <p>SKPSB estate managers are the appointed PIC to manage OSH committee. OSH committee meetings are held quarterly according to JKKP requirements. The most recent meeting for Bode and Bukit Sekong estate's held on 29/09/2018.</p> <p>SKPSB adopted KHB group SOP Emergency Plan Procedure (ERP) Doc. No. KHB/G/SOP-26/S&H-36 rev. 01 dated 03/11/2016 to deal with all emergencies at all premises, housing and working site. An emergency is one which has the potential to cause serious injury, loss of life or damage of property. Various types of emergency could break out and may be caused by a number of different factors. It would normally require the assistance of outside emergency services to handle it effectively.</p> <p>The ERT flow chart and emergency contact telephone numbers are made available at the estates noticeboards.</p> <p>First aid kits are available at relevant operation activities such as harvesting, chemical spraying, pre-mix area, workshop, labour quarters and offices. First aid training are provided to first aider by the estate clinic medical nurses.</p> <p>Accidents and injuries records are well maintained. Reporting to JKKP in accordance to requirements are available and reviewed.</p> <p>Sighted minutes of meeting for Bode estate conducted on 29/09/2018. Topics discussed in the meeting on PPE and previous injury during LCC slashing.</p> <p>All safety precautions conducted based on revised HIRARC.</p> <p>Sighted minute meeting discuss regarding previous accident. Example point 2.6 Risk analysis stated one accident was sighted due slashing LCC at estate.</p>	
4.4.5	<p>SKPSB adopted KHB group policies signed by Chief Executive Officer.</p> <ul style="list-style-type: none"> • Social Policy dated 01/09/2018 • Code of conduct and human right policy dated 03/01/2017 	<p>Major NCs</p> <p>4.4.5.3</p> <p>4.4.5.9</p>

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Principle 4: Social Responsibility, health, safety and employment conditions		
Criterion By Audit	Summary of Assessment	Compliance
	<ul style="list-style-type: none"> • Gender policy dated 07/01/2015 • Sexual harassment policy dated 07/01/2015 <p>Policies in both English and Bahasa Malaysia are displayed at the notice boards of main office, estates offices guard houses and KHB website.</p> <p>Bode estate:</p> <ul style="list-style-type: none"> • Policies training conducted on 09/01/2018 for all level of workers. <p>Bukit Sekong estate:</p> <ul style="list-style-type: none"> • Social policy conducted on 07/05/2018 attended by all levels of workers. <p>The Code of Conduct and Human Rights Policy includes a statement provides fair and equal employment opportunities for all employees.</p> <p>SKPSB adopt KHB group SOP Recruitment and Selection, doc no: KHB-HR-P02 revision number 03 procedure dated 01/12/2014 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 contract agreement is in accordance to Sabah Labour Ordinance.</p> <p>The workers are briefed on the contract agreement terms and conditions, wage, benefits, job task and a copy provide to each worker.</p> <p>The Minimum Wage regulations 2016 is observed by SKPSB.</p> <p>Sighted contract agreement signed between company and contractors that state contractors need to comply with rules and regulation set by KHB group, relevant laws and regulations.</p> <p>Contractors' workers, wages pay slip was review and according to minimum wage regulation.</p> <p>SKPB estates has established workers master list that names, gender, DOB, date of entry, wage and designation. Reviewed on the list there are no record of child or young person employed.</p> <p>Workers time recording is via checkroll. The working hours is displayed at muster ground.</p> <p>Working start at 6:30 am, rest hours 10:30 -11:30am and continue on 11:30am – 2:30pm.</p> <p>Working overtime when required will be paid according to Sabah Labour Ordinance requirements of 1.5 times for Saturday and 2 times for working on rest days or public holidays.</p> <p>SKPSB provide benefits to workers such as free medical, workers compensation scheme, housing, free water, free electricity, free transport, schools for foreign workers children, child care centre, religious worship place and contributions for festive seasons.</p> <p>KHB group housing follow industry best practices for living quarters. Site observation the living quarters has basic amenities such as house with sufficient space for the family or those unmarried, water, electricity, sport and recreational area, clinic, creche and gardening area behind the house.</p>	

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Principle 4: Social Responsibility, health, safety and employment conditions		
Criterion By Audit	Summary of Assessment	Compliance
	<p>Respect the right of freedom of association is stated in the Code of Conduct and Human Rights Policy</p> <p>KHB group social policy include a statement “ensure that NO child (a person under the age of 15 years)or young person (who has attained the age of 15 years but has not attained the age of 18 years) shall be or permitted to be, engaged in any employment other than those allowed by the law.</p> <p>Onsite observation, no child labour or young person employed by SKPSB.</p> <p>Non conformity: Major 4.4.5.3</p> <p>Review on accident report dated 15/08/2018 indicates manual weeding workers have minor injury on left hand caused by sharp object and given 3 days sick leave from 16/08/2018 to 18/08/2018. Further checking the worker pay slip for the month of August 2018 until November 2018 shows no payment made for the sick leave.</p> <p>Non conformity: Major 4.4.5.9</p> <p>Observation on overtime hours for gate keeper for the months of November 2018 indicates that it has exceed the maximum allowable overtime hours of 104 hours. Sampling of the gate keeper working hours found it is 120 hours.</p>	
4.4.6	<p>SKPSB adopted KHB group SOP Training Procedure Doc no: KHB-HR-P01, Rev 03, effective date 01/03/2017</p> <p>The SOP is to determine and identify training needs in line with the achievement of required competency level of all personnel.</p> <p>The SOP includes a flow chart to identify the steps to conduct training.</p> <p>Training need analysis is part of the SOP</p> <p>The audited estates have established training program year 2018 dated 15/01/2018.</p> <p>Sighted the training conducted and records for both estates.</p> <p>Example</p> <ul style="list-style-type: none"> • Training of fire drill for staff on 21/04/2018 • Training for stakeholders and contractors on 27/09/2018 • Training for SOP implementation / monitoring plan 2018 on 17/03/2018. • Harvester training :17/03/2018 • Sprayer training : 10/02/2018 • Manual fertilizing : 14/02/2018 • Waste management training : 26/09/2018 <p>All records are made available and well maintained including attendance, trainer and material used.</p>	Yes

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Principle 5: Environment, natural resources, biodiversity and ecosystem services		
Criterion By Audit	Summary of Assessment	Compliance
4.5.1	<p>SKPSB adopted KHB group Environmental Policy dated 02/01/2018 sign by Chief Executive Officer.</p> <p>The policy is made available at the noticeboards of main office, estates office and other work operation areas.</p> <p>SKPSB has established Environmental Aspect and Impact Assessment and Environmental Management Plan dated of review 23/03/2018.</p> <p>Objectives of EAIA:</p> <ul style="list-style-type: none"> To ensure a continuous awareness of the need to check and monitor key environmental components for Syarikat Kretam Plantations Sdn Bhd (SKPSB) and take appropriate remedial measures to avoid environmental degradation. To protect the environment of Syarikat Kretam Plantation Sdn Bhd (SKPSB) from neglect, mismanagement and irresponsible activities in palm oil mill operations. To ensure conformation to all the activities are within the law/Acts and legislation of State and Nation. <p>The EAIA include the study of environmental aspects and impacts with following:</p> <ol style="list-style-type: none"> Environmental Impact Assessment – Evaluation for Criteria Chart Environmental Impact Assessment – Ranking Table identifying the activity, Aspects, Impacts, Ranking, mitigation / improvement plan, monitoring plan and responsibility. <p>Example of impact and aspect assessment:</p> <p>Activity: Fertiliser Application Aspect: Potential of phytotoxicity. Impact: GHG Emission Ranking: Mitigation / Improvement Plan: To follow the fertilizer recommendation program. Monitoring plan: On-going Responsibility: Estate Manager</p> <p>In the EAIA, an action plan is establish describing the identification of waste products / pollutants, environmental aspects (negative or positive), Action Plans, Monitoring and Continuous Improvement Programme, documents to review and Management Review and comments</p> <p>Environmental Policy training conducted on 09/01/2018 at Bode estate and Bukit Sekong estate on 01/02/2018.</p> <p>Environmental Committee meeting is conducted periodically. Sighted meeting minutes on environmental issued discussed such as management of scheduled waste and monitoring.</p>	Yes
4.5.2	<p>SKPSB estates has established baseline for diesel consumption for 2015 to 2017 The baseline is a benchmark to compare against the actual usage of fuel for each ton of FFB produced.</p>	Yes

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Principle 5: Environment, natural resources, biodiversity and ecosystem services		
Criterion By Audit	Summary of Assessment	Compliance
	<p>Decides, the estates management compare the actual against annual budget for financial reporting purposes.</p> <p>Sighted actual diesel consumption compared against 2018 budget which is lower.</p>	
4.5.3	<p>SKPSB has established Environmental Aspect and Impact Assessment and Environmental Management Plan date of review 23/03/2018 that include waste identification and disposal method.</p> <p>Topic 10 in EMP describer waste identification and disposal method listing the table type of waste source, location disposal method, document related and responsibility.</p> <p>Example:</p> <p>Waste Identify: Rotten bunches Source: Palm / harvesting area Location: Field Disposal Method: Mulching Document Related: QCU report Responsibility: EM</p> <p>Domestic waste stated in list of waste in EMP 2018. Domestic wastes are disposed in landfill. From site observation, the landfill are far away from water source and housing area.</p> <p>Domestic waste collection program sighted for twice per week for both estates. Landfill has established the signage for awareness regarding safety at the landfill area. Landfill with good proper fencing.</p> <p>There are recycle program conducted for segregation of recycle waste located at housing area.</p> <p>SKPSB adopted KHB group SOP Obsolete PPP Disposal Doc. No. KHB/G/SOP-17 rev.04 dated 04/08/2018 to manage and handle obsolete chemicals.</p> <p>The SOP describe identify the obsolete chemical and method of disposal.</p> <p>During inspection of chemical stores there are no obsolete chemicals and crosscheck with the stock card.</p> <p>SKPSB adopted KHB group SOP Surplus Chemical Handlings Doc. No. KHB/G/SOP-15 rev. 04 dated 09/02/2018 to manage surplus chemicals.</p> <p>The SOP has a flow chart detailing the process from chemical store to surplus of pre-mix chemical storage.</p> <p>SKPSB adopted KHB group SOP Empty Chemical Containers disposal, Doc. No. KHB/G/SOP-18 rev. 04 dated 09/02/2018to manage empty chemical containers disposal.</p> <p>The SOP describe the steps of activities that include triple rinsing, container cap to be removed to prevent reused for other purposes, puncture and marked.</p>	Yes

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Principle 5: Environment, natural resources, biodiversity and ecosystem services								
Criterion By Audit	Summary of Assessment	Compliance						
	<p>Unused chemical containers are disposal by 3rd party DOE authorized scheduled waste collector. Sighted the delivery note of scheduled wastes collected</p> <p>Topic 12 of EMP list the source and type of pollution</p> <p>Example:</p> <table border="1"> <thead> <tr> <th>Source of pollution</th> <th>Type of pollution</th> </tr> </thead> <tbody> <tr> <td>Diesel, moving vehicles</td> <td>Carbon Monoxide,</td> </tr> <tr> <td>Electrical waste</td> <td>Cadmium (CD), lead (Pb).</td> </tr> </tbody> </table> <p>EIAA includes an action plan for reduce of the pollutions. example:</p> <p>Identification of pollutants</p> <p>Main pesticide store, premixing area</p> <p>Impacts</p> <p>Spillage of chemical during pre-mixing and dispensing.</p> <p>Plans and monitoring programme</p> <p>Check the spillage trap is functioning in case of leakage occurred.</p> <p>Oil trap monitoring report</p> <p>The monitoring of oil trap is conducted periodically to ensure oil trap is functioning.</p>	Source of pollution	Type of pollution	Diesel, moving vehicles	Carbon Monoxide,	Electrical waste	Cadmium (CD), lead (Pb).	
Source of pollution	Type of pollution							
Diesel, moving vehicles	Carbon Monoxide,							
Electrical waste	Cadmium (CD), lead (Pb).							
4.5.4	<p>SKPSB estates has established EAIA and environmental management plan 2018, review date 23/03/2018.</p> <p>Example of pollutants:</p> <ol style="list-style-type: none"> GHG for diesel or moving vehicles. Cadmium and lead for electrical waste. <p>Control of pollution by means of periodically monitoring.</p> <p>SKPSB adopt KHB group Zero Burning Policy dated 11/01/2016 as per Malaysian law A1102 Act/ Environmental Quality Act 2018).</p> <p>Field visits observe no open burning being practice.</p>	Yes						
4.5.5	<p>SKPSB estates have established water management plan dated 03/03/2018 with the following commitment:</p> <ul style="list-style-type: none"> Establish and maintain security patrolling and observation for water catchment area. Establish and maintain buffer zones for rivers and water catchment area. Prevent and monitor the pollution of the waterways within the estate <p>The water source and water catchment for each estate are identify in the plan</p> <p>The rainfall data is capture in the plan for monitoring of operation and domestic usage.</p>	Yes						

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Principle 5: Environment, natural resources, biodiversity and ecosystem services														
Criterion By Audit	Summary of Assessment	Compliance												
	<p>The usage of water is monitor using flow meter for domestic and operation to ensure efficient water usage.</p> <p>Domestic water is treated to meet WHO standard.</p> <p>A 3rd party is appointed is conduct water quality tests and analysis every six months. Test results are reviewed and comply WHO requirements.</p> <p>SKPSB adopted the group SOP Buffer Zone Restriction (With reference to Streams and Rivers) Doc. No. KHB/G/SOP-04 rev 5 dated 05/05/2017</p> <p>The SOP describes to protect designated rivers and streams within our properties from fertilizer and chemical weeding activities from contaminating the rivers and streams. The restriction is 20 meters from riverside or at least 2 palm length to the riverside.</p> <p>Training conducted dated 10/02/2018 for the sprayer example at Bode estate include the riparian reserves. Interview session the workers understand the riparian areas and no chemical used/sighted during the site visit.</p> <p>The buffer zone can be identified through signboard or marking on the last palm nearest to the stream or river during field visits.</p> <p>SKPSB estates do not use bore wells for water supply.</p> <p>Sighted there is no construction of bunds, weirs and dams across main river during field visits.</p> <p>Rain harvesting is practice in Bode, Bukit Sekong and Sukau divisions.</p>													
4.5.6	<p>SKPSB estates have been established Baseline biodiversity assessment and planning for forest area, unplanted area, water catchment area and buffer zones date of review March 2018.</p> <p>Rare, Threatened or Endangered species found are based on animals footprint found in the plantations.</p> <p>List of the RTE is available and documented.</p> <p>Example :</p> <table border="1"> <thead> <tr> <th>No</th> <th>Common name</th> <th>Species</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Purple Heron</td> <td>Ardea purpurea</td> </tr> <tr> <td>2.</td> <td>Pig-Tailed Macaque (beruk)</td> <td>Macaca nemedtrins</td> </tr> <tr> <td>3.</td> <td>Monitor Lizard</td> <td>Varanus salvator</td> </tr> </tbody> </table> <p>Signage are installed at identified locations in estate to provide awareness to the workers.</p> <p>Trainings provided to staff and workers.</p> <p>Interviewed workers are well aware of biodiversity and know the implication ofno hunting or capture or breed.</p>	No	Common name	Species	1.	Purple Heron	Ardea purpurea	2.	Pig-Tailed Macaque (beruk)	Macaca nemedtrins	3.	Monitor Lizard	Varanus salvator	Yes
No	Common name	Species												
1.	Purple Heron	Ardea purpurea												
2.	Pig-Tailed Macaque (beruk)	Macaca nemedtrins												
3.	Monitor Lizard	Varanus salvator												
4.5.7	<p>SKPSB adopt the group zero burning policy for new planting and replanting programme as per Malaysian law (A1102 Act / environment quality Act 2001) verified by Chief Plantation Officer dated 11/01/2016.</p>	Yes												

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Principle 5: Environment, natural resources, biodiversity and ecosystem services		
Criterion By Audit	Summary of Assessment	Compliance
	<p>SKPSB has established SOP for Replanting – Soil conservation / terracing, Doc KHB/G/SOP-07 Revision 04 dated 09/02/2018 on GAP during replanting.</p> <p>Fell palm are completely shredded/chipped and no open burning allowed. Site verification during field visits observes no open burning.</p>	

Principle 6: Best Practices		
Criterion By Audit	Summary of Assessment	Compliance
4.6.1	<p>SKPSB adopt the group SOP for best practice. Example:</p> <ol style="list-style-type: none"> SOP Fertilizer application dated KHB/G/SOP-29 revision 03 revision dated 01/10/2017. SOP Harvester dated KHB/G/SOP-26/S&H-04 revision 02 revision dated 03/10/2017. <p>Training on SOP has been conducted.</p> <p>Example:</p> <ul style="list-style-type: none"> SOP spraying training conducted on 10/02/2018 at Bode Estate and SOP harvesting training conducted on 06/02/2018 at Bukit Sekong Estate. <p>SKPSB has established SOP Replanting-Soil Conservation / Terracing KHB/G/SOP-07 dated 09/02/2018.</p> <p>The SOP describe planting on slope, degree and management plan..</p> <p>SKPSB estates has established block naming system that states block no., year of planting and seedlings material,</p>	Yes
4.6.2	<p>SKPSB has established Long Term Plan & Financial Projection from 2017 - 2023. The 7 years business plan includes:</p> <ol style="list-style-type: none"> Revenues. Operating costs Expenses <p>SKPSB has established annual replanting programme for 2017 to 2023 dated 05/04/2018. Replanting programme will be review on yearly basis.</p> <p>The business management plan include the planting material used by estate is DxP seedlings. Actual FFB production statement against 2018 budget stated for monitoring the yield achievement and price of FFB for cost of operational.</p> <p>The monitoring operation expenses through monthly progress report. Sighted November 2018 monthly progress report.</p>	Yes
4.6.3	<p>SKPSB estates send FFB to Kretam mill owned by KHB. Therefore no contract agreement required. There are no FFB buying activities from smallholders or any third-party suppliers since SKPSB is not a mill.</p> <p>Sighted contract agreement between SKPSB with third parties' contractors.</p>	Yes

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Principle 6: Best Practices		
Criterion By Audit	Summary of Assessment	Compliance
	<p>Example contractors are replanting and road maintenance The contract agreement include:</p> <ol style="list-style-type: none"> 1. Type of works and rates. 2. Terms and conditions. 3. Signed by both parties. <p>Sighted work in progress payment to contractors according to agreement terms and conditions.</p>	
4.6.4	<p>SKPSB estates have conduct MSPO requirements and KHB group policies briefing to the contractors.</p> <ul style="list-style-type: none"> • Bode estate on 07/03/2018 • Bukit Sekong estate on 10/08/2018 <p>Contract agreement includes the contractor's obligation and responsibility they require to comply with all rules and regulations of KHB group..</p> <p>Sighted contract agreement consider to be fair and signed by both parties.</p>	Yes

Principle 7: Development of new planting		
Criterion By Audit	Summary of Assessment	Compliance
4.7.1	Not applicable due to no new planting sighted during document review and site verification. Sighted planting statement for both estate planting years from 1 st planting was the year 1995 at Bode estate and latest replanting program was the year 2015 at Bukit Sekong estate.	Yes
4.7.2	Not applicable due to no new planting sighted during document review and site verification. Sighted planting statement for both estate planting years from 1 st planting was the year 1995 at Bode estate and latest replanting program was the year 2015 at Bukit Sekong estate.	Yes
4.7.3	Not applicable due to no new planting sighted during document review and site verification. Sighted planting statement for both estate planting years from 1 st planting was the year 1995 at Bode estate and latest replanting program was the year 2015 at Bukit Sekong estate.	Yes
4.7.4	Not applicable due to no new planting sighted during document review and site verification. Sighted planting statement for both estate planting years from 1 st planting was the year 1995 at Bode estate and latest replanting program was the year 2015 at Bukit Sekong estate.	Yes
4.7.5	Not applicable due to no new planting sighted during document review and site verification. Sighted planting statement for both estate planting years from 1 st planting was the year 1995 at Bode estate and latest replanting program was the year 2015 at Bukit Sekong estate.	Yes
4.7.6	Not applicable due to no new planting sighted during document review and site verification. Sighted planting statement for both estate planting years from 1 st planting was the year 1995 at Bode estate and latest replanting program was the year 2015 at Bukit Sekong estate.	Yes

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

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	2
MINOR Non-Conformities	0
Observations	1

Non Conformity Number < NO 01 >	
Indicator: 4.4.5.3	
Management shall ensure that employees' pay and conditions meet legal or industry minimum standards and as per agreed Collective Agreements. The living wage should be sufficient to meet basic needs and provide some discretionary income based on minimum wage.	
Location	Bukit Sekong Estate
Description of Finding / Objective Evidence:	
Review on accident report dated 15/08/2018 indicates manual weeding workers have minor injury on left hand caused by sharp object and given 3 days sick leave from 16/08/2018 to 18/08/2018. Further checking the worker pay slip for the month of August 2018 until November 2018 shows no payment made for the sick leave.	
Classification	<input checked="" type="checkbox"/> Major <input type="checkbox"/> Minor
Raised by Auditor: Sheron Pui Ling Wui	Date Raised: 20/12/2018
Deadline for implementation:	22/02/2019
Root Cause Analysis (by company):	
This issue's occurred to the Bukit Sekong Estate due to miss out during payroll.	

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Non Conformity Number < NO 01 >	
Correction (by company):	
Bukit Sekong Estate management will pay the workers LTI from 16/08/2018 to 18/08/2018 in December 2018 salary. Proof of payment will be put in the worker's payslip. Payslip only can be refer after 7 th January 2019.	
Corrective / Preventive Action (by company)	
All field conductors must be well informed about the LTI. A formal briefing will be conduct for all staffs and the Estate Managements.	
Review of Correction & Corrective / Preventive Action	
Payslip of December 2018 is submitted which include the 3 days medical leave pay occur in August 2018. Training for accident cases, LTI cases and payment conducted for office staff on 20/12/2018 and workers on 21/12/2018.	
Base on the evidence provided, this major NC is closed and implementation will be review 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: 17/01/2019

Non Conformity Number < NO 02 >	
Indicator: 4.4.5.9	
Wages and overtime payment documented on the pay slips shall be in line with legal regulations and collective agreements.	
Location	Bukit Sekong Estate
Description of Finding / Objective Evidence:	
Observation on overtime hours for gate keeper for the months of November 2018 indicates that it has exceed the maximum allowable overtime hours of 104 hours. Sampling of the the gate keeper working hours found it is 120 hours.	
Classification	<input checked="" type="checkbox"/> Major <input type="checkbox"/> Minor
Raised by Auditor: Sheron Pui Ling Wui	Date Raised: 20/12/2018
Deadline for implementation:	22/02/2019
Root Cause Analysis (by company):	
Overtime exceeding 104 due to shortage of watchmen in the estate.	
Correction (by company):	
Additional appointed watchmen was recruited to work on Sunday and reducing total overtime below 104 Hours.	
Corrective / Preventive Action (by company)	

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Non Conformity Number < NO 02 >	
<p>All field and admin staffs include the management must be briefed regarding the overtime regulations. Appoint reserve watchmen for working on rest day. Field conductor who in charge of the gate must monitor their workers overtime.</p>	
Review of Correction & Corrective / Preventive Action	
<p>Reviewed on the working contract and jobs description, the estate has appointed a mandore as part time watchman on 10/12/2018.</p> <p>Briefing for overtime payment conducted for all related staff and workers on 20/12/2018 and 21/12/2018.</p> <p>Base on the evidence provided this major NC is close and implementation will be review in next audit.</p>	
Closed: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Site verification : <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Name of Auditor: Sheron Pui Ling Wui	Date of Closure: 17/01/2018

Observation < 01 >	
<p>Indicator 4.4.1.1 Social impacts should be identified and plans are implemented to mitigate the negative impacts and promote the positive ones.</p>	
Location	All estates
Description of Finding / Objective Evidence:	
<p>SIA has been established which involved all applicable activities. Management may consider a different methodology to cover a wider scope of social impacts.</p>	
Correction & Preventive Action (by company)	
<p>Next SIA report will include the new activities that can impact the social such as new planting, new project, new housing and etc. all positive and negative impacts from these activities towards the employees social life will be covered.</p>	
Review of Correction & Corrective / Preventive Action	
<p>The implementation will be review in next surveillance audit.</p>	
Closed: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Site verification : <input type="checkbox"/> Yes <input type="checkbox"/> No
Name of Auditor: Sheron Pui Ling Wui	Date of Closure: Next surveillance audit

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5. CONCLUSION

Syarikat Kretam Plantations Sdn Bhd has commissioned TUV NORD (Malaysia) Sdn Bhd to conduct Stage 2 certification audit for its estates according to MSPO 2530-3:2013 Part 3 General principles for Plantations and Organised Smallholders.

The 2 Major NCs raised in this and closed out successfully. Furthermore, 1 observations is raised and will be review and verify in the next 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 provide TUV NORD Malaysia with sufficient evidence on the fulfilment of the applied standard Principles & Criteria.

In conclusion the certified unit has establish and implement a management system in managing the estates are in line with the Principles & Criteria of the applied standard of MS 2530-Part 3:2013.

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

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6. RECOMMENDATION

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

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

The audit team concludes that the organisation has established the management system in line with the requirements of the standard(s) and demonstrate 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's demonstrated state of development and maturity that this management system certification be

√	Recommended for Certification
	Recommended for Continuity of Certification
	Recommended for Suspension of Certification

Puchong, 14/03/2019

Puchong, 14/03/2019

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

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 Veterinar 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