



MSPO CERTIFICATION SUMMARY REPORT

SILIMPOPON ESTATES

STAGE 2 – CERTIFICATION AUDIT

Date: 14/01/2019

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MSPO Certification Summary Report

Company Name: Kretam Holdings Bhd.

Certifying Unit: Silimpompon Estates

Client Number: 92-049

Audit Type: Stage 2 - Certification Audit



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Abbreviations

| | |
|----------------|--|
| CHRA | Chemical Health Risk Assessment |
| CoC | Chain of Custody |
| CPO | Crude Palm Oil |
| CSR | Corporate Social Responsibility |
| 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 |
| HCV | High Conservation Value |
| IPM | Integrated Pest Management |
| ISO | International Standard Organisation |
| KHB | Kretam Holdings Berhad |
| 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 |
| MT | Metric Tonnes |
| WHO | World Health Organization |
| MPOB | Malaysian Palm Oil Board |
| HBV | High Biodiversity Value |

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1. INTRODUCTION

Kretam Holdings Bhd has commissioned TUV NORD (Malaysia) Sdn Bhd to conduct an initial certification audit for its two oil palm estates Silimpompon 1 and 2 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 Silimpompon 1 and 2 Estates by an independent certification body with the aim for compliance of the standards.

1.2. Scope

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

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

The documents and information were 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 was 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

A certification team consisting of one team leader was appointed. The onsite team members contributed to the review of documents, the assessment of the project activity and to the preparation of this report under the leadership of the team leader.

Qualification of the Lead Auditor: Mohamad Norhisham Bin Mohd Salleh

| Requirement | Qualifications |
|--|---|
| Post-secondary education, college or university diploma / degree in one of the following i) Agriculture; ii) Science & Technology (e.g. Environmental Sciences, Life Sciences, Geological Sciences, Natural Sciences,); iii) Engineering, Process Technology; iv) Energy Management, Quality Management; v) Social Sciences and/or Anthropology; vi) Business Management; or | Graduate in Applied Science (Major In Agrobiology). |

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| Requirement | Qualifications |
|--|---|
| vii)Other relevant related fields | |
| At least five (5) years of work experience in the oil palm sector or related field in consultancy / auditing of similar industry or equivalent related to and as necessary for the certification process. (e.g., sustainability, palm oil management; agriculture, ecology; social science) | 5 years working experience in palm oil estates. |
| Attended the MS 2530 series of standards training | Successfully completed MS2530 series training, RSPO P & C LA, SCC and ISCC-EU training |
| Conducted at least three (3) MSPO or equivalent sustainability certification audits as Lead Auditor-in-training with a minimum of fifteen (15) man-days under the supervision of a qualified Lead Auditor for MSPO or equivalent sustainability certification schemes within the last two (2) years. | Qualified as lead auditor for MSPO scheme base on audit log. |
| 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. |
| Field working experience in the palm oil sector, or demonstrable equivalent | 5 years working experience in palm oil estates. |
| Good Agricultural Practices (GAP), and Integrated Pest Management (IPM), pesticide and fertilizer use | 5 years working experience in palm oil estates. |
| Health and safety auditing on the farm and in processing facilities, for example ISO 45001 or Occupational, Health & Safety Assurance System | Auditor for RSPO and MSPO scheme. Successfully completed ISO 45001:2018 Lead Auditor training |
| Worker welfare issues and social auditing experience, for example with SA8000 or related social or ethical accountability codes | Successfully completed SA 8000 Basic training and auditor for RSPO and MSPO schemes |
| Environmental and ecological auditing, for example experience with organic agriculture, ISO 14001 or Environmental Management Systems (EMS) or High Conservation Value (HCV) | Successfully completed ISO 14001 LA course and auditor for RSPO and MSPO scheme. |
| . | . |

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Qualification of Team Members

| Requirement | Assessor | Qualification | Compliance |
|--|---|---|------------|
| Post-secondary education, college or university diploma / degree in one of the following i) Agriculture; ii) Science & Technology (e.g. Environmental Sciences, Life Sciences, Geological Sciences, Natural Sciences,); iii) Engineering, Process Technology; iv) Energy Management, Quality Management; v) Social Sciences and/or Anthropology; vi) Business Management; or vii) Other relevant related fields | Zul Hairi Bin Abu Hassan | Graduate in Plantation Industry Management | Yes |
| | Sheron Pui Ling Wui | Graduate in Medical Science (life science) | Yes |
| | Muhammad Khairul Anuar Bin Azizul Hasan (Trainee auditor) | 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) | Zul Hairi Bin Abu Hassan | 9 years working experience in plantation management. | Yes |
| | Khairul Anuar Bin Azizul Hasan (Trainee auditor) | 7 years working experience in plantation management | Yes |
| Attended the MS 2530 series of standards training | Zul Hairi Bin Abu Hassan | 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 (Trainee auditor) | 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 | Zul Hairi Bin Abu Hassan | Qualified as auditor base on audit log. | Yes |

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| Requirement | Assessor | Qualification | Compliance |
|--|---|---|------------|
| the direction and guidance of a qualified Lead Auditor for MSPO or equivalent sustainability certification schemes. | Sheron Pui Ling Wui | 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. | Zul Hairi Bin Abu Hassan | Able to communicate in Bahasa Malaysia and English. | Yes |
| | Sheron Pui Ling Wui | Able to communicate in Bahasa Malaysia, and English. | Yes |
| | Muhammad Khairul Anuar Bin Azizul Hasan (Trainee auditor) | Able to communicate in Bahasa Malaysia, and English. | Yes |
| Field working experience in the palm oil sector, or demonstrable equivalent | Zul Hairi Bin Abu Hassan | 9 years working experience in plantation management. | Yes |
| | Muhammad Khairul Anuar Bin Azizul Hasan (Trainee auditor) | 7 years working experience in plantation management. | Yes |
| Good Agricultural Practices (GAP), and Integrated Pest Management (IPM), pesticide and fertilizer use | Zul Hairi Bin Abu Hassan | 9 years working experience in estate management. | Yes |
| | Sheron Pui Ling Wui | Qualified as MSPO auditor. | Yes |
| | Muhammad Khairul Anuar Bin Azizul Hasan (Trainee auditor) | 7 years working experience in plantation management. | Yes |
| Health and safety auditing on the farm and in processing facilities, for example ISO 45001 or Occupational, Health & Safety Assurance System | Zul Hairi Bin Abu Hassan | Successfully completed ISO 45001:2018 | Yes |
| | Sheron Pui Ling Wui | Successfully completed ISO 45001:2018 and Working experience as | Yes |

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| Requirement | Assessor | Qualification | Compliance |
|--|---|---|------------|
| | | auditor for ISO 14001 and ISO 9001 | |
| | Muhammad Khairul Anuar Bin Azizul Hasan (Trainee auditor) | Successfully completed IMS 9001, 14001 & 45001 | Yes |
| Worker welfare issues and social auditing experience, for example with SA8000 or related social or ethical accountability codes | Zul Hairi Bin Abu Hassan | Successfully complete SA8000 Basic Training. | Yes |
| | Sheron Pui Ling Wui | Successfully complete SA8000 Basic Training. | Yes |
| Environmental and ecological auditing, for example experience with organic agriculture, ISO 14001 or Environmental Management Systems (EMS) or High Conservation Value (HCV) | Zul Hairi Bin Abu Hassan | 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 (Trainee auditor) | Successfully completed 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.

The Certification audit was conducted in two stages in accordance to the certification procedure.

Stage 1

Stage 1 was conducted on 06/06/2018-07/06/2018 at Silimpompon 1 and 2 Estates that covers desk review activities:

- Background investigation
- Review of documentation established but not limited to below
 - Group Operating Policies
 - Estate maps
 - Land titles
 - Standard Operating Procedures including Agricultural Manual
 - Work Flow Charts
 - Operating licenses and approvals
 - Operating records
 - Training records
 - Applicable Legislation Documents

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- Interviews of relevant operation personnel
- Assessment reporting

Stage 2

Stage 2 audit is conducted on 15/10/2018 to 18/10/2018 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;

For list of personnel participated in the audits refer attendance sheet and Table 7-1.

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 were used to guide the collection of information. The comments made by external stakeholders were also taken into account in the assessment.

For the stage 2 audit, the selected estates was 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 number of estate $n = 2$. Sample size for the estate $S = 0.8\sqrt{2} = 1.4$, therefore round up to the next integral of 2 estates. Thus, the 2 estates are assess and inspected as listed in Table 2-1 below:

Table 2-1: List of Estates Selected

| Name of Estate | Coordinates |
|----------------------|-------------------------------------|
| Silimpompon 1 Estate | N : 04°19'44.76" , E : 117°27'32.88 |
| Silimpompon 2 Estate | N : 04°20'58.6" , E : 117°25'28.9" |

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Non-conformance:

On the basis of the desk review, evidences presented during the audits as well as from the onsite visits non-conformance (NC) Major 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 action plan will be submitted and accepted by Lead Auditor. Implementation of Minor NCs and OBS will be review and verify during the next audit.

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3. ORGANISATION INFORMATION

Silimpompon Estates 1 & 2 are located at Tawau, Sabah and owned by Kretam Holdings Bhd. I

The details of the two estates as below:

| Name of Estate | Location | Coordinates |
|----------------------|--|-------------------------------------|
| Silimpompon 1 Estate | KM 128, Tawau Kalabakan Highway, Mukim Sg. Silimpompon | N 04° 19' 44.76"; E 117° 27' 32.88" |
| Silimpompon 2 Estate | KM 128, Tawau Kalabakan Highway, Mukim Sg. Silimpompon | N 04° 20' 58.6"; E 117° 25' 28.9" |

3.1. Production volume

| Name of Estate | Area (Ha) | | Projected FFB Production (mt) (Oct 2018 – Sept 2019) |
|----------------------|-----------------|-----------------|---|
| | Total* | Production** | |
| Silimpompon 1 Estate | 3,934.82 | 2,885.74 | 60,600.00 |
| Silimpompon 2 Estate | 4,155.18 | 2,701.09 | 50,900.00 |
| Total FFB | 8,090.00 | 5,586.83 | 111,500.00 |

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

**Immature + Mature Are

3.2. Planting Program for Each Estate

| Year / estate | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2010 | Total |
|-----------------------|---------------|---------------|-----------------|-----------------|-----------------|---------------|--------------|--------------|-----------------|
| Sil Estate 1 | 0 | 0 | 1,029.76 | 823.00 | 1,013.46 | 0 | 19.52 | 0 | 2,885.74 |
| Sil Estate 2 | 705.15 | 687.69 | 0 | 458.25 | 480.20 | 329.80 | 0 | 40.00 | 2,701.09 |
| Total Mature | 705.15 | 687.69 | 1,029.76 | 1,281.25 | 1,493.66 | 329.80 | 19.52 | 40.00 | 5,586.83 |
| Total Immature | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Oil Palm | 705.15 | 687.69 | 1,029.76 | 1,281.25 | 1,493.66 | 329.80 | 19.52 | 0.00 | 5,586.83 |

3.3. Replanting program for each estate

| Year of replanting | Planted area (ha) in each estate | | Total area to be replanted (ha) |
|----------------------|----------------------------------|-----------------|---------------------------------|
| | 2022 | 2023 | |
| Silimpompon 1 Estate | 0.00 | 0.00 | 0.00 |
| Silimpompon 2 Estate | 345.32 | 1,047.52 | 1,392.84 |
| TOTAL | 345.32 | 1,047.52 | 1,392.84 |

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3.4. Maps of Company Location, Plantations and Organised Smallholders

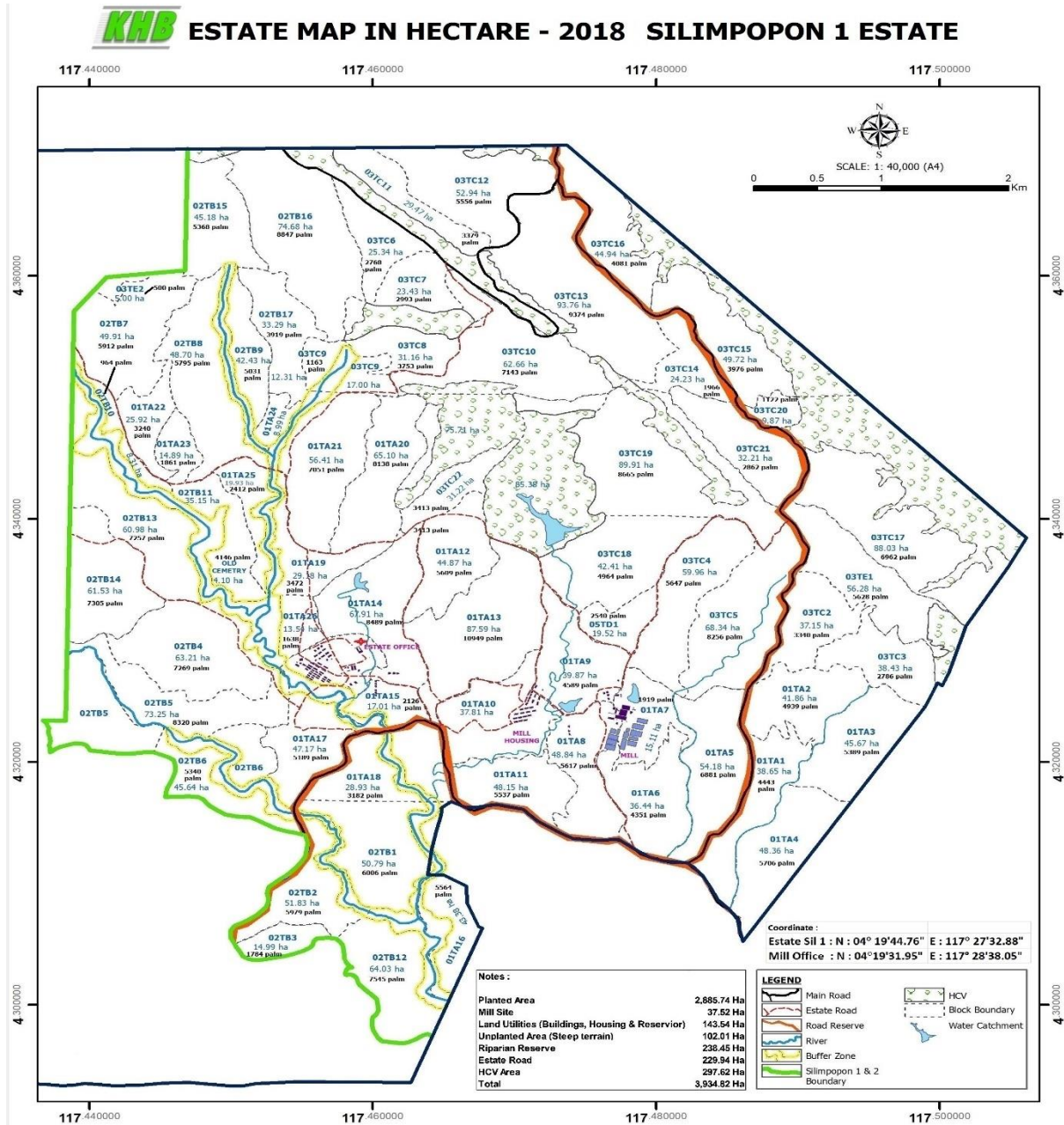


Figure 1: Silimpompon 1 Estate map.

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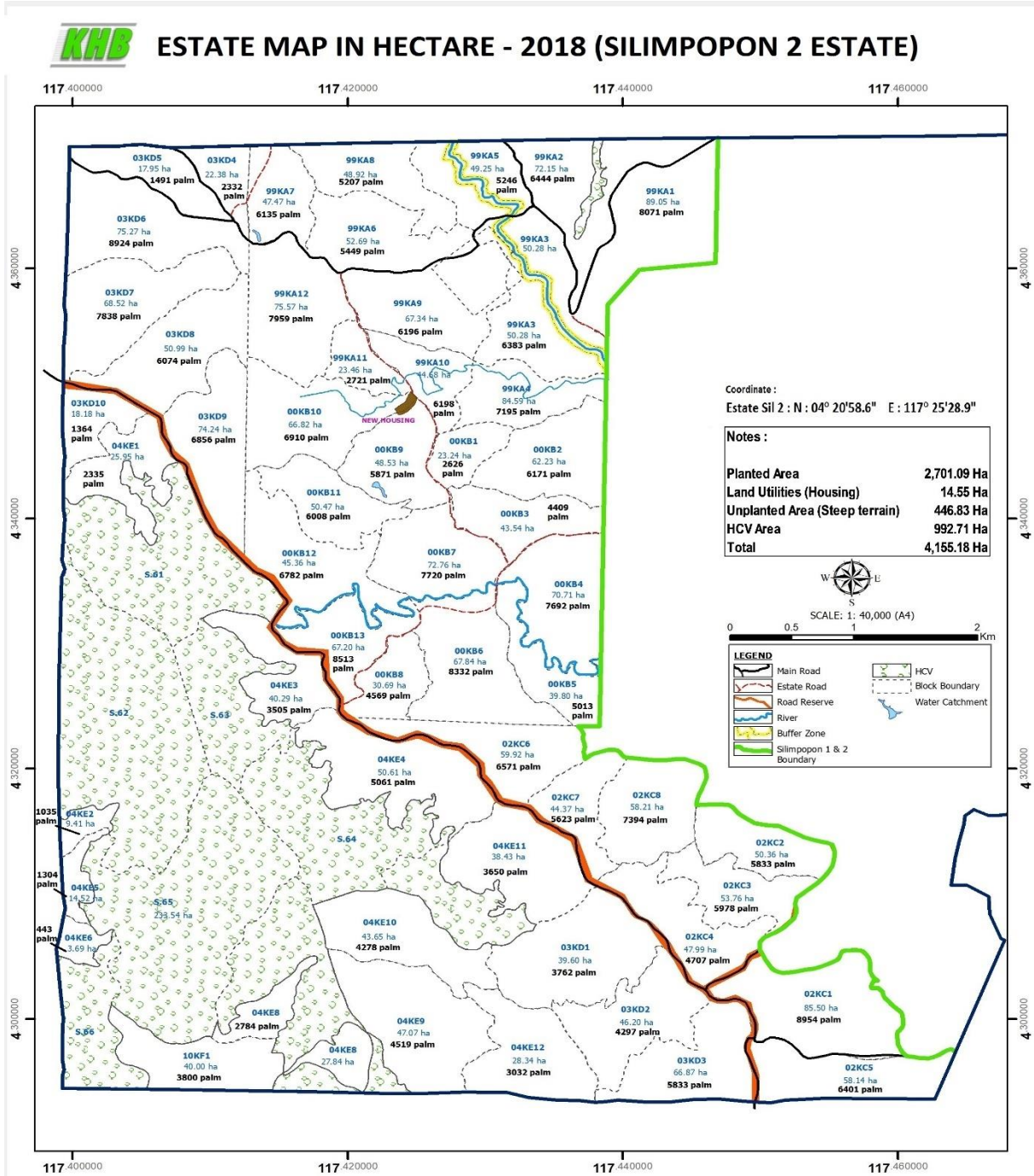


Figure 2: Silimpopon 2 Estate

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4. CERTIFICATION ASSESSMENT

4.1. Certification Audit

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

During this audit, one minor non-conformance was raised. There were two Observations (OBS) rise for improvement that will be assessed and verified during surveillance audit.

The details assessment of the Principles & Criteria, refer to P & C audit report attached to this summary report.

Stage 1:

The Stage 1 audit was conducted on 06/06/2018-07/06/2018 at Silimpompon 1 Estate.

The objective of the stage 1 audit is to assess the readiness of the documentation established and implemented in accordance to MSPO 2530-3:2013 Part 3 General principles for Plantations and Organised Smallholders.

According to the Certification Scheme, an initial due-diligence audit for operators which are entering into the MSPO system, and which

- do not have any certification or
- those having management system certification e.g. ISO, COP.

These operators shall undergo both Stage I and II audit

Therefore, in this aspect, Silimpompon 1 & 2 estates are not exempted from Stage I audit

4.1.1. Stage 2:

The Stage II audit was conducted on 15/10/2018 to 18/10/2018 covering two estates – Silimpompon 1 and 2 Estates.

During this Stage II audit, one minor NC finding was raised. The corrective action plan submitted is review and accepted. It will further review and verify during the next audit.

4.2. Stakeholders' Consultation

TUV NORD (Malaysia) Sdn. Bhd., has published the public notification on 12/09/2018 to obtain feedback and comments. As at audit date on 15/10/2018 to 18/10/2018 there were no comments received.

In addition, invitation letters were sent on 12/09/2018 to invite relevant stakeholders to attend a local stakeholder consultation on 15/10/2018 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 Silimpompon Estates applying for MSPO certification.
2. Development of oil palm plantations by Silimpompon Estates.
3. Community service and support provided by Silimpompon Estates.

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4. Wildlife management and wildlife corridor established by Silimpompon Estates.
5. Type of wildlife sighted at Silimpompon Estates 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:
The stakeholders could confirm they have attended meetings with SSB personnel on MSPO certification.
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 the company has provided 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 12/09/2018 as to accommodate stakeholder's consultation meeting for Silimpompon Estates.

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 7-3

| Items | Subject discussed | Audit team findings | Company response and proposed action to be taken |
|-------|---|---|---|
| 1 | Any information from Group Manager/Company [thereafter known as GM] in regards to the MSPO audit? | Stakeholders confirmed they are aware on MSPO audit through invitation letters and public announcement made by the company. | Positive comments towards the Silimpompon Estates management. |
| 2 | Social context | Stakeholders inform there are no social issues as regards to the Silimpompon estates. | Positive comments towards the Silimpompon Estates management. |
| 3 | Understanding of "NCR Land"? | Stakeholders inform Silimpompon estates land are state lease. There is no NCR land. | Positive comments towards the Silimpompon Estates management. |

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| Items | Subject discussed | Audit team findings | Company response and proposed action to be taken |
|-------|---|--|---|
| 4 | Economy / livelihood Is there any impact on livelihood after the introduction of MSPO? | Stakeholders inform there are no negative impacts on their livelihood with the introduction of MSPO by Silimpompon estates management. | Positive comments towards the Silimpompon Estates management. |
| 5 | Does MSPO will largely benefits the local community? | Stakeholders confirmed they understand and aware the benefits of MSPO certification will contribute to improve the local community. | Positive comments towards the Silimpompon Estates management. |
| 6 | HCV and environmental understanding | Stakeholders who attended informed there are meetings on on HCV and environmental awareness conducted by Silimpompon estates management. | Positive comments towards the Silimpompon Estates management. |
| 7 | Awareness towards species, habitats, and high conservation values? | Stakeholders attended the meeting are aware on conservation through stakeholders meeting held by Silimpompon estates management. There are signage installed to display RTE. | Positive comments towards the Silimpompon Estates management |
| 8 | Support to smallholders | Stakeholders attended the meeting confirmed MSPO awareness training provided. | Positive comments towards the Silimpompon Estates management. |
| 9 | FFB quality | Not applicable. | |
| 10 | Are there any plantation or mill management practices that affect you? | Stakeholders confirmed there are no estates activities that may affect their livelihood. They are aware the estates processes and have access to management on any issue raised. | Positive comments towards the Silimpompon Estates management. |
| 11 | Do you consider any management is in conflict with the MSPO principles and criteria? | Stakeholders attend the meeting confirm there is no conflict arise by the Silimpompon Estates management on MSPO certification. | Positive comments towards the Silimpompon Estates management. |

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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 that were, and when non conformity was found, a 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>KHB Tawau region adopted the group Sustainability Policy dated 02/01/2018 sign bu the CEO.</p> <p>The policy states following:</p> <ul style="list-style-type: none"> a) Commitment to adhere on applicable laws b) Ensure protection and conservation to HCV. c) Transparency and accountability <p>Policy training is conducted on 18/06/2018 for both estates</p> <p>Interviews with workers indicate they are aware and understand the policies.</p> | Yes |
| 4.1.2 | <p>Internal audit for Tawau region has been conducted as follows:</p> <ol style="list-style-type: none"> 1. MSPO Baseline audit on 13/03/2017 -16/03/2018. 2. MSPO 1st internal audit 14/05/2017 to 16/05/2018. 3. MSPO 2nd Internal audit 03/07/2017 - 04/07/2018. <p>There are two type audits conducted physical assessment and documentation review.</p> <p>Internal audit team is led by Head of Research and Environmental Protection department, Safety and Health Officer and Assistant Manager Environment.</p> <p>Results of internal audit documented and available upon request.</p> | Yes |

Principle 2: Transparency

| Criterion By Audit | Summary of Assessment | Compliance |
|--------------------|--|------------|
| 4.2.1 | <p>Sighted KHB group SOP KHB/G/SOP-35 "Stakeholder Engagement / Negotiation" dated 05/05/2017.</p> <p>The procedure includes:</p> <ol style="list-style-type: none"> 1. Identification of stakeholders 2. Request and respond 3. Consultation and meeting 4. Complaint and grievance | Yes |

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| Principle 2: Transparency | | |
|---------------------------|--|------------|
| Criterion By Audit | Summary of Assessment | Compliance |
| | <p>The procedure describe the process such as request and respond complaint and grievance record will be recorded that includes action taken, timeframe and date of receive and date of grievance is resolved.</p> <p>KHB group SOP KHB-HR-P07 Information Procedure, effective date 01/06/2015. The definition of non-confidential information and confidential information is describe in the procedure.</p> <p>The procedure includes step to request of information and form to be used for information requisition.</p> <p>The List of Documents and Transparency Status dated 10/10/2018 is publicly available.</p> <p>The list includes but not limited to:</p> <ul style="list-style-type: none"> - Land title - Water management plan | |
| 4.2.2 | <p>KHB Tawau region adopted the group SOP Stakeholder Engagement / Negotiation dated 05/05/2017.</p> <p>The above procedure describe the process such as to hold periodic consultation with stakeholder on issue related to estate or mill operation, health and safety, certification activities or briefing, road accessibilities and etc.</p> <p>The procedure states the list of stakeholder will be updated by the estate or mill manager twice a year and in charge of implementing the procedure.</p> <p>List of stakeholders date 29/08/2018 is reviewed.</p> <p>The list includes various government agencies, schools, suppliers/contractors, transporter, NGO, smallholder and FFB supplier.</p> <p>Sighted stakeholders meeting conducted on 03/07/2018. Matters discussed are company policies, HR procedure (include complaint and consultation procedure), activities conducted by company and etc.</p> <p>The stakeholders' minutes of meeting include request from various stakeholders. Example: Request from representative, SMK Kalabakan, for CLC to include Malaysian teachers. Estate management has liaised with Ministry Education which has no requirement to have Malaysian teacher for CLC.</p> <p>Observation:</p> <p>Stakeholders list has been established. Estates may consider to include NGOs they have communicate or cooperate.</p> | OBS 1 |
| 4.2.3 | <p>KHB Tawau Region has establish, implement and maintain SOP Traceability, doc no: KHB/G/SOP-57, effective date 01/12/2017 sign by Chief Plantation Officer (CPO) to comply with the requirements for traceability of the relevant product(s)</p> <p>Traceability inspection on traceability system included in the internal audit conducted on 14/05/2018. No issues raised for traceability system.</p> | Yes |

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| Principle 2: Transparency | | |
|---------------------------|--|------------|
| Criterion By Audit | Summary of Assessment | Compliance |
| | Appointment letter for person in charge of traceability dated 26/02/2018 is sighted dated 26/02/2018 with the estate manager is the person in charge. Records of sales, delivery or transportation are maintained | |

| Principle 3: Compliance to legal requirements | | |
|---|--|------------|
| Criterion By Audit | Summary of Assessment | Compliance |
| 4.3.1 | <p>Silimpompon Estates has established List of relevant licenses, permits and status of validity dated 10/10/2018.</p> <p>Example:</p> <p>Silimpompon 1 Estate</p> <ul style="list-style-type: none"> a) MPOB license valid from 01/04/2018 until 31/03/2019 for menjual dan mengalih FFB. b) Air compressor license for air compressor: SB PMT 11251 valid until 26/12/2019. <p>Silimpompon 2 Estate</p> <ul style="list-style-type: none"> a) MPOB license for menjual dan mengalih FFB, license number: 50839402000 valid from 01/03/2018 until 28/02/2019. b) License to sell pesticide from DOA for Tawau Blossom Sdn. Bhd. supplier of class 1a for Azodrin 60 WSC (trade name Bullet) from 07/12/2017 until 06/12/2020. <p>Silimpompon Estates has established list of legal register for applicable Laws and Regulations latest updated on 07/08/2018.</p> | Yes |
| 4.3.2 | <p>KHB Tawau region has established SOP for FPIC document number KHB/G/SOP-54, effective date 01/07/2018.</p> <p>The procedure describe participatory mapping, participatory involvement on social and environmental assessment.</p> <p>Sighted land title issued by Sabah Land Authority as country leased title.</p> <p>Sighted boundary peg for Silimpompon 1 Estate at block TB 06, boundary with Silimpompon 2. Boundary peg at block 96KA 1, for Silimpompon 2 Estate.</p> | Yes |
| 4.3.3 | <p>Silimpompon 1 and Silimpompon 2 Estates are state leased land title and not customary lands. The leased title is approved by Sabah Land authority.</p> <p>Estates maps are reviewed that indicate the location and total leased area. Maps in land title with of 1: 40 000.</p> <p>Review of estate stakeholders meeting dated 03/07/2018 and interview f stakeholders and management representatives during audit there are no issues on land titles</p> | Yes |

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| Principle 4: Social Responsibility, health, safety and employment conditions | | |
|--|---|------------|
| Criterion By Audit | Summary of Assessment | Compliance |
| 4.4.1 | <p>SIA is conducted on December 2017 and reviewed on July 2018. The next review will be Jan 2019</p> <p>The SIA include information from survey and interview provided by internal and external stakeholders.</p> <p>Sighted list of stakeholders invited for SIA conducted on 03/07/2018 that includes neighboring estates, smallholders, school, worker representatives, etc.</p> <p>Examples of stakeholders involved in SIA:</p> <ul style="list-style-type: none"> - Representative, Bomba Dan Penyelamat Kalabakan - Representative, Balai Polis Kalabakan <p>The SIA report includes both positive and negative impacts with a time frame and status.</p> <p>Examples of positive impact:</p> <p>To have market place, estate had established and continuous. Timeline: July 2018 and status completed. Further check on site the market place is available.</p> | Yes |
| 4.4.2 | <p>KHB Tawau region adopte the group complaints and grievances SOP dated 01/08/2018.</p> <p>The procedure available in both English and Malay languages. The procedure states complaint will be lodge by using the complaint form.</p> <p>A flow chart is included in the SOP describing the compliant process.</p> <p>The responsible person is the HR manager or Manager on site (Grievance officer). Any complaint to be resolve within 30 working days after received.</p> <p>The compliant box with form ais located outside the estates offices and workers quarters.</p> <p>Sighted record book 'Buku Buka Peti Aduan' use for inspection of complaint box shown no compliant has been lodged.</p> <p>Onsite interview indicates there are no compliant lodge from the external and internal stakeholder as of audit date.</p> <p>Silimpompon estate 1 & 2 had conducted Complaint SOP training On 26/07/2018 and 01/20/2018 respectively.</p> <p>Reviewed on records there are no complaint as established date until the audit date.</p> | Yes |
| 4.4.3 | <p>Estate managements has provided shop lot for to local to sell sundries to workers.</p> <p>Estates provide job opportunity for local As office staff and supervisors.</p> | Yes |
| 4.4.4 | <p>Estates adopted KHB group Health and safety policy dated 02/01/2018.</p> <p>The policy is displayed at the notice boards in muster ground, line site and office area.</p> <p>Record of briefing on OSH conducted on 10/02/2018 at muster call sighted</p> | Minor NC 1 |

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| Principle 4: Social Responsibility, health, safety and employment conditions | | |
|--|--|------------|
| Criterion By Audit | Summary of Assessment | Compliance |
| | <p>Medical surveillance conducted on 14/08/2018 for chemical sprayers sighted.</p> <p>HIRARC conducted for all operations.</p> <p>Example, Memotong kepala tandan (menyebabkan parang terkena kaki) dated 13/07/2018 Occupational Safety and health – implementation and monitoring program 2018 is established and documented.</p> <p>Training on safety for sprayer are based on SOP KHB/G/SOP-26/S&H-09 revision 2 dated 31/07/2018 sighted.</p> <p>SDS are available for the product used.</p> <p>PPEs are provided to respective workers for type of work are documented and well maintained.</p> <p>SOP for chemicals handling Doc No KHB/G/SOP-13 Revision 05 dated 25/06/2018. The scope of SOP is to protect environment and minimize the chemicals contamination to human.</p> <p>The Estate Manager is the appointed Safety & Health Committee chairman.</p> <p>Sighted minutes meeting conducted on 09/04/2018, 11/07/2018 and the latest meeting on 25/09/2018.</p> <p>Topics discussed in the meeting held 25/09/2018 covers accident occurs during July to September 2018.</p> <p>All safety precautions are conducted based on revised HIRARC.</p> <p>Emergency response plan is established for accident may / may not happen including, Flood, Accidents, Fire and chemical spillage.</p> <p>SOP for safety and health KHB. Doc no KHB/G/SOP-26/S&H-36-25-31-34-35 sighted.</p> <p>Person in charge of First Aid kit is the mandore for estate operation. . Records of first aid kit distribution made available and well maintained.</p> <p>Sighted JKKP 6 form Laporan Mengenai Kemalangan /Kejadian Berbahaya record on injury on 08/03/2017 and reported to JKKP on 20/03/2017. Sighted accidents record JKKP 8 form for medical leave for 16 days, followed by additional medical leave for 28 days and 22 days respectively. Wage paid to worker and pay slip for the month of March, April and May 2017 review.</p> <p>Non-conformity:</p> <p>Estate has established HIRARC that include working at slippery area. There is SOP on harvesting which include avoid stand too close to edge of terrace area and there are no accident cases related to fall from hilly or terrace area. However, the risk assessment for harvesting activity shall consider the probability and severity of the accident on the working condition on hilly or terrace areas. Base on justification stated, the non-conformity is classify as minor since there are no records of accident.</p> | |

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| Principle 4: Social Responsibility, health, safety and employment conditions | | |
|--|---|------------|
| Criterion By Audit | Summary of Assessment | Compliance |
| 4.4.5 | <p>KHB Tawau Region adopted the group Code of Conduct & Human Rights Policy dated 03/01/2017 and Social Policy dated 01/09/2018.</p> <p>The policies are displayed at office, workshop, and clinic noticeboards.</p> <p>The Social Policy includes a statement KHB commitment in not hiring any child or young person.</p> <p>The policy is brief to stakeholders meeting dated 03/07/2018.</p> <p>Estates workers are briefed on the policy via conducted on 19/05/2018 for Silimpompon 1 and 15/09/2018 for Silimpompon 2. training.</p> <p>Workers can decide whether to have their passport keep by the company or themselves. Workers who keep their passport at estate office are able to access without any restriction.</p> <p>Sighted SOP Passport Safekeeping Procedure dated 01/09/2018 that state the passport may be submit to office to keep based on own free will and no restriction in getting back passport if needed.</p> <p>From the interviewed there is no discrimination practice. The equal opportunity and no discrimination practice is included in the 'Code of Conduct & Human Rights Policy'.</p> <p>Sighted SOP Recruitment of Foreign Worker dated 01/08/2018 and SOP Recruitment and Selection dated 01/12/2018 for local worker. Both procedures recruitment process are based on the medical fitness and skills. There is no sign of force labour or discrimination practices.</p> <p>Sighted worker pay slip and contract agreement. The wage meets the minimum wage legal requirements.</p> <p>The estate management ensure the contractor paid their workers according to minimum wage regulations. Sighted the contractor used by Silimpompon 1 & 2, estates for road maintenance the contractor workers' pay slip is above minimum wage regulations.</p> <p>Both Silimpompon 1 & 2 workers lists are sighted that include name, gender, basic rate, date joined, etc. The workers are employed as permanent workers.</p> <p>Sighted and review worker contract signed by both parties in Malay language. The contract states basic paid rate, date joined, paid holiday, sick leave, etc.</p> <p>Workers working hours / days recorded via daily check roll. The working hours are displayed at the muster ground, office and clinic notice boards.</p> <p>KHB group provides benefits to workers such as free medical service, workman insurance compensation, free transport, housing, water, electricity and free school for children, CLC, Creche, religious worship place and recreation place..</p> <p>Sighted workmen compensation insurance:</p> <p>Silimpompon 1- Policy no S18172977SDK valid from 01/04/2018 – 31/03/2019.</p> <p>Silimpompon 2 – Policy no S18172618SDK valid from 01/04/2018- 31/03/2019.</p> | Yes |

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| Principle 4: Social Responsibility, health, safety and employment conditions | | |
|---|-----------------------|------------|
| Criterion By Audit | Summary of Assessment | Compliance |
| | | |

| Principle 5: Environment, natural resources, biodiversity and ecosystem services | | |
|---|--|------------|
| Criterion By Audit | Summary of Assessment | Compliance |
| 4.5.1 | <p>KHB Tawau Region adopted the group environmental policy dated 02/01/2018 signed by CEO.</p> <p>In protecting the environmental and enhancing biodiversity we shall undertake the following, example:</p> <p>Operate within the framework of statutory and regulatory requirements or relevant laws, RSPO, ISCC and MSPO certification.</p> <p>The environmental management plan Doc no: EAIA Jil.1/2018 on February 2018 established states the environmental policy dated 02/01/2018.</p> <p>The aspects and impacts analysis of all operations ranking is low, medium, high or very high. The impact analysis covering all activities that may impact the environment.</p> <p>An environmental improvement plan to mitigate the negative impacts and to promote the positive ones is established implemented and monitored.</p> <p>Negative impacts are mitigated and positive impacts are promoted example:</p> <p>Activities diesel spillage.</p> <p>Mitigation / improvement plan: Concrete bunds around of diesel storage tank.</p> <p>Monitoring Plan: Monthly checklist monitoring.</p> <p>Positive impacts stated in the continual improvement plan.</p> <p>Continual Improvement plan 2018 dated 30/06/2018 doc no: TWU-Jil.06/2018 is established.</p> <p>Example:</p> <p>Improvement action: Protection and preservation of buffer zone</p> <p>Training program 2018 is established by estate manager.</p> <p>Example training on environmental policy on 06/01/2018.</p> <p>Meeting for the environmental conducted quarterly.</p> | Yes |
| 4.5.2 | <p>KHB Tawau Region has established records of diesel usage for both estates. The records from 2015 to 2017 are sighted. Genset and internal transport diesel consumption was recorded.</p> <p>Three years base line for diesel consumption form 2015 to 2017 is established. The baseline established is compared with actual diesel usage per mt of FFB produced.</p> <p>Budget for non-renewable energy for the operation was sighted in budget 2018 and actual usage.</p> | Yes |

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| Principle 5: Environment, natural resources, biodiversity and ecosystem services | | |
|--|--|------------|
| Criterion By Audit | Summary of Assessment | Compliance |
| | <p>Briefing with contractor on 14/09/2018 includes of diesel usage. Records usage by contractor included in estate diesel consumption sighted.</p> <p>Fuel efficiency improvement plan established dated 16/01/2017. The plan states the usage for vehicles, workshop, genset and general. Solar panels are installed at CLC, Crèche and weighbridge.</p> | |
| 4.5.3 | <p>Waste identification and disposal method sighted.</p> <p>Waste identification list 1 to 15 type of wastes.</p> <p>Example: Used engine oil (SW305), pesticides chemical, EFB.</p> <p>The waste management plan is established develop and implemented</p> <p>Example::</p> <p>Waste identification: Rotten bunches</p> <p>Source: Palm / harvesting area</p> <p>Disposition method: Mulching</p> <p>Document related: QCU report.</p> <p>Sighted Quality Control Unit (QCU) report dated 20/09/2018. Rotten bunches 0.42% issued by QCU recorder and verified by estate manager</p> <p>KHB Tawau region has established SOP Chemical handling, doc no: KHB/G/SOP-13, rev no: 5, dated 25/06/2018.</p> <p>. The SOP states spraying flow chart, high toxic chemical class 1A & 1B. Waste disposal for all empty containers should be rinsed three times, punctured and keep in the store for disposal by licensed agents.</p> <p>During site verification, all workers are provided with appropriate PPEs and replace when PPE is damaged and not useable. All containers are labelled and trays are used to prevent spillage occur in the field.</p> <p>Domestic wastes are disposed at landfills to minimize the risk of contamination of the environment and watercourses. Landfills are far from watercourse and housing. Recycle bins sighted at the landfill for segregate of recycle waste.</p> <p>Observation:</p> <p>Estates have established standardized design of the oil trap. The management may consider to implement the standardized oil traps design for other locations.</p> | OBS 2 |
| 4.5.4 | <p>Assessment of all polluting activities conducted include greenhouse gas emissions, scheduled wastes, solid wastes and effluent. Example: Type of GHG emissions for EFB and POME is methane (CH₄).</p> <p>An action plan to reduce identified significant pollutants and emissions is established and implemented:</p> <p>Example Zero burning policy dated 11/01/2016 signed by Chief Plantation officer.</p> <p>The policy states there shall be no open burning of any kind except where deemed necessary with prior approval from relevant authorities. This include</p> | Yes |

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| Principle 5: Environment, natural resources, biodiversity and ecosystem services | | |
|---|--|------------|
| Criterion By Audit | Summary of Assessment | Compliance |
| | domestic wastes, agricultural wastes and biomass or by-products generated by estates. | |
| 4.5.5 | <p>KHB Tawau region has establish water management plan 2018 dated 20/09/2018.</p> <p>The plan includes water source for the estates and mill locations.</p> <p>Water analysis for estates is conducted.</p> <p>Sighted latest water analysis conducted on 24/04/2018 for water catchment area by independent laboratory.</p> <p>Water sampling for analysis for labour quarters conducted on 24/04/2018.</p> <p>Water consumption monitoring is established for domestic water usage using flow meters.</p> | Yes |
| 4.5.6 | <p>Sighted Red List of threatened species by IUCN version 2017-3 dated 04/02/2018.</p> <p>Estate has list of flora and fauna dated 08/11/2017</p> <p>Estate has establish list of identified animals, reptilian, mammalia, amphibian and birds.</p> <p>Baseline biodiversity assessment and planning dated 12/10/2018 doc no: TR-BBAP.Jil.1/2018 sighted.</p> <p>Date assessment: June to September 2018 include RTE list.</p> <p>Example:</p> <p>Flora: Selangan Batu, Kayu Malam</p> <p>Fauna: Enggang, Helang, Murai Batu</p> <p>Training for RTE conducted on 20/03/2018 includes no hunting and penalty according to Sabah Wildlife Enachment 1997.</p> | Yes |
| 4.5.7 | <p>Zero burning policy is established dated 11/01/2016</p> <p>Based on planting manual replanting technique is states zero burning practice. The two technique applied is chipping or shredding and windrow.</p> | Yes |

| Principle 6: Best Practices | | |
|------------------------------------|--|------------|
| Criterion By Audit | Summary of Assessment | Compliance |
| 4.6.1 | <p>KHB Tawau region has established planting manual for all estate operations.</p> <p>Example: nursery practice, land clearing, planting technique and supplying.</p> <p>Planting manual includes best practice for Rat Control.</p> <p>Based on IPM monitoring plan 2018 there is no sign of rat attack according to daily FFB summary for field quality control records.</p> | Yes |
| 4.6.2 | <p>KHB Tawau Region has establish Long term plan & financial projection for year 2017 – 2023 for both Silimpompon 1 and 2 estates.</p> | Yes |

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| Principle 6: Best Practices | | |
|-----------------------------|--|------------|
| Criterion By Audit | Summary of Assessment | Compliance |
| | Yearly budget establish includes allocation for continual improvement. | |
| 4.6.3 | <p>Sighted contract agreement</p> <ul style="list-style-type: none"> a) Description and specification of works. b) Contract obligation and responsibility. c) Rate of works. <p>Example: Sighted Payment to contractor dated 27/03/2018 for gravelling and maintenance. Payment rate same as amount stated in contract dated 22/03/2018.</p> | Yes |
| 4.6.4 | <p>Contract agreement states t contractors have to comply with standard MSPO and subjected to be audited by CB.</p> <p>Sighted sustainability training and awareness for contractors conducted on 14/09/2018 for Silimpompon 1 Estate and on 12/03/2018 for Sllimpompon 2 Estate.</p> <p>Silimpompon Estates has established work progress record for contractors. Example: Road maintenance programme monitoring conducted by field supervisor.</p> | Yes |

| Principle 7: Development of new planting | | |
|--|---|------------|
| Criterion By Audit | Summary of Assessment | Compliance |
| 4.7.1 - 4.7.6 | There was no new planting established. Sighted planting statement for Silimpompon 1 Estate planting years from 2001 until 2005. Silimpompon 2 Estate planting years from 1999 until 2010. | Yes |

4.4. Status of Non-Conformities Previously Identified

| | |
|---|--|
| X | 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. |
| | Not applicable. No non-conformity raised in previous audit. |
| <p>Note 1: If a minor non-conformity raised in last audit, is not closed out, then this finding will be re-raised to a Major non-conformity.</p> <p>Note 2: All minor NCs raise in last audit are required to capture in this report together with the closing of the non-compliance.</p> | |

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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 | 1 |
| Observations | 2 |

| Non Conformity Number <01> | | | |
|---|------------------------------------|---|--------------------------------------|
| Indicator: 4.4.4.2 | | | |
| The occupational safety and health plan shall cover the following: (MAJOR) | | | |
| a. A safety and health policy, which is communicated and implemented. | | | |
| Location | Silimpompon 1 & 2 Estates | | |
| Description of Finding / Objective Evidence: | | | |
| Estate has established HIRARC that include working at slippery area. There is SOP on harvesting which include avoiding stand too close to the edge of terrace area and there are no accidents cases related to fall from hilly or terrace area. However, the risk assessment for harvesting activity shall consider the probability and severity of the accidents on the working conditions at hilly or terrace areas. Base on justification stated, the non-conformity is classify as minor since there are no records of accidents. | | | |
| Classification | <input type="checkbox"/> Major | <input checked="" type="checkbox"/> Minor | <input type="checkbox"/> Observation |
| Date Raised: 18/10/2018 | Deadline for implementation | Next surveillance audit | |
| Root Cause Analysis (by company): | | | |
| SOP Harvester KHB/G/SOP-26/S&H-04 and list of HIRARC was applied for whole group of estates and not specifically for Silimpompon Estates. The management should develop risk assessment for working at terrace because most of Silimpompon Estates area is in hilly area. | | | |
| Correction (by company): | | | |
| <ol style="list-style-type: none"> 1. Training and risk assessment have been conducting involving workers working at terrace area on 23rd October 2018 for harvesters and 24th October 2018 for sprayers and manurers as one of the criteria to developing HIRARC working at terrace. 2. HIRARC for working at terrace area for three main estates operations such as harvesting, spraying and fertilizing has been done on 25th October 2018. Conducted by Estate Manager Silimpompon 1 Estate, Senior Assistant Manager In-Charge Silimpompon 2 Estate and assisted by Safety and Health Assistant. 3. SOP Sprayer KHB/G/SOP-26/S&H-09 and SOP Fertilizing Using Machinery Or Manual KHB/G/SOP-26/S&H-26 has been reviewed and implemented on 7th November 2018 with addition avoiding stand too close to cliff on terrace area same as stated in SOP Harvester KHB/G/SOP-26/S&H-04. | | | |
| Corrective / Preventive Action (by company) | | | |
| <ol style="list-style-type: none"> 1. The Estates will keep updating and review the HIRARC Working at terrace area (half yearly as attached) 2. Continuous training will be given to employees on quarterly basis to raise awareness about hazards working in the terrace area as stated in the revised SOP. | | | |

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| Non Conformity Number <01> | |
|--|---|
| Review of Correction & Corrective / Preventive Action | |
| Sighted revised HIRARC for harvesters dated 23/10/2018 which incorporate risk assessment of working at terrace area. Estates has conducted training for harvester working at terrace area on 23/10/2018. The revised HIRARC dated 24/10/2018 include other field activities such as spraying and manuring. | |
| Further review on the effectiveness of the implementation will be conduct at next surveillance audit. | |
| Closed: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | Site verification : <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Name of Lead Auditor: Mohamad Norhisham Bin Mohd Salleh | Date of Closure: Next surveillance audit |
| Review of Implementation for Major NC (where applicable) | |
| | |
| Closed: <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| Name of the Auditor: | Date of Closure: |
| | |

| Observation < 01 > | |
|---|--|
| Indicator: 4.2.2.3 | |
| List of stakeholders, records of all consultation and communication and records of action taken in response to input from stakeholders should be properly maintained. | |
| (MAJOR) | |
| Location | Silimpopon 1 & 2 Estates |
| Description of Finding / Objective Evidence: | |
| Stakeholders list has been established. Estates may consider to include NGOs they have communicate or cooperate. | |
| Review of Correction & Corrective / Preventive Action | |
| | |
| Closed: <input type="checkbox"/> Yes <input type="checkbox"/> No | Site verification : <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Name of Auditor: Sheron Pui Ling Wui | |

| Observation < 02 > | |
|---|--------------------------|
| Indicator: 4.5.3.2 | |
| A waste management plan to avoid or reduce pollution shall be developed and implemented. The waste management plan should include measures for: | |
| (MAJOR) | |
| a. Identifying and monitoring sources of waste and pollution | |
| Location | Silimpopon 1 & 2 Estates |
| Description of Finding / Objective Evidence: | |

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| Observation < 02 > | |
|---|--|
| Estates have established standardized design of the oil trap. The management may consider implementing the standardized oil traps design for other locations. | |
| Review of Correction & Corrective / Preventive Action | |
| | |
| Closed: <input type="checkbox"/> Yes <input type="checkbox"/> No | Site verification : <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Name of Auditor: Zul Hairi Bin Abu Hassan | |

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5. CONCLUSION

Kretam Holdings Bhd. has commissioned TUV NORD (Malaysia) Sdn Bhd to conduct stage 2 audit for its two estates Silimpompon 1 and 2 according to MSPO 2530-3:2013 Part 3 General principles for Plantations and Organised Smallholders.

Minor non-conformance action plan is submitted and accepted by Lead Auditor. Implementation of Minor NCs and OBS will be review and verify during 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 been established, implemented and continued to improve in managing the estates are in line with the Principles & Criteria of the applied standard MS 2530-3: 2013 Part 3.

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

As a result of this stage 2 certification audit, the audit team confirms that:

| | |
|---|---------------|
| Total certified number of estates: | 2 estates |
| Total certified production area: | 5,586.83 Ha |
| FFBs October 2017 to September 2018: | 163,565.93 mt |
| Certified FFB October 2018 to September 2019: | 111,500.00 mt |

MSPO Certification Summary Report

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Audit Type: Stage 2 - Certification Audit



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 were interviews, observations, sampling of activities and review of documentation and records.

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

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

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

Puchong, 14/01/2019

Puchong, 14/01/2019

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

Terence, Ang Wai Sheng
TUV NORD (Malaysia) Sdn Bhd
Certifier / Approver

MSPO Certification Summary Report

Company Name: Kretam Holdings Bhd.

Certifying Unit: Silimpompon Estates

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7. REFERENCES

Table 7-1: List of Interviewed Persons And Stakeholders

| No. | Name | Organisation / Function |
|-----|--------------------|------------------------------------|
| 1. | John Noha | SMK Kalabakan |
| 2. | Calviin G. Akim | SMK Kalabakan |
| 3. | Kathryn Rivai | CLC Silimpopon 2 |
| 4. | Riswan Hasanudin | CLC Silimpopon 1 |
| 5. | Faiz Masangkin | Jabatan Hidupan Liar |
| 6. | Gabili Siridan | Jabatan Hidupan Liar |
| 7. | David Shagan | Jabatan Perhutanan Sabah |
| 8. | Abd Hasan Marhaba | Pejabat Pelajaran Daerah Kalabakan |
| 9. | Rio Bin Rais | Balai Polis Kalabakan |
| 10. | Faizul Bin Mansyur | Balai Polis Kalabakan |
| 11. | Nick Aaron | Felda Kalabakan Tengah 01 |
| 12. | Doneysius James | Feld Kalabakan Tengan 01 |

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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