

RSPO PRINCIPLES & CRITERIA

PUBLIC SUMMARY REPORT

ANNUAL SURVEILLANCE ASSESSMENT 2

Malaysia
BORNION PALM OIL MILL
Kuala Lumpur-Kepong Berhad
2017

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Control Union Certifications	
<p>Control Union Certifications is a member of the Control Union World Group - an international inspection and certification body. CUC performs assessments and certification in many agricultural based fields such as FSC, RSPO, and Organic production, Sustainable Textile Production, Organic Exchange, GLOBALGAP, HACCP, BRC, GMP and GTP.</p> <p>CUC is accredited by the Dutch Council of Accreditation (RVA) on the European quality standard EN 45011 for the inspection and certification of CUC Organic program (according to the EU regulation 2092/91) and GLOBALGAP program. When requested a copy of the accreditation certificate can be obtained from CUC.</p> <p>Control Union (Malaysia) Sdn Bhd is a registered affiliate member of RSPO and is a private limited company owned by the Control Union World Group based in Malaysia. Control Union (Malaysia) Sdn Bhd is authorized to conduct and issue certification on behalf of RSPO and Control Union Certifications.</p>	
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PART 1: SCOPE OF THE CERTIFICATION ASSESSMENT AUDIT

1.1 Company and Contact Details

Company Name:	Kuala Lumpur Kepong Sabah, Sdn. Bhd
Business Address:	KLK (Sabah), Lahad Datu Region, P.O.BOX 60999, 91118 Lahad Datu, Sabah.
Contact Person:	Mr. Sin Chuan Eng
Office Telephone:	+6089-887240
E-Mail:	ce.sin@klk.com.my
Web Site:	www.klk.com.my
Other Certifications Held:	RSPO SCCS, ISCC

1.2 RSPO Membership & Certification Details

RSPO Membership Number:	1-0014-04-000-00
Registered Client Name:	Kuala Lumpur Kepong Berhad
Certificate Number:	CU-RSPO-815394
Start Date Of Certificate:	06 th July 2015
End Date Of Certificate:	05 th July 2020
Date Of Original Certification:	06 th July 2010
Scope:	Certification of the Palm Oil Mill and Supply Bases
Type Of Certification:	Single site <input checked="" type="checkbox"/>
Duration Of Certificate:	5 Years from date of certification

1.3 Annual Surveillance Assessment Details

Dates Of This Audit:	25 th April 2017 – 27 th April 2017
Audit Number:	ASA2

1.4 Assessment Type

This assessment was conducted against the National Interpretation of RSPO Principles and Criteria [MYNI 2015] - Endorsed by the RSPO Board of Governors on 06th March 2015 (RSPO P&C) - for the Sustainable Palm Oil Production and RSPO supply chain system & standard 21st November 2014

1.5 Location of the Palm Oil Mill

Name Palm Oil Mill (POM)	Mill Capacity MT/Hour	Location	GPS Reference		
		Address	Longitude	Latitude	
Bornion POM	60	KM 101, Jalan Lahad Datu – Sandakan, Kinabatangan, Sabah.		117°47'23.64"E	5°36'32.4"N

1.6 Palm Oil Mill Output and Approximate Tonnages Certified

Figures below are from:

- Only from certified supply bases (Y/N). **NO**
- Combining certified with uncertified supply bases (Y/N). **YES**
- If the Mill is receiving FFB from uncertified supply bases outside the audit scope, such uncertified sources is highlighted under the following sections as seen applicable:
 - PART 1, Section 1.7 – General Description of Supply Base,
 - PART 2: Partial Certification, Section 2.4 – Uncertified Units or Holdings,
 - PART 5: RSPO Supply Chain Certification of this report

KLK (S) Bornion POM	Projected Production from the last 12 Months (MT) Oct'15 – Sept'16			Actual Production for this Audit Year 2015/2016 (MT) Oct'15 – Sept'16			Projected 12 Months (MT) Forecast Certified in this Report July'17 – June'18		
	FFB	CPO	PK	FFB	CPO	PK	FFB	CPO	PK
"Own Certificate Estate"	149,820	32,960	7,941	115,641	24,179	5,401	136,036	29,245	7,206
"Others Certified Estate"	-	-	-	-	-	-	21,330	4,586	1,130

Note: refer to part 5.2 for e-trace certified volume

Others Certified Estate: WAGS – Sabah Kinabatangan – RSPO 0032 (Register under Wild Asia Group Scheme). Done by SIRIM QAS International Sdn Bhd.

1.7 General Description of Supply Base

Bornion Palm Oil Mill which operates on MB Model receives FFB from its own certified estates and uncertified independent smallholders. Bornion POM will received certified crop from WAGS – Sabah Kinabatangan (Group Certification). Own supplying estates are Bornion and Segar Usaha Estate. No changes have been introduced in the supply base since from previous assessment and this audit has carried out to ensure full compliance with RSPO requirement.

1.7.1 Location of the Supply Base

OPP	Oil Palm Plantation	Location	GPS reference		Area Summary (Ha)	
	Name	Address	Longitude	Latitude	Total	Mature
OPP 1	Bornion Estate	KM 101, Jalan Lahad Datu – Sandakan, Kinabatangan, Sabah.	117°47'0.009"E	5°36'54.997"N	3,181	3,181
OPP 2	Segar Usaha Estate	KM 101, Jalan Lahad Datu – Sandakan, Kinabatangan, Sabah.	117°41'59.737"E	5°35'59.55"N	2,756	2,175
TOTAL					5,937	5,356

1.7.2 Statistics of the Supply Base and Estimated Tonnes of FFB produced per year

OPP	Oil Palm Plantation	Estimated FFB/Year (MT) Oct'16 to Sept'17	Planting Years	Cycle (Years)
OPP 1	Bornion Estate	81,385	94, 95, 96, 97	25 to 30
OPP 2	Segar Usaha Estate	49,291	91, 92, 93, 94	25 to 30
TOTAL		120,278		

1.7.2 (b) Non-Certified Tonnage of FFB (outside supplier – Excluded from Certificate)

Item	Tonnage / Year		
	Estimated (Oct '15 to Sept '16)	Actual (Oct '15 to Sept '16)	Forecast (July'17 – June '18)
Independent FFB Supplier	20,500	27,587	32,400
TOTAL	20,500	27,587	32,400

1.7.2 (c) Non-Certified Tonnage of CPO (outside supplier – Excluded from Certificate)

Item	Tonnage / Year		
	Estimated (Oct '15 to Sept '16)	Actual (Oct '15 to Sept '16)	Forecast (July'17 – June '18)
Independent FFB Supplier	3,080	3,396.93	5,658
TOTAL	3,080	3,396.93	5,658

1.7.2 (d) Non-Certified Tonnage of PK (outside supplier – Excluded from Certificate)

Item	Tonnage / Year		
	Estimated (Oct '15 to Sept '16)	Actual (Oct '15 to Sept '16)	Forecast (July'17 – June '18)
Independent FFB Supplier	900	815.906	1,422
TOTAL	900	815.906	1,422

1.7.3 Conservation and HCV Area (Ha)

OPP	Oil Palm Plantation	Conservation Area (Ha)	HCV Area (Ha)	* HCV part of Conservation
OPP 1	Bornion Estate	0	0	No
OPP 2	Segar Usaha Estate	14	0	No
TOTAL		14	0	No

* Indicate if HCV area is part of the Conservation Area. If the HCV area is part of the Conservation Area, then "YES" otherwise, "No"

1.7.4 Percentage of Planted Oil Palm by different Age Ranges

OPP	Planting Years by 5 year Ranges				TOTAL
	Before 1998 – 2002	2003 – 2007	2008 – 2012	2013 – 2017	
OPP 1	100%	-	-	-	100%
OPP 2	78.92%	-	-	21.08%	100%

1.7.5 Calculation of the Number of Production Units (N) to Sample for the Mill

$N = 0.8vY$, where "Y" is the number of units, with the result always to be rounded "up" to the next whole integer. Where only a sample of the supply base is assessed, units not previously assessed, or assessed earlier in the certification program, are to be preferred over those more recently assessed

For the Mill, how many units make up the production base?

Owned estates (Y)	$N = 0.8vY$	Smallholders (Z)	$N = 0.8vZ$
2	2	NA	NA

Explanation as to the selection of estates sampled

Bornion Estate and Segar Usaha Estate were selected in this audit.

1.8 Progress of associated Smallholders or Out-growers, if applicable to this assessment

Progress of associated Smallholders or Out-growers towards Compliance with relevant Standards - should be in accordance to the 3 years implementation plan, if applicable to this assessment

There is no associated smallholder or out grower.

1.9 Location Map for this Certification Unit (See Appendix 1)

PART 2: PARTIAL CERTIFICATION

The rules for partial certification allow organizations that have a majority holding in and / or management control of more than one autonomous company growing oil palm to certify individual management units and / or subsidiary companies subject to certain rules.

2.1 Management Structure

Section	Criteria	Yes/No	If "Yes"	If "No"
2.1.1	Is the certified operation (POM and supply base as detailed above) a stand-alone operation and there are no other plantations or mills owned by the same company?	No	Section 2 is N/A	Go to 2.1.2
2.1.2	Is the certified operation part of a simple structure of operations owned by one company?	Yes	Go to 2.1.5	Go to 2.1.3
2.1.3	Are there statements of the ultimate controlling shareholders and directors in the managing agency company/companies:	-	Go to 2.1.4	Go to 2.2.1
	a. Explaining the legal relationship and the management arrangements with the subsidiary companies and / or with any operating groups?			
2.1.4	b. A statement of commitment to complying with the spirit of the RSPO for all companies and subsidiaries involved with the growing of oil palm and for the production of palm oil?	-	Go to 2.4	Go to 2.2.2
2.1.5	Is there a time bound plan in place for all subsidiaries, estates and palm oil mills?	Yes	Go to 2.3	2.2.3
2.1.6	Is the parent company or one of its majority owned and / or managed subsidiaries a member of RSPO?	Yes		

2.2 Non-compliance Identified with 2.1 Above

Section	Non-compliance findings	NC raised	Category
2.2.1	There is no explanation as to the company's structure and therefore it is not possible to conduct an effective audit against the rules for partial certification.	-	Major
2.2.2	There is no statement of commitment to complying with the spirit of the RSPO for all companies within the company structure.	-	Major
2.2.3	There is no time bound plan in place for the certification for all subsidiaries, estates and mills.	-	Major
2.2.4	No applicable membership of the RSPO.	-	Major

2.3 Summary of the Time Bound Plan			
Section	Requirement	Findings and any action required	Compliance
2.3.1	Does the plan include all subsidiaries, estates and mills?	Yes, the time bound plan does include of the subsidiaries, mills and estates owns by KLK. The Paloh Palm Oil Mill in Johor and Mill 1 in Sabah are not part of the time bound plan as it meant for out growers and smallholder group. This has been communicated with RSPO in 2015. For the Sumatra Utara, Gohor Lama and Padang Bharang mills been merged and named as Stabat mill.	Yes
2.3.2	Is the time bound plan challenging? ➤ Age of plantations. ➤ Location. ➤ Mill development. ➤ Infrastructure. ➤ Compliance with applicable law.	The plan is achievable unless otherwise with unforeseen circumstances. The risk involves varies from: <ul style="list-style-type: none"> • To engage certification bodies and their availability. • Laws and regulations in Indonesia – a lot uncertainty. • In Indonesia, ISPO precede other certification standards. • In Indonesia, it finds mobilizing the internal resources to different geographical locations. 	Yes
2.3.3	Have there been any changes since the last audit? Are they justified?	The latest time bound plan dated on 22/04/2016 was reviewed and changes were discussed during verification. In Kaltim, Jabontara POM had been newly included. Both Jabontara and Berau mill target to be certified by 2017 which a year delay [2016] than planned. This was due to RSPO Compensation Scheme [Compensations Concept Note was submitted to RSPO].	Yes
2.3.4	If there have been changes, what circumstances have occurred?	New inclusion of mill and supply base. No changes on the targeted time line.	Yes
2.3.5	Have there been any stakeholder comments?	On PT Menteng Jaya Sawit Perdana IUP for 7,400 Ha approval no: 525.26/153/II/EKBANG/2007 dated on 13 February 2007 and Izin Lokasi (IL) is renewed and documented no: 188.45/359/HUK-BPN/2013 dated: 1 st August 2013 which includes an approval clause 1a that this IL will remain in force until land swap process is finalised and as at now, the land / boundary survey on-going.	Yes
2.3.6	Have there been any newly acquired subsidiaries?	No.	Yes
2.3.7	Have there been any isolated lapses in the implementation of the plan?	No lapses.	Yes
2.3.8	Has there been any systematic failure to proceed with the implementation of the plan?	No.	Yes
2.3.9	General statement as to progress made since the last audit?	The target to certify all the units within year 2017 remain same.	Yes

2.4 Un-Certified Units or Holdings			
Section	Requirement	Findings and any action required	Compliance
NOTE:	Companies may demonstrate compliance by clear evidence of a self-audit (i.e. an internal audit for all subsidiaries, estates and Palm Oil Mills)		
2.4.1	Did the company conduct an internal audit? If so, has a positive assurance statement been produced?	Since all the facilities in Malaysia were certified, therefore the facilities in Indonesia monitor by the Pak Stephen and once in a 3 month, a review with Sustainability Head will be done in KLK HQ in Ipoh. The internal control points have included all the requirements to validate the compliance against uncertified units or holdings as per partial. Joint venture in Liberia does not required internal audit as it is part of EPO as their stand-alone entity.	Yes
2.4.2	No replacement after dates defined in NIs Criterion 7.3 of: <ul style="list-style-type: none"> • Primary forest. • Any area identified as containing High Conservation Values (HCVs). • Any area required to maintain or enhance HCVs in accordance with RSPO criterion 7.3. 	There will either be a moratorium on development or for new areas to be developed the HCS Approach method will be employed until the exercise of convergence is completed.	Yes
2.4.3	Any new plantings since January 1 st 2010 must comply with the RSPO New Plantings Procedure.	There is no NPP applicable. There will either be a moratorium on development or for new areas to be developed the HCS Approach method will be employed until the exercise of convergence is completed.	Yes
2.4.4	Any land conflicts are being resolved through a mutually agreed process, e.g. RSPO Grievance procedure or Dispute Settlement Facility, in accordance with RSPO criteria 6.4, 7.5 and 7.6.	PT Adei Plantation land conflicts around 2,544 Ha are still in progress of negotiation and the land area been enclave.	Yes
2.4.5	Any Labor disputes are being resolved through a mutually agreed process, in accordance with RSPO criterion 6.3.	None noted. No stakeholder comments or complaints received.	Yes
2.4.6	Any Legal non-compliance is being resolved in accordance with the legal requirements, with reference to RSPO criteria 2.1 and 2.2.	None noted. No stakeholder comments or complaints received.	Yes

TIME BOUND PLAN FORECAST FOR RSPO CERTIFICATION OF ALL PALM OIL MILLS & SUPPLY BASES						
s/n	Palm Oil Mill	Country	Supply Bases (estates, plantations, associations)	Area [Ha]	Targeted RSPO Certification Year	Current Certification Status as per this Audit
1	Batu Lintang	Kulim, Kedah, Malaysia	Pelam Estate*	2,960	2013	Certified
		Serdang, Kedah, Malaysia	Batu Lintang Estate*	1,808		
			Buntar Estate	899		
Batu Kurau, Perak Malaysia	Subur Estate	1,290				
2	Kekayaan	Paloh, Johor, Malaysia	Landak Estate	4,451	Oct 2011	Certified
			Kekayaan Estate	4,436		
			Paloh Estate	2,029		
		Tenang, Johor, Malaysia	Voules Estate*	2,969		
			New Pogoh Estate*	1,545		
		Kulai, Johor, Malaysia	Fraser Estate	2,928		
		Bekok, Johor, Malaysia	Sg Bekok Estate	625		
Pagoh, Johor, Malaysia	Ban Heng Estate	631				
Renggam, Johor, Malaysia	See Sun Estate	589				
Bandar Tenggara, Johor, Malaysia	Sg Peggeli Estate	942				
3	Jeram Padang	Bahau, Negeri Sembilan, Malaysia	Ayer Hitam Estate	2,640	Sept 2012	Certified
			Jeram Padang Estate*	2,114		
		Telemong, Pahang, Malaysia	Renjok Estate*	1,578		
			Tuan Estate*	1,353		
		Lanchang, Pahang, Malaysia	Sg Kawang Estate*	1,889		
		Rompin, Negeri Sembilan, Malaysia	Batang Jelai Estate*	2,148		
Simpang Durian, Negeri Sembilan, Malaysia	Gunung Pertanian Estate*	686				
Pedas, Negeri	Ulu Pedas					

		Sembilan, Malaysia	Estate*	922		
		Rantau, Negeri Sembilan, Malaysia	Kombok Estate*	1,915		
4	Tanjong Malim	Tanjong Malim, Perak, Malaysia	Changkat Asa Estate*	1,716	2013	Certified
		Kerling, Selangor, Malaysia	Kerling Estate*	619		
		Serendah, Selangor, Malaysia	Sg Gapi Estate	603		
5	Tuan Mee	Sungai Buloh, Selangor, Malaysia	Tuan Mee Estate	1,556	2013	Certified
6	Kuala Pertang	Kuala Krai, Kelantan, Malaysia	Pasir Gajah Estate	2,107	By 2014	Certified by SGS in 2014, currently engaging new CAB.
		Tanah Merah, Kelantan, Malaysia	Kerilla Estate* Sg Sokor Estate*	2,176 1,603		
7	Mill 2	Tawau, Sabah, Malaysia	Pang Burong Estate	2,548	March 2009	Certified
			Sri Kunak Estate	2,770		
			Tundong Estate	2,155		
			Ringlet Estate	1,834		
8	Pinang	Tawau, Sabah, Malaysia	Jatika Estate	3,508	March 2009	Certified
			Sigalong Estate	2,864		
			Pangeran Estate	2,855		
			Pinang Estate	2,420		
9	Lungmanis	Lahad Datu, Sabah, Malaysia	Tungku Estate	3,418	July 2010	Certified
			Bukit Tabin Estate	2,916		
			Lungmanis Estate	1,656		
10	Rimmer	Lahad Datu, Sabah, Malaysia	Rimmer Estate	2,730	July 2010	Certified
			Sg. Sibalukan	2,654		
11	Bornion	Kinabatangan, Sabah, Malaysia	Bornion Estate	3,233	July 2010	Certified
			Segar Usaha Estate	2,792		
12	Changkat Chermin	Manjung, Perak, Malaysia	Lekir Estate	3,313	2013	Certified
			Changkat	2,530		

			Chermin Estate Raja Hitam Estate	1,497		
		Parit, Perak, Malaysia	Glenealy Estate* Serapoh Estate*	1,059 936		
		Padang Rengas, Perak, Malaysia	Kuala Kangsar Estate*	843		
		Trong, Perak, Malaysia	Allagar Estate	805		

Note: Above marked * is combination of total rubber and palm oil area within stated plantation where the exact certified or under certification of each plantation will be according to the respective public summary report.

With reference to time bound plan, the following issues were reviewed openly with the Control Union audit team during the assessment and which may be in conflict with the rules for partial certification, if applicable	
Name of Mill or Plantation	*Area of concern (See examples below)
N/A	N/A
<p>Include any known concerns, media reports and major issues both present and from the past covering, for example:</p> <ul style="list-style-type: none"> • Replacement of primary forest or any area containing HCV's since November 2005. • Evidence of non-compliance with the law • Legal issues • Compensation payments • Social relations • Burning • Labor disputes 	

2.5 Summary of the findings for Partial Certification

The audit team assessed compliance with the above requirements during this audit. Failure to address any non-compliance identified may lead to certification suspension.

This verification was attended by Mr. Sin Chuan Eng and Ms. Lee Kuan Yee from the Sustainability Department. On behalf of CUC, Mr. Simon [Certifier], Ms. Mozhi [Program Manager], Mr. Jamal [Auditor] and Mr. Mahas [Auditor] were involved. The verification was found satisfactory with documented evidences of latest time bound plan, detail discussions on NPP and the challenges in meeting the time bound plan. There were no non-conformities found and as at 01/04/2016, below is the status of land bank owned by KLK [certified and none].

Country	Region	Name of POM	Area [Ha]
Malaysia	Peninsular Malaysia	Batu Lintang	61,508
		Tanjung Malim	
		Kekayaan	
		Tuan Mee	
		Paloh	
		Changkat Chermin	
		Jeram Padang	
		Kuala Pertang	
	Sabah	Mill 1	40,353
		Mill 2	
		Rimmer	
		Bornion	
		Pinang	

Indonesia	Kaltim	Berau	32,056
		Jabontara	
	Riau	Mandau	35,259
		Nilo 1	
		Nilo 2	
	Belitung	Parit Sembada	20,391
		Steelindo Wahana Perkasa	
	Sumatera Utara	Gohor Lama	21,372
		Padang Brahrang	
	Kalteng	MAP	28,097
Total			239,036

2.6 Partial Certification Audit Agenda

Date	Location	Agenda
22/04/2016	KLK Wisma Taiko, Ipoh	Documentation review

PART 3: AUDIT PROCESS

3.1 About the Certification Body

Control Union Certifications is a member of the Control Union World Group – an international inspection and certification body. CUC performs Audits and certification in many agricultural based fields such as FSC, RSPO, and Organic production, Sustainable Textile Production, Organic Exchange, GLOBALGAP, HACCP, BRC, GMP and GTP.

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3.2 Audit Team

Lead auditor:	Muhammad Syafiq Abd Razak
Team member 1:	Mohd Fadzli bin Bistamam
Team member 2:	Chathuranga Iroshan Deshapriya
Team member 3:	Nor Ashikin Shafinaz Whayab

3.2.1 Qualifications of the Lead Auditor

Requirement	Qualifications
A minimum of post high school (post-secondary school) training in either agriculture/forestry, environmental science or social sciences;	Post graduate qualification in agriculture with more than 5 years working experience in various plantation company. Completed and certified ISO 9001:2008.
At least 5 years professional experience in area of work relevant to the assessment (e.g., palm oil management; agriculture/forestry; ecology; social science);	More than 5 years of working experience in plantation with various plantation company. Fully trained in similar agriculture certification programs such as RSPO and SCCS.
Training in the practical application of the RSPO criteria, and RSPO certification systems;	Involved in RSPO assessment since 2014. Member of CUC RSPO audit team. Involved in audits conducted in Malaysia and Indonesia.
Successfully completion of an ISO 9000:19011 lead auditors course;	Completed and certified ISO 9001:2008, attended RSPO Lead Auditor course in November 2014.

Training in the practical application of RSPO certification systems.	Involved in RSPO assessment since 2014. Member of CUC RSPO audit team. Involved in audits conducted in Malaysia and Indonesia.
A supervised period of training in practical auditing against the RSPO criteria or similar sustainability standards, with a minimum of 15 days audit experience and at least 3 audits at different organizations.	Involved in audits conducted in for many different companies in Malaysia and Indonesia.
RSPO endorsed lead auditors course.	Attended and successfully completed RSPO Lead Auditor training in November 2014 and April 2015.
Signed code of conduct.	Yes
General knowledge of:	
• RSPO P&C standards.	Yes
• CUC organizational structure.	Yes
• CUC quality systems.	Yes
• Lead auditor role.	Yes
• Report writing.	Yes
• Stakeholder consultation.	Yes
• Certification decision process.	Yes
• RSPO SCCS program manual.	Yes
• CUC filing systems.	Yes
• Correct use of RSPO trademarks.	Yes
• History and objectives of RSPO.	Yes
• CV available.	Yes
Completion of CUC RSPO lead auditor training.	Yes

3.2.2 Qualifications of the Assessment Team

RSPO Requirement	Team Member Name	Qualifications
Fluent in main local languages and English.	Mohd Fadzli bin Bistamam	Fluent in both English and Bahasa Malaysia
	Chathuranga Iroshan Deshapriya	Fluent in English
	Nor Ashikin Shafinaz Whayab	Fluent in both English and Bahasa Malaysia
Field working experience in the palm oil sector, or a demonstrable equivalent.	Mohd Fadzli bin Bistamam	Post graduate qualification in agriculture with more than 6 years working experience in Oil Palm Plantation Industry. Fully trained in similar agriculture certification programs such as RSPO & ISCC. Completed and certified ISO 9001:2015, attended RSPO Lead Auditor course in May 2016, attended ISCC Basic Training in 2016. Involved in RSPO assessment since 2016. Member of CUC RSPO audit team.
	Chathuranga Iroshan Deshapriya	B.Sc. Forestry and Environmental Science (Special), Second Class Upper Division - University of Sri Jayewardenepura. Lead Auditor/Auditor (Forestry Programs, RSPO, ISO 14001 EMS, ISO 50001 EnMS). 2 years of Auditing experience in Forestry and Plantation Industry, Timber Processing Industry, Rubber and other NTFP processing Industry and Printing and Publishing Industry. Also as an Assessor (Carbon Neutralized, Water Footprint and Energy Footprint Assessments). Experience in

		Steam Generation and Distribution System, Electricity System, Motors, Pumps Chiller, Pumps and Lighting Systems in latex manufacturing industry, wheat flour manufacturing industry).
	Nor Ashikin Shafinaz Whayab	Involved in RSPO auditing since 2016. Degree in Chemical Engineering. Been part of RSPO P&C team and SCC audits in Malaysia and Indonesia. Trained and completed the lead auditor course for ISO 9001:2015, RSPO and SCC.
Good agricultural practices (GAP), integrated pest management (IPM), pesticide and fertilizer use.	Mohd Fadzli bin Bistamam	Post graduate qualification in agriculture with more than 6 years working experience in Oil Palm Plantation Industry. Fully trained in similar agriculture certification programs such as RSPO & ISCC. Completed and certified ISO 9001:2015, attended RSPO Lead Auditor course in May 2016, attended ISCC Basic Training in 2016. Involved in RSPO assessment since 2016. Member of CUC RSPO audit team.
	Chaturanga Iroshan Deshapriya	B.Sc. Forestry and Environmental Science (Special), Second Class Upper Division - University of Sri Jayewardenepura. Lead Auditor/Auditor (Forestry Programs, RSPO, ISO 14001 EMS, ISO 50001 EnMS). 2 years of Auditing experience in Forestry and Plantation Industry, Timber Processing Industry, Rubber and other NTFP processing Industry and Printing and Publishing Industry. Also as an Assessor (Carbon Neutralized, Water Footprint and Energy Footprint Assessments). Experience in Steam Generation and Distribution System, Electricity System, Motors, Pumps Chiller, Pumps and Lighting Systems in latex manufacturing industry, wheat flour manufacturing industry).
	Nor Ashikin Shafinaz Whayab	Involved in RSPO auditing since 2016. Degree in Chemical Engineering. Been part of RSPO P&C team and SCC audits in Malaysia and Indonesia. Trained and completed the lead auditor course for ISO 9001:2015, RSPO and SCC.
Health and Safety auditing on the farm and in processing facilities. (For example, OHSAS 18001 or occupational. Health and safety assurance system).	Mohd Fadzli bin Bistamam	Post graduate qualification in agriculture with more than 6 years working experience in Oil Palm Plantation Industry. Fully trained in similar agriculture certification programs such as RSPO & ISCC. Completed and certified ISO 9001:2015, attended RSPO Lead Auditor course in May 2016, attended ISCC Basic Training in 2016. Involved in RSPO assessment since 2016. Member of CUC RSPO audit team.
	Chaturanga Iroshan Deshapriya	B.Sc. Forestry and Environmental Science (Special), Second Class Upper Division - University of Sri Jayewardenepura. Lead Auditor/Auditor (Forestry Programs, RSPO, ISO 14001 EMS, ISO 50001 EnMS). 2 years of

		Auditing experience in Forestry and Plantation Industry, Timber Processing Industry, Rubber and other NTFP processing Industry and Printing and Publishing Industry. Also as an Assessor (Carbon Neutralized, Water Footprint and Energy Footprint Assessments). Experience in Steam Generation and Distribution System, Electricity System, Motors, Pumps Chiller, Pumps and Lighting Systems in latex manufacturing industry, wheat flour manufacturing industry).
	Nor Ashikin Shafinaz Whayab	Involved in RSPO auditing since 2016. Degree in Chemical Engineering. Been part of RSPO P&C team and SCC audits in Malaysia and Indonesia. Trained and completed the lead auditor course for ISO 9001:2015, RSPO and SCC.
Workers welfare issues and social auditing experience. (For example, with SA8000 or related social or ethical accountability codes).	Mohd Fadzli bin Bistamam	Post graduate qualification in agriculture with more than 6 years working experience in Oil Palm Plantation Industry. Fully trained in similar agriculture certification programs such as RSPO & ISCC. Completed and certified ISO 9001:2015, attended RSPO Lead Auditor course in May 2016, attended ISCC Basic Training in 2016. Involved in RSPO assessment since 2016. Member of CUC RSPO audit team.
	Chaturanga Iroshan Deshapriya	B.Sc. Forestry and Environmental Science (Special), Second Class Upper Division - University of Sri Jayewardenepura. Lead Auditor/Auditor (Forestry Programs, RSPO, ISO 14001 EMS, ISO 50001 EnMS). 2 years of Auditing experience in Forestry and Plantation Industry, Timber Processing Industry, Rubber and other NTFP processing Industry and Printing and Publishing Industry. Also as an Assessor (Carbon Neutralized, Water Footprint and Energy Footprint Assessments). Experience in Steam Generation and Distribution System, Electricity System, Motors, Pumps Chiller, Pumps and Lighting Systems in latex manufacturing industry, wheat flour manufacturing industry).
	Nor Ashikin Shafinaz Whayab	Involved in RSPO auditing since 2016. Degree in Chemical Engineering. Been part of RSPO P&C team and SCC audits in Malaysia and Indonesia. Trained and completed the lead auditor course for ISO 9001:2015, RSPO and SCC.
Environmental and ecological auditing. (For example, experience with organic agriculture, ISO 14001 or environmental management systems).	Mohd Fadzli bin Bistamam	Post graduate qualification in agriculture with more than 6 years working experience in Oil Palm Plantation Industry. Fully trained in similar agriculture certification programs such as RSPO & ISCC. Completed and certified ISO 9001:2015, attended RSPO Lead Auditor course in May 2016, attended ISCC Basic Training in 2016. Involved in RSPO assessment since 2016.

		Member of CUC RSPO audit team.
	Chathuranga Iroshan Deshapriya	B.Sc. Forestry and Environmental Science (Special), Second Class Upper Division - University of Sri Jayewardenepura. Lead Auditor/Auditor (Forestry Programs, RSPO, ISO 14001 EMS, ISO 50001 EnMS). 2 years of Auditing experience in Forestry and Plantation Industry, Timber Processing Industry, Rubber and other NTFP processing Industry and Printing and Publishing Industry. Also as an Assessor (Carbon Neutralized, Water Footprint and Energy Footprint Assessments). Experience in Steam Generation and Distribution System, Electricity System, Motors, Pumps Chiller, Pumps and Lighting Systems in latex manufacturing industry, wheat flour manufacturing industry).
	Nor Ashikin Shafinaz Whayab	Involved in RSPO auditing since 2016. Degree in Chemical Engineering. Been part of RSPO P&C team and SCC audits in Malaysia and Indonesia. Trained and completed the lead auditor course for ISO 9001:2015, RSPO and SCC.
Economic issues.	Mohd Fadzli bin Bistamam	Post graduate qualification in agriculture with more than 6 years working experience in Oil Palm Plantation Industry. Fully trained in similar agriculture certification programs such as RSPO & ISCC. Completed and certified ISO 9001:2015, attended RSPO Lead Auditor course in May 2016, attended ISCC Basic Training in 2016. Involved in RSPO assessment since 2016. Member of CUC RSPO audit team.
	Chathuranga Iroshan Deshapriya	B.Sc. Forestry and Environmental Science (Special), Second Class Upper Division - University of Sri Jayewardenepura. Lead Auditor/Auditor (Forestry Programs, RSPO, ISO 14001 EMS, ISO 50001 EnMS). 2 years of Auditing experience in Forestry and Plantation Industry, Timber Processing Industry, Rubber and other NTFP processing Industry and Printing and Publishing Industry. Also as an Assessor (Carbon Neutralized, Water Footprint and Energy Footprint Assessments). Experience in Steam Generation and Distribution System, Electricity System, Motors, Pumps Chiller, Pumps and Lighting Systems in latex manufacturing industry, wheat flour manufacturing industry).
	Nor Ashikin Shafinaz Whayab	Involved in RSPO auditing since 2016. Degree in Chemical Engineering. Been part of RSPO P&C team and SCC audits in Malaysia and Indonesia. Trained and completed the lead auditor course for ISO 9001:2015, RSPO and SCC.

3.3 Audit Methodology

3.3.1 General Overview

The Audit was carried out in conformity with the procedures as laid down in the CUC Procedure Manual and the RSPO Program Manual for the auditors and Certifier. During the Audit, the qualified CUC auditors used the RSPO standard as endorsed for the country in which the audit took place and recorded their findings.

Workers and local communities were interviewed and evidence sought to confirm ongoing compliance to include:

- **Chemical stores.** Storage, MSDS leaflets, Herbicide mixing areas, PPE, Ventilation, Security.
- **Field inspections.** Herbicide application programs. Harvesting sites and efficiency. Fertilizing operations. SOP's. Soil maps. Land preparation. Ground cover. IPM. First aiders and boxes. Ground cover. Soil erosion. Field observations of all operations.
- **Worker interviews.** OSH. Sexual, religious, racial harassment. Pay and contracts. Child labor. First aid. Awareness.
- **Re-planting sites.** Zero burn.
- **HCV's.** Identification. Management plans. Environmental Impact Assessments. Implementation.
- **Riparian zones.** Width. Current and future management. Non-maintenance regimes.
- **Water management.** Water courses. Water monitoring.
- **Road maintenance.** Run off.
- **Social amenities.** Social Impact Audits.
- **Local communities.** Contributions made. Employment opportunities. Social impacts. Complaints procedures.
- **Workshops.** Oil traps. Safe working environment. PPE. Diesel tanks. Environmental waste management.
- **Line sites.** Interviews with householders. Inspection of water discharge points. Water improvement plans. Waste disposal.
- **Documentation review.**

The Palm Oil Mill audit verification included the following activities:

- **Mill and workshop inspections.** Documentation review & worker interviews.
- **Mill.** SOP's. Safe working environment. Gen sets. Walk ways. Signs. EFB. POME treatment. Emissions. Mass balance. Diesel tanks. PPE. Fire extinguishers. First aiders and boxes. Fuel and water usage.
- **OSH.** Training. Management structure. First aiders.
- **Full document review.** Completion of the checklist. Review and documentation of evidence. All aspects of RSPO P&C's applicable.
- **Worker interviews.** OSH. Sexual, religious, racial harassment. Pay and contracts.
- **Compliance against the RSPO SCCS certification scheme.**

Verification:

Verification of implementation was done through field observations, workshop and chemical store inspections, worker and community interviews and mill inspections as summarized above.

3.3.2 Assessment agenda for this Audit

Date	Location	Main activities
25 th April 2017 (Tuesday)	Bornion POM	08:00 Opening meeting Chaired by the audit team leader <ul style="list-style-type: none"> • Introduction by team leader • Presentation by respective managers • Presentation of Palm Oil Mill source of FFB by respective managers
	Bornion POM Syafiq	09:00 – 17:00: Document review Supply Chain Certification Assessment of the POM (RSPO SCCS) <ul style="list-style-type: none"> • Demonstration of legal entity • Roles and responsibility • Procedures/manual/SOP

	Fadzli/Chathuranga Ashikin	<ul style="list-style-type: none"> Record of purchase – RSPO certified product Record of sales– RSPO certified product RSPO logo & claims <p>09:00 – 17:00: Document review – RSPO P&C</p> <ul style="list-style-type: none"> Document review [EIA, SIA, CIP, Business Plan] Complaint mechanism / Request & respond <p>Site verification</p> <ul style="list-style-type: none"> Mill inspection Workshops Stores POM application Safety and Health / PPE / Signage Waste Management / Environment Workers interview Stakeholder consultation if required.
26th April 2017 (Wednesday)	Bornion Estate All Auditors	<p>08:00 – 17:00 : Document review – RSPO P&C</p> <ul style="list-style-type: none"> Document review [EIA, SIA, CIP, Business Plan] Complaint mechanism / Request & respond Best agricultural practices Safety and Health <p>09:30 – 12:30 : Site verification</p> <ul style="list-style-type: none"> Best agricultural practices Manuring, Spraying, Harvesting, HCV / Conservation Area Legal compliance / boundary Chemical / Pesticide / Fertilizer Stores Workers interview Worker’s facilities (housing, pay, etc) Stakeholder consultation if required.
27th April 2017 (Saturday)	Segar Usaha Estate All Auditors	<p>08:00 – 15:30 : Document review – RSPO P&C</p> <ul style="list-style-type: none"> Document review [EIA, SIA, CIP, Business Plan] Complaint mechanism / Request & respond Best agricultural practices Safety and Health <p>09:30 – 12:30 : Site verification</p> <ul style="list-style-type: none"> Best agricultural practices Manuring, Spraying, Harvesting, HCV / Conservation Area Legal compliance / boundary Chemical / Pesticide / Fertilizer Stores Workers interview Worker’s facilities (housing, pay, etc) Stakeholder consultation if required. <p>15:30 – 16:30: Preparation for closing meeting Additional field visits and meetings with managers as necessary</p>

		<p>16:30 : Closing meeting</p> <ul style="list-style-type: none"> • Presentation of findings by the audit team • NC closure dateline (if any) • Questions and answers • Final summary by team leader <p>End of assessment</p>
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PART 4 ASSESSMENT FINDINGS

4.1 Lead Assessor's Summary and Recommendation for Certification

The mill and supply bases visited (as per the above Tables 1.5 and 1.7.1) were assessed at field, office, facilities, stores and a document review was carried out in accordance to the RSPO principles and criteria. The subscribed RSPO management system's documentations seen with minor changes that due to internal external influenced factors that in relation to scope of certification.

During the audit process, the auditors had extensive interviews session with Estate Managers, Mill Manager, members of workers' union and committee took place in both formal and informal environments and worker interviews were conducted at the supply base and the mill. The management is highly committed in maintaining the RSPO system by adopting continuous improvement programs.

There were a few suggestions or feedbacks received during the audit or during the stakeholders meeting, see Part 4.4 below. Under partial certification rules, there is a time-bound plan established. For further clarification on Partial Certification, see PART 2 above.

There was no complaint received during the audit or during the field assessment when interviewing with the external stakeholders. The management continually monitoring the established KPI / objectives that significantly rules the achievement of company's corporate policy on RSPO. The mill is fully verified for RSPO SCCS system verification and it is found to be in full compliance. See PART 5 below.

Summary of Non-Conformance and Current Status

There was 1 Minor Non-Conformity has been raised to this complex for this annual surveillance audit. For this minor non-conformity, the management of KLK Bornion Complex with KLK Sustainability Department will send the evidence to close this Minor NC by next surveillance audit. Next surveillance audit, Lead Auditor will check, verify and closed this minor non-conformity. See PART 4.3 below.

It is therefore the recommendation of the lead assessor that:

- A certificate of compliance is maintained.



Name: Muhammad Syafiq bin Abd Razak

Date: 15th June 2017

4.2 Summary of the findings by Principles and Criteria

- Over the 5 years period of the life of the certificate, there will be 4 annual surveillance audits
- Identified Non-Conformities and noteworthy Positive and Negative Observations.
- The RSPO require that this report contain findings by each principle and some example criteria. Please see table below.

Principle 1: Commitment to Transparency		
Criterion by Audit	Summary	
ASA 2	1.1	<p>Requests made by stakeholder were responded to and all these are well documented. Adequate information available for confidential information that being listed as publicly available. The company is in full compliance to Principal 1 for this complex.</p> <p>The company has established procedure titled - Standard Operating Procedures (SOP) for Stakeholders Engagement/Negotiation–SOP No.1 (Rev.01) date on 01/06/2015. The policy has identified mechanism for Request and Respond, Consultation & Meeting and Complaint & Grievances.</p> <p>Mill and estate are update and maintain a list of stakeholders with specific details info. It consists Government/Statutory Bodies, NGO, local community, FFB Suppliers and etc. There is evidence that this mill and estates provides adequate information on issues relevant to RSPO Criteria to relevant stakeholders that participate with this complex. As evidence, seen minute of stakeholders meeting was held at Lahad Datu Head Office on 30th December 2016 attended by 12 stakeholders.</p> <p>The company has established procedure for stakeholder engagement as documented in SOP1.0: Stakeholder Engagement/Negotiation (01/06/2015). The Estate Manager is the PIC to handle this issue. Stakeholder logbook is used to keep requests from stakeholder and being maintained in place.</p> <p>Here, requests are recorded and being provided in appropriate languages and forms, once completed, stakeholders shall then acknowledge the completed action and response. As evidence in Stakeholder Logbook (Request & Response/ Consultation & Communication / Complaint & Grievance) for all operating units effectively responded by all manager.</p>
ASA 2	1.2	<p>The company has developed SOP 9 - Control of documents & records. Issue/rev: 1/0; date on 01/06/2015. Stated management must provide adequate information to other stakeholders on environmental, social and legal issue. The publicly available document in the mill and estate offices are as per below:</p> <ul style="list-style-type: none"> • Land titles / user rights • Safety and health plan • Plans and impact assessments relating to environmental and social impacts • Pollution prevention plans • Details of complaints and grievances • Negotiation procedures • Continuous improvement plan <p>All these documents were sighted in the mill and estate offices. Requests for official documents through the estate or mill offices will have to go through the mill or estate managers/assistant in charge, whom will make the decision as to whether the information can be shared to or viewed by the person requesting the information or document.</p> <p>As evidence, seen all land titles for mill and estates. Land titles are kept and well maintained by all operating units. Also, seen in the mill and estates OSH Plan for year 2015 and 2016. EIA and SIA being update based on stakeholder's participation during stakeholder meeting.</p>

		Seen in house HCV/Conservation Area Assessment done based on SOP 11.0 Appendix 1.0; Issue/Rev; 1/0; Date on 01/06/2015. The assessment is well documented. KLK Berhad has been established “KLK Sustainability Policy” date 1 st June 2015 and approved by Tan Sri Dato’ Sri Lee Oi Hian outlined the human right policy.
ASA 2	1.3	Seen the policies for code of ethical for mill and estate dated on 01/12/2014, approval by Tan Sri Dato’ Seri Lee Oi Hian effectively documented. The ethical policy is listed under 3.2(xii)-Whistle-blowing and 3.2(xiii)-Business Integrity. An awareness trainings sighted for all operating units in KLK Bornion Complex. As evidence, seen an awareness training on ethical policy been conducted at Bornion POM on 11 th April 2017 and attended by 95 workers.
Principle 2: Compliance with Applicable Laws and Regulations		
Criterion by Audit	Summary	The mill and estates have demonstrated compliance to all applicable local, national and international laws. Legal ownership of land and its land use is clearly demonstrated through the respective land titles. Boundaries have been clearly demarcated. There have been no land disputes or claims involving the mill and estate. However, one minor non conformity was addressed.
ASA 2	2.1	<p>The company has established and updated list of applicable laws and regulations that are applicable for the mill and estates as per SOP No. 2.0 titled “Legal Compliance”; Issue 1/0 dated 01st June 2015. The legal register has column for identifying legal document tile, regulatory / authority, requirements, current status and remarks.</p> <p>As evidence, sighted in Segar Usaha Estate the legal resister was last updated on 10/02/2017. The legal register is prepared by KLK Sustainability Department, check by Estate Sr. Assistant Manager Mr Japali Sian and approved by Sr. Estate Manager Mr. Saparuddin bin Rabayani. Some of applicable laws sighted includes:</p> <ul style="list-style-type: none"> • OSHA and regulations 1994 (Act 514) • Factories and Machinery Act with regulations (Act 139) • Poison Act and Regulations 1952 (Act 366) • Kementerian Perdagangan. • MPOB • Road Transport Act 1987 (Act 333) • Employees Social Security Act and Regulations (Act 4) • Industrial Relations Act and Regulations (Act 177) • Trade Union Act and Regulations • Employees Provident Fund Act 1991 <p>There are permits/licenses to be monitored and updated periodically such as permits/licenses for MPOB, fire extinguisher, air compressor, diesel and etc. Both mill and estate have established “Legal Compliance Checklist” consisting of permits and licenses. The list also stated of Person In-Charge (PIC) and expiry dates for monitoring.</p> <p>However, one minor non-conformity has been raised to Bornion POM. During the audit, there was no evidence of company employed for the “Competent Operator” in Scheduled Waste Management (CePSWaM). Referring to Section 49A of EQA 1974 - stated an owner occupier of a premise shall employed a person who has been certified for control activities (Jadual Pematuhan No: JPKKS/12/003430).</p>

		<p>As per interviewed, there is no available training for Treatment of Palm Oil Mill Effluent (Pond Processes) (CePPOME) & Certified Environmental Professional In Scheduled Waste Management (CePSWaM) in Sabah at the moment. Hence, company has to send the PIC to Peninsular for the training needs and has already planned to send for the training before end of 2017.</p> <p>SOP 2.0 has stated to carry out periodic review and evaluation on the Laws & regulations list to ensure that any new/addition as well as changes and amendment are captured and update, through the following manner:</p> <ul style="list-style-type: none"> • Enquiring the laws books publisher • Communication with law/enforcement officers • Website • KLK Sustainability Team. 																
ASA 2	2.2	<p>The mill and estates have demonstrated legal ownership of their land by having legal land titles to the land. All land titles demonstrate the right to use the land. The land titles are kept in the estate office and were sighted during the audit. Evidence of annual payment of land tax to the state government is available in the form of receipts.</p> <p>The estate boundary is well demarcated with boundary stones surrounding the land. The boundary stone clearly states the GPS coordinate of that particular point. Maps clearly showing the estate boundary were also sighted in the estate office.</p> <p>No disputes have been recorded in all operating units. There is no evidence of conflict present in this complex. There is no violence in instigated violence in maintaining peace because company has a clear procedure for land conflict.</p>																
ASA 2	2.3	<p>There is no customary or use right is involved as the estate's land titles and ownerships are legally identified and documented which are belong to Kuala Lumpur – Kepong Bhd. However, the company has SOP 3.0 titled "Responsible Development for New Planting" dated 01/05/2016 has identified FPIC process for acquiring land and disputes management under Attachment 2.0. Land Acquisition (For OP Planting).</p>																
Principle 3: Commitment to Long-Term Economic and Financial Viability																		
Criterion by Audit	Summary	<p>A documented business plan (3 years) available both at mill and estate. The annual budget includes of FFB yield/ha, OER, CPO yield/ha and cost of production. Seen the top management able to demonstrate attention to economic and financial viability through long-term management planning. There is no replanting programme for both estate. The company is in full compliance to Principal 3 for this complex.</p>																
ASA 2	3.1	<p>There is an implemented management plan that aims to achieve long-term economic and financial viability as evident in Annual Management Plan. For the KLK, there is a KLK Sustainability Department to oversee all the RSPO implementation and continuous RSPO plan. Business management plan is available for until 2019/2020. As evidence in Bornion Estate, projected as per below:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Item</th> <th>2017/2018</th> <th>2018/2019</th> <th>2019/2020</th> </tr> </thead> <tbody> <tr> <td>FFB</td> <td>74,175</td> <td>64,872</td> <td>59,328</td> </tr> <tr> <td>OER</td> <td>21.50%</td> <td>21.50%</td> <td>21.50%</td> </tr> <tr> <td>PK</td> <td>5.00 %</td> <td>5.00 %</td> <td>5.00 %</td> </tr> </tbody> </table> <p>As per interviewed, there is replanting programme in 5 years for both estate. Sighted the replanting programme for 5 years available in Segar Usaha Estate.</p>	Item	2017/2018	2018/2019	2019/2020	FFB	74,175	64,872	59,328	OER	21.50%	21.50%	21.50%	PK	5.00 %	5.00 %	5.00 %
Item	2017/2018	2018/2019	2019/2020															
FFB	74,175	64,872	59,328															
OER	21.50%	21.50%	21.50%															
PK	5.00 %	5.00 %	5.00 %															

		<p>Data as per below:</p> <ul style="list-style-type: none"> • 2016/2017 – 266 Ha • 2017/2018 – 311 Ha • 2018/2019 – 273 Ha • 2019/2020 – 431 Ha • 2020/2021 – 407 Ha <p>Data is documented in “Proposed Replanting Programme” KLK (Sabah) Sdn Bhd – Lahad Datu Region. Progress programme sighted in “Replanting Work Programme” 2016/2017. All replanting programme for above already completed. During the replanting programme done by estate, estate send Monthly Progress Report to General Manager and Regional Director. At this moment, company will do it the replanting after 25 years (Mineral Soils). There is evidence that replanting will review based on the yield/ha of FFB.</p>
Principle 4: Use of Appropriate Best Practices by Growers and Millers		
Criterion by Audit	Summary	The mill and estates have a complete set of GAP, POD and SOP which is being strictly adhered to and continuously monitored. Soil fertility is being maintained in the fields and IPM is being implemented in all the estates. They use chemicals that are in accordance with the regulations. There is a comprehensive OSH policy and is being implemented throughout the all operating units. Improvement sighted in the identification and assessment with HIRARC. Trainings are being carried out as per the Annual Training Plan. The company is in full compliance to Principal 4 for this complex.
ASA 2	4.1	<p>KLK Berhad has developed SOPs for mill and estates. Seen the Standard Operation Procedure on Sustainability and Standard Operating Procedures and Safety Operation Procedure document for mill was maintained and well implemented. For estate, sighted the Good Agricultural Practices (GAP) Policy, Standard Operation Procedure on Sustainability and Standard Operating Procedures and Safety Operation Procedure. All the SOPs are established and controlled by Head Quarters. The daily monitoring records are well maintained for the past 12 months. All SOP and procedures are kept and will be updated periodically.</p> <p>The mechanism to ensure the consistency of implementation sighted through internal audit. Sighted record of the internal audit for mill and estates during the audit. The purpose of the internal audit is to verify records and procedure against specific requirement and relevant standards requirements. Sighted in Bornion Estate, Internal audit has been carried out by Mr. Chung Yuh Fei (OC Executive), Mr. Imran Hassan (KLKS OSH Dept.) and Mr. Thien Jing Wen (Sr. Manager KDC Laboratory) as a mechanism to check consistent implementation for estate’s SOP.</p> <p>In Bornion POM, daily monitoring for heavy machinery is done by operator in charged for all work stations. Sighted Cages Maintenance Logbook that will be updated and summarized by Mr. Jefri Pudang (Workshop Foreman) in daily basis. This is done for heavy machine such as boiler, sterilizer, pressing, kernel plant. The document is maintained and available in place as verified.</p> <p>During the audit, it was observed that the implementation on the ground aligned with the established SOP. Basically, SOP is well maintained and will be update if necessary.</p> <p>The mill received FFBs from their own estates, WAGS – Sabah Kinabatangan (Registered under Wild Asia Group Scheme) and others supplier as evident in</p>

		List of Suppliers of Bornion POM. The FFB received is recorded with the origin place, delivery note number, date, time in & out, vehicle reg. number, driver details and weight (kg).
ASA 2	4.2	<p>Sighted the SOP 4.0: Soil Erosion & Fertility and Road Maintenance dated on 01/06/2015 to cover on identification, Implementation & maintenance and Review of soil condition. The implementation of the SOP is evident from the Fertilizer Recommendation by Agronomist where daily fertilizer application for the estate is maintained at office.</p> <p>The GAP starts from the survey by Agronomist with recommendation for fertilizer application. Soil improvement plan includes in fertilizer recommendation based on soil and foliar sampling annually. As evidence in Segar Usaha Estate, seen the Agronomist Report dated 04/07/2016. The agronomist has done assessment on leaf and soil analysis where agronomist did the site visit and test. Based on leaf analysis results, agronomist indicated that B deficiency is observed in a few blocks. Based on both foliar and soil result, agronomist has come out with Segar Usaha Estate Annual Oil Palm Fertilizer Programme 2016/17 applied in all covered blocks.</p> <p>Actual fertiliser application record is available documented in costing manuring updated by Mr. Sunardi Paret (Staff) for division: 95,97 II Example:</p> <ul style="list-style-type: none"> ➤ Month: February 2017 <ul style="list-style-type: none"> • Type: AC • Block: 95B • Rate: 2.25 kg/palm • Total: 32.58 ton ➤ Month: February 2017 <ul style="list-style-type: none"> • Type: AC • Block: 95D • Rate: 2.0 kg/palm • Total: 39.60 ton <p>The fertiliser applied is according to the recommendation for 2016/2017 as evident in Oil Palm Manuring Recommendations 2016/17 for Bornion Estate by Mr. Teo Chor Boo (Agronomist). Leaf sampling analysis results for Bornion Estate is evident in Oil Palm Manuring Recommendations 2016/17 for Bornion Estate by Mr. Teo Chor Boo (Agronomist) and later will produce a full year fertiliser application program.</p> <p>Mill byproducts is sent to internal estates which is Bornion Estate and Segar Usaha Estate for land application. This is following to SOP 4.0 Soil Erosion & Fertility and road maintenance Issue/Rev 1/0 dated 01/06/2015. The sent by products records are available in EFB/POME/Decanter cake/belt-press cake application and latest recorded on:</p> <ul style="list-style-type: none"> • March 2017, 1710.03 ton of EFB • March 2017, 6182.00 litres of POME • Dec 2016 for 58.58 tone decanter cake • March 2017, 602.79 ton of belt press cake application
ASA 2	4.3	<p>Soil maps for both estate is available. As evidence, sighted soil map for Bornion Estate – AAR/26/11/2008. It is evident that there are no fragile soils exist in both estate.</p> <p>Topography Map is available in place as sighted 'Topo Map Bornion Estate</p>

		<p>AAR/26/11/2008'. Verification done based on map shown that most of the land in the estate is flat and undulating. Topo line indicated interval in 50 feet. The management only practicing spot sprayed for large woodies and conserved as much ground vegetation as possible to protect the topsoil.</p> <p>Road maintenance programme has been explained in Soil Erosion & Fertility and Road Maintenance (SOP 4.0; Date: 1st June 2015). Road maintenance program 2016-2017 is recorded in Road Maintenance Program SOP 4.0 last updated on 17/04/2017 Operating Centre: Ladang Segar Usaha done for:</p> <ul style="list-style-type: none"> • Grading and compacting • Filling pothole • Upkeep bridges & culverts & drain <p>The road maintenance programme is outline for one year plan. The conducted program is indicated in each dedicated field.</p>
ASA 2	4.4	<p>Water management plan is done according to SOP 5.0 Surface & Groundwater Management Issue/Rev 1/0 dated 01/06/2015. Sighted in Bornion POM Water Sampling Program – 2016/2017, 5 sampling point at outlet and 1 sampling point at inlet is analyzed. For effluent sampling (final discharge), mill treated water, upstream and downstream is done monthly. While for mill wastewater, sampling is done quarterly. POME discharged from mill operation is sent for land application. All analysis done shown parameters tested are within standard.</p> <p>In Bornion Estate, water management plan is only done for linesite wastewater. 1 water sampling point is determined at linesite wastewater to determine analyzed parameter. Sampling is done quarterly on January, April, July, and October as sighted for year 2017 prepared by Mr. Chung Yuh Fei (Asst. Manager). Latest test is done as sighted Certificate of Analysis for 13/01/2017 Report No.: R17/1/127 approved by Mr. Thien Jing Wen shown BOD result: 25 mg/l which is within permissible limit.</p> <p>Protection of water courses and wetlands is covered in SOP 5.0 Surface & Groundwater Management Issue/Rev 1/0 dated 01/06/2015. No river of water bodies situated within estate compound. Therefore, 1 water sampling point is determined at linesite wastewater to determine analyzed parameter. Sampling is done quarterly on January, April, July, and October as sighted 2017 prepared by Mr, Chung Yuh Fei (Asst. Manager). Latest test is done as sighted certificate of analysis for 13/01/2017 report No.: R17/1/127 approved by Mr. Thien Jing Wen shown BOD result: 25 mg/l which is within permissible limit.</p> <p>Mill effluent is treated in orderly manner. Open ponding and belt press are practiced. Open ponding has retention for 29 days, 2 cooling ponds, 4 anaerobic ponds, 2 aerobic ponds. Effluent test is done by KDC Lab managed by Mr. Thien Jing Wen monthly. Parameters analysed are pH value, BOD, COD, total nitrogen, ammoniacal nitrogen, total solids, suspended solids and oil and grease. All parameter tested are within permissible limit by national standard. Sighted Effluent Test Reports done for January, February and March reports dated 28/03/2017, 20/02/2017 and 19/01/2017.</p> <p>Monitoring of the water usage per FFB is recorded and available in place. Mill has structured 'Bornion Palm Oil Mill Guidelines to Identify Water</p>

		Consumption Efficiency for Low, Average And High Efficiency'. Sighted Water Usage in Mill (Tonne Water Used/Tonne FFB Processed) For Operating Centre: Bornion Palm Oil Mill with water usage/FFB processes recorded is 2.17 MT water/MT FFB to date. The water usage recorded is high thus mill has taken initiative to resolve this issue by carrying out inspection on exceed water used.
ASA 2	4.5	<p>Implementation of IPM is based on the SOP 7.0 Integrated Pest Management dated 01/06/2015 contains information regarding the implementation of IPM. IIPM is including of Spraying, Trunk injection and Rat baiting.</p> <p>The circular memorandum of approved list of pesticides registered for oil palm (Additional list) was circulated to all operating unit dated 23/02/2008 signed by Mr. Yap Mun Yew (RD).</p> <p>There is IPM plan available at estate. The estate is not infected with significant pest but only with rat attack and very little 'Setora'. As action taken to resolve pest, auditor has verified record of 'Ladang Bornion Rat Baiting Program For 2016/2017' stated that 5 blocks have more than 5% rat attack while 18 fields has less than 5% rat attack.</p> <p>Rat attacks are monitored by doing Rat census latest done on 19/03/2017 at Block 94A by Mr. Abidin (Harvesting Supervisor). Sighted 'Setora' census done latest on 10/03/2017 shown the 'Setora' attack is only occurred for 2.53%. Thus, no baiting has been done as the attack didn't exceed 5% checked by Mr. Mohd Pariksa (Harvesting Supervisor) at Block 96G.</p> <p>Referring to Register of Chemicals Hazardous to Health Section A: Company Information, 21 hazardous chemicals are registered and 4 are specialized for rat bait:</p> <ul style="list-style-type: none"> • Ally (Herbicide) • Amine • Akira • Storm: active ingredient are paraffin waxes and hydrocarbon waxes <p>Herbicide application records seen for circle and path spraying. Record of Circle & Path (Costing) done by Mr. Matli Abd Hamit (Staff) and checked by Mr. Chung Yuh Fei (Assistant). Latest herbicide application is done dated 01/04/2017 at 40 ha Block 96L using glyphosate (a.i 0.41%) for 24 ml, ally (0.2%) for 750 ml and alion (0.455%) for 2.4 ml.</p> <p>The planting of beneficial plant was sighted along the main road of the estate. There are programme to expand the planting of beneficial plant. The planting of beneficial plants includes Tunera Subulata, Antigonon Leptopus and Cassia Cobanesis is a biological control for pest such as bagworms and needle caterpillar.</p> <p>All staffs and workers involved in the IPM implementation has been trained by the estate management. As evidence, seen the training for workers from spraying and manuring operation are done. Training records are available as sighted 'Operating Centre: Ladang Bornion Topic: Manuring & Spraying Safety Training' given by Mr. Imran Hasan. Training dated 23/02/2017 was attended by 24 workers.</p>
ASA 2	4.6	The company has established SOP for safe use of chemicals in Safe Use &

	<p>Storage of Agrochemicals/Chemicals - (SOP No.: 6.0; Date: 01/06/2015). All chemicals used for estate operations are listed down in "Register of Chemicals Hazardous to Health". Sighted Annual Agrochemicals usage recommendation from AAR (Advanced Agricultural Resources Sdn. Bhd) for 2015/2016 listed chemicals pesticides need to be used in estate operations.</p> <p>Chemical Health Risk Assessment (CHRA) is available for all operating units. As evidence, review of Chemical Health Risk Assessment Report (2013) for: KL-Kepong (Sabah) Sdn. Bhd. Segar Usaha Estate completed on 23/11/2013 and prepared by Mr. William Pius Ladius (JKKP Reg. No: JKKP HIE 127/171-2(291)). This report covers all operations in the state where chemicals are used. Expired on October 2018.</p> <p>'List of Chemicals Hazardous to Health Ladang Segar Usaha' is prepared by Mr. Baihaqi (Assistant) dated 24/03/2017 and reviewed by Mr. Saparuddin R. (Senior Estate Manager) dated 24/03/2017 for:</p> <ul style="list-style-type: none"> • Genset house • General store for spraying, weeding <p>Sighted the chemical usage for year 2015/16 and Herbicide application records done for circle spraying. Seen records is tabulated for October 2014 until March 2015 at all blocks for Glyphosate and Ally with details of man-day, labour cost, hectarage treated, labour cost per ha, a.i. (lit), material cost and total cost completed with status in Bornion Estate.</p> <p>The summary shown below for most common used in Ladang Bornion Estate for Financial Year: 2016/17'.</p> <p>Name of herbicide: Glyphosate (Akira) applied in Field 94B/120 Ha for 41.82 kg a.i/ 0.34 Ha, 94A/114 Ha for 44.28 kg a.i/0.39 Ha, 94C/117 Ha for 49.20 kg a.i/0.42 Ha.</p> <p>Record of pesticides used including the information of active ingredients used, area treated, and amount of active ingredients per hectare is evident. As evidence in Bornion Estate, herbicide application records are seen done for circle and path spraying. Record of Circle & Path (Costing) handled by Mr. Matli Abd Hamit (Staff) and checked by Mr. Chung Yuh Fei (Assistant). Latest herbicide application is done dated 01/04/2017 at 40 ha Block 96L using glyphosate (a.i 0.41%) for 24 ml, ally (0.2%) for 750 ml and alion (0.455%) for 2.4 ml.</p> <p>There is no class 1A or 1B chemicals used in estate as evident in 'Register of Chemicals Hazardous to Health. With regards to Paraquat, the company has no longer use Paraquat since February 2011.</p> <p>Application of any chemical products in the mill and estate is under controlled and only can be carried out by qualified workers which have attended certain training. In Segar Usaha Estate, estate has specialized person in handling the chemical, Mr. Baihaqi while storekeeper appointed is Ms. Hajar Abas. Sighted training for 'Pengendalian Bahan Kimia (Storekeeper)' is conducted on 24/02/2017 by Mr. Imran Hassan. Attended by 5 workers. During site visit, storage of chemical is in appreciating manners, well ventilated. MSDS for all the chemical sighted and updated.</p> <p>All sprayers are provided with proper PPE such as mask, apron, gloves and rubber boot. Mixing of the chemicals was done at mixing area under control</p>
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		<p>and secure environment. Mr. Matli Abd Hamid (Field Supervisor) is responsible to carry out the task. During field visit, spraying gang was using the proper equipment and well maintained. All chemical activities are accordance to the company procedure and good agriculture practices.</p> <p>Training programme is available for OSH and Environmental for Bornion POM 2017 last updated 15/04/2017. The training consists of triple rinse of empty container, management of scheduled waste etc. Training need analysis were also done for process operator, electrical operator, laboratory operator etc. as sighted in KL-Kepong (Sabah) Sdn. Bhd. Training Needs Analysis dated 16/04/2017.</p> <p>Inventory of scheduled wastes is recorded and maintained in place. Sighted the last submission of inventory of scheduled wastes to Legenda Bumimas (licensed collector) March 2017 as below:</p> <ul style="list-style-type: none"> • SW102: waste of lead acid batteries in whole or crushed form, 0.0823 mt generated • SW305: spent lubricating oil, 0.3 mt generated • SW410: oil filter, 0.0255 mt generated <p>The consignment note for scheduled wastes number A019780 is available dated 07/03/2017 issued by Legenda Bumimas for 03/2017. Scheduled waste training is done dated 17/02/2016 attended by 6 workers. The training was given by Mr. Mohd. Hafiz Syafiq at Bornion Mill Meeting Room.</p> <p>Seen annual medical surveillance is available in all operating units. In Bornion POM, workers were send for medical surveillance check-up annually for those who handling chemicals, store keeper, workshop and etc. In Medical Surveillance Summary Report July 2016 KL-Kepong (Sabah) Sdn. Bhd. Bornion Palm Oil Mill Assessment date: 28/07/2016 indicated that all 22 examined workers are having normal results and fit to work. Sighted sampled medical surveillance done for:</p> <ul style="list-style-type: none"> • Occupational Medical Surveillance Programme Record Book No. 00679 done to Hasma binti Sunu. Medical test has shown that she is fit for work which may expose her to chemical. <p>Audiometric test is done and carried out for 17 mill workers working in noise surrounding such as at engine room and boiler. Based on KL-Kepong (Sabah) Sdn. Bhd. Bornion Palm Oil Mill Audiometry Test Summary Report for July 2016 assessment date on 28/07/2016 done by DAB OH Sdn. Bhd, 9 workers are identified to have normal hearing while 8 workers had mild to moderate hearing impairment. These workers must strictly use PPE/earplug during work to prevent further impairment and those with hearing impairment must go for annually audiometry test as instructed by assessor. There are no pregnant workers who were handling pesticides in the estates.</p>
ASA 2	4.7	<p>The mill and estate is in compliance to health and safety plan set by the company. The company has established Occupational Safety & Health Policy signed by Mr. Roy Lim Kiam Chye (Group Plantations Director) dated 07/11/2014 is circulated and maintained in place. The policy is written in Bahasa and English language that can be easily understood by all levels of its employees.</p> <p>This policy is displayed in all the offices and on notice boards. It is this policy that is being adhered to with regards to the implementation of (OSH)</p>

		<p>requirements within the company. The mill has also updated HIRARC for all activities in the mill operations. The HIRARC has been updated in accordance to the latest accident recorded. Latest HIRARC reviewed is done on 06/01/2017 conducted by Mr. Imran Hasan (OSH Exec) together with Bornion POM OSH Committee. This HIRARC form was approved by Mr. Chin Ken Sin (Mill Manager).</p> <p>All workers involved in the operations have been adequately trained in safe working practice. Mill and estates have provided appropriate PPE for all workers in their operations. As evidence in Bornion Estate, sighted the PPE issuance records for all staffs and workers. PIC for PPE inventory is Ms. Marlina Bt. Habir - Store Keeper.</p> <p>All Managers for this complex are responsible person for health and safety. In Segar Usaha Estate, the person in charge is Sr. Estate Manager (Mr. Saparuddin). The committee meeting has been conducted every 3 months to discuss all issues regarding worker's safety and health.</p> <p>All issues raised and discussed during conducted meeting has been resolve and taken action by estate management with proper action and target date cited in the minute meeting prepared by Mr. Baihaqi (Assistant Manager).</p> <p>The ERP has clearly justified procedures when dealing with chemical spillage, accident and others. Emergency response plan include the emergency contact number and available in local language (Malay and English). The ERP has been explained to all workers and staffs during training which has been conducted.</p> <p>All workers have been provided with medical and accident insurance as evident in Workmen Compensation under AXA Insurance is used as insurance provider to 68 foreign workers. Policy No.: LWX/93198643/37/09/HHT for period of insurance from 01/10/2016 to 30/09/2017. With regards to local workers, staffs and executives, all of them are covered under EPF & SOCSO as required by the Malaysian Laws and Regulations.</p> <p>Records of all accidents are available and discussed quarterly during OSH Meeting. In Bornion Estate, accident is handled according to the national OSH department (JKKP) includes reporting any accident case, investigation and calculation of LTA. Estate has sent JKKP 8 (I & II)/(IV) on annually basis to the DOSH that was sent on 04/01/2017. LTA calculation based on local interpretation from DOSH. No accident or fatality recorded.</p>
ASA 2	4.8	<p>The mill and estate have a comprehensive annual training plan for its staffs and workers and this was sighted in the training records file for each staffs and workers. The training plan for 2016/2017 was sighted. Training program is done covering all related RSPO Principle as sighted Annual Environmental Training Programme for Segar Usaha Estate -2017 covering for Triple Rinse and management of empty container, waste generated, fire drill/open burning/rubbish disposal/recycling, RSPO awareness/Sustainability policy briefing etc. Training program completed with topic, personnel to be trained, trainer, assessment result behavior outcome and status.</p> <p>Sighted in Bornion POM, individual records for sampled workers are maintained and available in Training Assessment Form as follow:</p> <ul style="list-style-type: none"> • Sahrul Aris (Sterilizer) Attended 6 training in 2017 such as training for ERT, code of conduct, open burning.

		<ul style="list-style-type: none"> Hasma Sunu Attended 4 training in 2017 such as training for chemical handling, OSH briefing.
Principle 5: Environmental Responsibility and Conservation of Natural Resources and Biodiversity		
Criterion by Audit	Summary	Environmental Impact Assessment has been carried out by the mill and estate. A comprehensive identification of all waste has been recorded and disposal of scheduled waste has been carried out by an approved and registered collector. Monitoring and analysis of waste is carried out regularly. The company is in full compliance to Principal 5 for this operating unit.
ASA 2	5.1	<p>Sighted SOP 10 for “Environmental Aspect & Impact Assessment” dated 01-06-2015. Based on the SOP 10, the mill and estates have conducted, reviewed and updated environmental impact assessment (EIA) for their activities.</p> <p>For estate, environmental aspect and impact assessment has been conducted by Estate Assistant Manager and approved by Estate Manager. The assessment to identify assess all activities of the estate that have impact to the environment. Seen the latest EIA on 18-04-2017 for Segar Usaha Estate.</p> <p>Estate also has conducted stakeholder consultation for EAIA. No special concerns raised during the stakeholder consultation. Seen the evidence on minutes of the stakeholder consultation meeting 2017 dated 11-04-2016.</p> <p>Environmental management plan was made available for each environment impacts identified in the EAIA 2017. Management control plan includes actions, responsible personnel with target dates to complete and the present status. It was observed that management actions proposed in the plan are implemented and continual monitoring done</p> <p>Continual monitoring was done for most of the aspects identified in EAIA 2017. Responsibility was given to respective process owners. Sighted in the Bornion POM:</p> <ul style="list-style-type: none"> Boiler maintenance checklist (05-04-17) Domestic waste and sanitary landfill checklist (18-04-17) SW store maintenance checklist (04-04-17) Chemical store monitoring checklist (04-04-17) Diesel tank (04-04-17), POL store checklist (04-04-17) POME pond monitoring checklist (17-04-17) <p>Effectiveness of the control measures will be evaluated by RSPO management review meetings conducted annually. Sighted minute of meeting dated 21-12-2017.</p>
ASA 2	5.2	<p>The mill and estates uses its sustainability department’s SOP 11.0 titled “High Conservation Value (HCV)/Conservation Area management” procedure dated 01/06/2015 for HCV assessment. Sighted the latest HCV assessment was conducted on year 2017 by Mr Thien based SOP 11.0 on which was established by company’s Sustainability Department using guidance from HCV Forest Toolkit for Malaysia, edition Oct 2009.</p> <p>No RTE species identified within the estate. However, management plan was established and implemented through HCV assessment. No illegal activities recorded so far. Patrolling is done in every 2 weeks along the jungle boundary in order to ensure the proposed actions properly implemented.</p> <p>Training has been planned to conduct annually. Sighted in Bornion Estate, last</p>

		<p>training done on 08-04-2017 for all staff members. Continuous monitoring done to ensure the management actions are properly implemented in protected area boundaries. Seen the monitoring records dated 07-04-17, 06-03-17, 28-12-16. No local communities present within or boundaries of the protected areas.</p>														
ASA 2	5.3	<p>Sighted SOP 12.0 titled “Waste Management & Energy Use” dated 01/06/2015 Issue/Rev 1/0 that applicable for both mill and estates. The mill and estates have identified and documented type of waste that generated from its operation in a waste management plan titled “Identification of all waste products and operational plan to reduce pollution”. The waste management plan has also identified source of pollution, mitigation measures, target, person responsible, and status.</p> <p>Scheduled wastes generated from mill and estate are send to DOE approved contractor for disposed. Scheduled waste was disposed in accordance with scheduled waste requirements and regulation. The disposal contractor is Legenda Bumimas Sdn Bhd, license no 003442, expiry date 1/05/16 to 30/04/17 issued by JAS, Sabah covering 39 codes of waste types. New license already renewed, license no 003440, expiry date 01/05/17 to 30/ 04/18.</p> <p>Sighted records of identified schedule wastes sent to Legenda Bumimas dated 07/03/17;</p> <ul style="list-style-type: none"> • SW 102 Used Battery = 70 kgs • SW 305 Used Oil = 1.120 Mt • SW 410 Oil Filter = 50 kgs <p>In Bornion POM, the SW materials are placed in the schedule waste store. And scrap iron temporary stored at scrap iron yard. SW are sent to licensed collector. Scrap iron is also sell to local collectors. (Waybill no C306766 dated 19-01-2017). Effluent, belt press cake and boiler ash will be sent to estate to be used as ground application medium. Shells and fibre are used as a medium for boiler.</p> <p>Estate has documented waste management plan for year 2017 titled “Identification of all waste products and operational plan to reduce pollution” dated 30-12-16. The waste management plan has identified Waste products, sources of pollution, mitigation measures to reduce pollution, target, person(s) responsible and status of progression. Practice of open fires not evident within both estate. Monitoring is done weekly in both domestic waste collection areas and in landfill sites. Sighted latest record dated 18-04-17 in Segar Usaha Estate.</p>														
ASA 2	5.4	<p>Company has established SOP 12 – “Waste Management & Energy Use”; date on 01/06/2015. In mill, the management monitors fossil fuel usage tabulated in Appendix 3 of SOP 12 Scheduled Waste Management Rev. 1/0. Mill continuously monitor the fuel consumption of generator and vehicles in terms of litter/FFB produced.</p> <p style="text-align: center;"><u>Gen-set</u></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Month</th> <th>kWh/mt</th> </tr> </thead> <tbody> <tr> <td>OCT 2016</td> <td>2.95</td> </tr> <tr> <td>NOV 2016</td> <td>3.26</td> </tr> <tr> <td>DEC 2016</td> <td>3.80</td> </tr> <tr> <td>JAN 2016</td> <td>4.32</td> </tr> <tr> <td>FEB 2016</td> <td>4.89</td> </tr> <tr> <td>MAR 2016</td> <td>5.49</td> </tr> </tbody> </table>	Month	kWh/mt	OCT 2016	2.95	NOV 2016	3.26	DEC 2016	3.80	JAN 2016	4.32	FEB 2016	4.89	MAR 2016	5.49
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		<p style="text-align: center;"><u>Biomass usage for power generation</u></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Month</th> <th>kWh/mt</th> </tr> </thead> <tbody> <tr> <td>OCT 2016</td> <td>18.64</td> </tr> <tr> <td>NOV 2016</td> <td>19.44</td> </tr> <tr> <td>DEC 2016</td> <td>18.93</td> </tr> <tr> <td>JAN 2016</td> <td>21.14</td> </tr> <tr> <td>FEB 2016</td> <td>18.74</td> </tr> <tr> <td>MAR 2016</td> <td>19.79</td> </tr> </tbody> </table> <p>Boiler efficiency and steam flow rates were monitored daily. Super-heated steam is used in boiler operations to increase the combustion efficiency. In addition, feed water is also heated up to 70C before entering it to boiler chamber. Mill generates electricity using biomass (i.e. shells and fibre). Waste steam is used to cook EFB and to generate heat in the production process.</p>	Month	kWh/mt	OCT 2016	18.64	NOV 2016	19.44	DEC 2016	18.93	JAN 2016	21.14	FEB 2016	18.74	MAR 2016	19.79
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ASA 2	5.5	<p>Estate has adopted Policy of Zero burning dated 1st December 2014 by Tan Sri Dato' Seri Lee Oi Hian (CEO) well implemented. There is no open burning noticed during the plant visit.</p> <p>Open burning in relation to new planting, re-planting or other development is not allowed and this was communicated to all employee and stakeholder. There is replanting in estate area. During replanting process, the old palm to be felled, chipped and pulverised and been remained in the field for self-composed.</p>														
ASA 2	5.6	<p>The polluting activities has been assessed during environmental aspect and impact assessment. The EIA assessment findings including list of polluting sources are recorded in document titled "Environmental Impact Assessment (EIA) & Pollution Prevention Plan." Mitigation measures are identified for in the aspect-impact register to prevent or minimize pollution.</p> <p>Boiler stack emissions is monitored and test report was available for both stacks. Average dust emission loads are below the permissible level 0.400 g/Nm³;</p> <ul style="list-style-type: none"> • Stack 1 –0.125 g/Nm³ • Stack 2 – 0.085 g/Nm³ <p>POME is treated in effluent treatment plant and discharged to estate lands in Bornion estates. Fibre and shells use as an input for boilers. Boiler ash will be collected separately and also sent to estates to ground application. Scrap iron, used lubricant, old batteries, old tyres, and hazardous chemical containers sent to licensed collector.</p> <p>POM effluent is treated by conventional ponding system (4 anaerobic ponds). POME is dried/squeezed using belt press. The dried cake is sent for land application in own estates. Noise will be controlled by regular maintenance of machineries.</p> <p>Pollutants and greenhouse gas (GHG) emissions has been identified in waste management plan. Plans to reduce or minimize the identified pollutants and GHG emissions are also established. This plan includes target dates, person responsible and the current status.</p> <p>Sighted in Bornion Estate, training has been provided on IPM (11-05-2016), triple rinse method (14-03-2017), sprayer and manuring training records</p>														

		<p>dated 23-02-2017, spraying pump calibration and maintenance dated 20-09-2016, training on open burning and waste disposal dated 17-05-2016).</p> <p>Sighted the GHG Calculation for Bornion POM and its supply bases year 2016 using RSPO PalmGHG version 3 in place. Refer Appendix 2 for Summary of GHG Emissions.</p>
Principle 6: Responsible Consideration of Employees and of Individuals and Communities by Growers and Millers		
Criterion by Audit	Summary	The mill and estate have conducted the social impact assessment. The relevant policies are in place and are fully implemented across the board. Communication and consultation as well complaints and grievances procedure are well communicated and adhered to. There are evidences of workers not been discriminated against in any way and all are being paid their fair wages. The company is in full compliance to Principal 6 for this complex.
ASA 2	6.1	<p>Sighted the latest SIA conducted in year 2016 for mill and estates operation as following the SOP 13 In-house Social Impact Assessment dated 01/06/2015. As evidence in Bornion POM, SIA has been established by the Mill Management prior to construction of new committee hall in estate workers housing area.</p> <p>Sighted meeting conducted on 10/09/2016 prior to the construction. A total of 44 respondents has been sampled for questionnaire as sighted in SIA 2016/2017 survey form. Results from the survey conducted showed that all respondents agreed that the committee hall will bring positive impact to their social life. Sighted SIA – Analysis and Management Plan for POM Internal Stakeholder, verified by the Mill Manager dated 18/10/2016.</p> <p>The assessment of in house SIA is done among randomly picked mill workers. A total of 44 respondents has been sampled for questionnaire as sighted in SIA 2016/2017 survey form. Meeting was conducted on 10/09/2016 prior to the commencement of the project as per sighted minute meeting.</p> <p>This is purposely done to measure and to understand both positive and negative social impacts of the mill and estates operations towards the local population and communities surrounding the premises. The response obtained, provided information on the negative and positive social impacts of the operations.</p> <p>From in house SIA in Segar Usaha Estate, 2 negative impacts have been raised by workers for construction of new mosque. Resulting from the analysis, management has come out the mitigation measures to mitigate then negative impact as documented in SIA: Mengenalpasti isu yang timbul daripada pelaksanaan Gaji Minima dan plan mitigasi prepared by Mr. Mohd Hanapiah Bin Ahim (Assistant Manager). Plan will be reviewed once every 2 years. The next review will be done on 2018.</p>
ASA 2	6.2	<p>SOP 1.0 Stakeholder Engagement/ Negotiation Issue/Rev 1/0 dated 01/06/2015 is established as the consultation and communication procedures to relevant stakeholders. SOP has outlined the request & response, consultation & communication and complaint & grievance mechanism in order to handle issues highlighted by stakeholders.</p> <p>Sighted appointment letter of 'Perlantikan Sebagai Pengerusi Jawatankuasa Keselamatan Dan Kesihatan Dan Orang Bertanggungjawab Berkenaan Perihal Berkaitan RSPO/ISCC' for all operating units signed by Mr. Rozi Ibrahim</p>

		<p>(General Manager). During interview, it was evident that the manager is aware of his responsibility as person responsible for communication.</p> <p>Sighted list of stakeholders for mill and estates. The list was updated and covering mill and estate government/statutory, NGO's local communities, FFB Suppliers and etc. are available and sighted in the mill and estate offices</p> <p>Stakeholder logbook is a mechanism used by mill and estates in order to compile any request from affected stakeholders. Stakeholders form can be filled to address request & response, consultation & communication and complaint & grievance. Sighted records of all communication and actions taken in response to input from stakeholders maintained effectively in stakeholder's logbook.</p>
ASA 2	6.3	<p>KLK Berhad has establish SOP 01 entitled Stakeholders Engagement and Negotiation. Last issued in 01st June 2015 is shown at the process of complaints & grievance.</p> <p>SOP outlined the method of handling requests, complaints and grievances, identified and registered all stakeholders, record of request and response, resolving consultation, resolving communication and complaint and grievance.</p> <p>For private and confidentiality, protection of whistle blower is stated in KLK Sustainability Policy Issue/Rev. 1/0 approved by Tan Sri Dato' Sri Lee Oi Hian (KLK Group CEO) dated 01/12/2014 Clause 3.2 (xii) where the group shall provide a confidential means for all personnel to report illicit (unethical or illegal) activities.</p> <p>All the complaints and grievances were handled by all managers or assistant in charge. Training were provided to ensure they understand about delivering complaints and grievances.</p> <p>There is complaint book placed in the mill and estates office. The book is open to all. Action was taken by responsible person and will acknowledge to the complainer back. No complaint registered and all request has been attended promptly. Request is being requested through stakeholder logbook form.</p> <p>During site visit and stakeholder's consultation, workers/stakeholders who were interviewed confirmed that they are aware of the complaints and grievances procedure and how to channel their grievances. Complaint and Grievances record in Stakeholder Logbook was maintained. No grievance registered as per this audit period.</p>
ASA 2	6.4	<p>KLK has established SOP 3 entitled Land Acquisition (For OP Planting) Att. 2.0 Issue/Rev 1/0 dated 01/05/2016 outlined the procedure for identifying legal, customary or user rights. This is endorsed for claiming on land ownership and consideration of compensation. Land acquisition (for OP planting) SOP 3A issue/rev 1/0 dated 01/01/2017.</p> <p>In SOP 3 entitled Land Acquisition (For OP Planting) Att. 2.0 Issue/Rev 1/0 dated 01/05/2016, compensation shall take into account:</p> <ul style="list-style-type: none"> • Proof of legal versus communal ownership in ethnic group • Communities' period of residing and origins

		<ul style="list-style-type: none"> • Gender difference in the ability to claim rights • Until to date, no compensation records made.
ASA 2	6.5	<p>Sighted payment records for all workers and contractors. The contract of works is available and verified. Contract is signed by both employee and management indicating hours of work, amendments to annual leave, medical leave, pay, overtime etc. Interview with both mill & estates workers, confirmed that they understand the terms and conditions of their employment.</p> <p>The salary is according to 'Guidelines on the Implementation on the Minimum Wages'. National Wages Consultative Council Act 2011 (Act 732) Malaysian minimum salary is RM920 as stated in the guidelines.</p> <p>Salary slips clearly shows the calculations of gross salary, all deductions and net salary of a worker. Workers interviewed confirmed that they are being paid more than the stipulated minimum wage and that they understand all the deductions being made.</p> <p>All local and foreign workers are provided with proper and adequate housing facilities. Electricity is produced by own gen-set while water for domestic used is from estate water catchment. Inspection to the housing areas is being done once a week by the estate staff and verified by the assistant manager as documented in Estate Linesite Checklist.</p> <p>Educational access is provided via HUMANA. HUMANA is located at Bornion Complex and is offered for children of Indonesian workers. Local school (SK Bukit Garam 2 & SK Kota Kinabatangan) is available for local children. The medical treatment is located at Klinik Segar Usaha Estate. For serious injured, workers will be referred to Hospital Kota Kinabatangan.</p> <p>Basic necessities can be bought by the estate workers from mill linesite shop (Kedai Zhou & Kedai Ani). Besides that, there is a nearby town (Pekan Kinabatangan) which estate workers can buy their food. The Estate Management is providing free transport for estate workers.</p>
ASA 2	6.6	<p>The 'KLK Sustainability Policy' approved by Tan Sri Dato' Sri Lee Oi Hian (KLK Group CEO) dated 01/12/2014 which under clause 3.2 (v) indicates Freedom of Association and Right to Collective Bargaining where workers are allowed to join collective association.</p> <p>This policy is displayed in the mill and estates. Interviews with workers confirmed that policy has been communicated to all workers and staff and the understanding of policy is satisfactory.</p> <p>Local or foreign workers are given the freedom which it is an optional for them to join worker union formed in mill or estate. At this moment, no UNION form in this complex.</p>
ASA 2	6.7	<p>Children are not employed or exploited. Minimum age indicated at 18 years old. In the organization child policy stated in 'KLK Sustainability Policy dated 01/06/15; clause (3.2)(ii) 'No Child Labour' where company outlined the commitment to comply with national law in regards to minimum age requirement.</p> <p>In mill and estates, recently appointed new worker is above 18 years old. The data of workers is available, monitor and checked by the auditor. Interviews</p>

		with workers and staff confirmed that there is no child labor employed neither in mill and estates.
ASA 2	6.8	<p>Sighted 'KLK Sustainability Policy approved by Tan Sri Dato' Sri Lee Oi Hian (KLK Group CEO) dated 01/12/2014 Clause 3.2(ix)-Equal Employment Opportunities' described company's policy with regards to equal opportunities and no discrimination practice among employed worker. Local employees are given 1st priority for employment (Positive).</p> <p>This policy are available in English and Malay displayed at the mill and estate office wall and notice boards. Policy stated that employment of either local or foreign workers will not practice any discrimination regardless race, religion and gender. Verified through interview with workers, they are treated equally regardless their origin and gender. Opportunities are given to all level of workforce without being discriminated.</p> <p>The practice of equal opportunities is implemented as sighted the job advertisement displayed at road junction nearby complex entrance.</p> <p>The company has established SOP for employment of new workers as documented in <i>SOP14.0: Employment of Workers/Staffs</i>. The procedure clearly stated that workers need to attend for medical check-up prior to employment.</p>
ASA 2	6.9	<p>A policy protection against sexual harassment stated in KLK Sustainability Policy issue/rev 1/0 dated 01/06/2015 approved by KLK CEO Tan Sri Dato' Seri Lee Oi Hian dated 01/12/2014 clause 3.2 (xi) Harassment and violence stated the group and its supplier/contractor shall not tolerate any type of harassment or violence. Also sighted 'Polisi Hak Reproduksi Pekerja' approved by Mr. Mah Fak Chin (Regional Director) dated 01/04/2017.</p> <p>Gender committee has been established in the mill and estates as evident in the Organization Chart. Gender committee meeting is being conducted every 3 months. Welfare of female workers were discussed. Minutes meeting available and there are evidence on matters regarding sexual harassment, violent, breastfeeding and pregnant lady being discussed during the meeting.</p> <p>Sighted Polisi Hak Reproduksi Pekerja approved by Mr. Mah Fak Chin (Regional Director) dated 01/04/2017. Training on the policy was held on 12/04/2017 as evident in the Bornion Estate attendance list, attended by 309 estate workers. Training was given by the Estate Manager, Mr. Peter Joseph.</p> <p>The company has outlined flow chart on handling sexual harassment complaints in Policy No: GP/OSH12 OSH Mgt. System-4 issued 01/07/2010 attachment: 5 stated way to handle allegation of sexual harassment when received.</p> <p>Workers interviewed were aware of the policy against sexual harassment and violence. The establishment of the gender committee at every operating unit and the specific grievance mechanism. No cases of sexual harassment or violence against female workers reported.</p>
ASA 2	6.10	<p>KLK has developed SOP for FFB Pricing mechanism, SOP no 17 Issue/Rev 1/0 dated 01/06/2015. According to mill chief clerk, the current prices of FFB is according to price rate determined by MPOB. Aside from that, The FFB price is determined by the KLK HQ at month end. Sighted Sabah Outsiders FFB Pricing for Mar 2017. If there is any complaints from outsider FFB supplier, they will be channeled directly to HQ. POM is acted as receiving party for FFB</p>

		<p>supplied.</p> <p>At this moment, the mill received FFBs from their own estates and others supplier as evident in List of Suppliers of Bornion POM. In future, mill will receive certified FFB's from WAGS – Sabah Kinabatangan (Register under Wild Asia Group Scheme).</p> <p>Prior supplying FFB from outsider source, the contract for FFB supply to Bornion POM is structured between company and outsider source. This is used as documentation evidence as outsider source acknowledged the business deal they entered into.</p> <p>Contract for FFB supply clearly stated the term and conditions as per below:</p> <ul style="list-style-type: none"> • OER and KER rates • Processing cost per mt of FFB • Cess as per MPOB/government order • Pricing basis • Payment by the 10th of following month <p>Mill maintained the agreement contract between outsider suppliers available in place. The contract is written to confirm mutually agreed terms and condition for the supply of FFB to Bornion POM. Payment to outsider suppliers is available and the payments is on time as per agreement.</p>
ASA 2	6.11	<p>Company are committed and have contributed to local development. Contributions to local development that are based on the results of consultation with local communities not demonstrated at Complex level; but monitored and extended by KLK Head Office, Ipoh.</p> <p>In Segar Usaha Estate, CSR is sighted in Performance and Expenditure Capture- Social Aspects Year 2016 as below:</p> <ul style="list-style-type: none"> • Creche attendant (Oct 16–Mar 17) RM 33,031.42 • Creche Repair (Oct16-Mar17) RM 282.21 • Repair Kindergarten (Oct16-Mar17) RM 285.00 • Village head (Oct16-Nov17) RM 360.00
ASA 2	6.12	<p>The company strictly prohibit the use of any form of forced or traffic labour in employment of workers or staff. This is stated in KLK Sustainability Policy SOP 14: Employment of Workers/Staffs dated 01/06/2015. SOP 14 clearly outlined the restriction to practice force or trafficked labour.</p> <p>Foreign workers are having legal identification such as valid permit and passport and have legality to work in estate operational activity. All employees are employed legally where Indonesian and Philippines workers are having valid permit and passport and local having identity card as the valid residential card.</p> <p>There is no evidence of forced labour during interviewing workers at site. Workers enter into employment contracts with the company on their free will. Letter of offer for local employees and employment contract for foreign workers are available where duly signed by both parties.</p> <p>The company has established 'KLK Sustainability Policy approved by Tan Sri Dato' Sri Lee Oi Hian (KLK Group CEO) dated 01/12/2014 Clause 3.2(ix)-Equal Employment Opportunities' described company's policy with regards to equal opportunities and no discrimination practice among employed worker.</p>

ASA 2	6.13	<p>Policy regarding of human rights has been established by the company as documented in KLK Sustainability Policy, no. 3 Drive Positive Socio-Economic Impact for People and Communities, stated KLK respect, support and uphold fundamental human rights approved by Tan Sri Dato' Sri Lee Oi Hian (KLK Group CEO) dated 01/12/2014.</p> <p>Respect human right aspect of the 'KLK sustainable policy' has been explained to all estate employees by the Assistant Manager/Manager. As evidence, In Bornion Estate, training of the policy has been conducted on 13/03/2016 by the Assistant Manager, attended by 309 workers. The "KLK Sustainability Policy" is displayed in notice boards inside the office as well as outside the office.</p> <p>HUMANA school is provided for Indonesian children situated at Bornion Complex. School bus is provided for the kids for commuting from housing area to the school.</p>
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Principle 7: Responsible Development of New Plantings

Criterion by Audit	Summary	
		There is no new planting carried out.
ASA 2	7.1	There were no new plantings involving forest land.
ASA 2	7.2	New planting not applicable. However, AAR prepared the annual soil & leaf sampling and topographic information's for current estates. Topographic information for the existing estate sighted and available.
ASA 2	7.3	There is no new land surveyed for the growing of oil palm therefore, no primary forest sighted within this estate perimeter.
ASA 2	7.4	There were no new planting activities. Soil map for the existing estate sighted and available. No peat land, no hilly and sloping areas. Company also has developed AAR report on "Oil Palm Manuring Recommendations 2015/16 for the estate" with estate's geographical condition.
ASA 2	7.5	There were no new plantings involving on local peoples' land.
ASA 2	7.6	There were no new planting activities. Thus, no negotiations concerning compensation for loss of legal or customary rights are as per this assessment period. Since the RSPO certification date, there isn't any issues raised by stakeholders during stakeholder meetings for land issues.
ASA 2	7.7	There were no new planting activities. However, the company has established the KLK Sustainability SOP's on Zero Burning; SOP 9; Date on 01 st June 2015 for preparing land for planting.
ASA 2	7.8	No new planting applicable.

Principle 8: Commitment to Continuous Improvement in Key Areas of Activity

Criterion by Audit	Summary	
		Sighted continuous monitoring, review of activities and development are implemented along with action plans that allow demonstrable continual improvement in key operations such as in minimizing use of certain pesticides, environmental impacts, pollution prevention plans and working conditions.
ASA 2	8.1	<p>Sighted the Continuous Improvement Plan for all operating units. As evidence in Bornion POM, mill has planning to do following activities as measures for continual improvement. Data as per below:</p> <ul style="list-style-type: none"> • Environment <ul style="list-style-type: none"> i. Improve soil removal efficiency in belt press (05-10-16) ii. Installation of submersible agitator (16-10-16) iii. Establishment of bund to prevent decanter cake from overflowing to drainage (02-01-17) iv. Replacement of super heater tube

		<p>For Bornion Estate, estate is planning to do following activities as measures for continual improvement. Data as per below:</p> <ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> i. Replanting of beneficial plants along the roads (Record dated 27-03-17) ii. EFB mulching iii. Minimization of scrap iron usage iv. Planting cover crops to reduce soil erosion • Social <ul style="list-style-type: none"> i. Insect control ii. Renovation of worker quarters iii. Malaria prevention iv. Drainage maintenance of worker quarters v. Medical surveillance <p>Adequate fund is allocated to above planned activities in budget year 2016/2017.</p>
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4.3 Non-conformity Raised During this Audit and Any from the Previous Year, if applicable

This section gives an over view of new or revised non-conformities raised during this audit and of action taken to close out non-conformities raised during the previous audits, if applicable

- If a minor-non-conformity raised at the last audit, is not closed out, then this will be raised to Major status and the company given 60 days to close this out.
- The NC number is comprised of 2 parts to include the year in which the NC was raised as well as a sequential number.

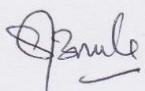
4.3.1 Non-Conformities Identified during this Audit

The following NC's was raised for this audit.

NC number:	01		
Client name:	KLK Bornion Complex		
Date raised:	27 th April 2017		
Major or Minor:	Minor	Site:	KLK Bornion POM
Raised by:	Muhammad Syafiq	Deadline:	Next Surveillance Audit
Aspect of standard: 2.1.3 (Minor)			
A mechanism for ensuring compliance shall be implemented			
Evidence of non-conformity:			
<p>During audit, no evidences of company employed for the "Competent Operator" in Scheduled Waste Management (CePSWaM). Referring to Section 49A of EQA 1974 - stated an owner occupier of a premise shall employed a person who has been certified for control activities (Jadual Pematuhan No: JPKKS/12/003430).</p> <p>As per interviewed, there is no available training for Treatment of Palm Oil Mill Effluent (Pond Processes) (CePPOME) & Certified Environmental Professional in Scheduled Waste Management (CePSWaM) in Sabah at the moment. Hence, company has to send the PIC to Peninsular for the training needs and has already planned to send for the training before end of 2017.</p>			
			
Lead Assessor signature Date: 27th April 2017			
Root Cause Analysis and extent: (To be filled by Auditee)			
Corrective/Preventive Actions: (To be filled by Auditee)			
Evidence of Conformity:			
Review of evidences submitted to CUC:			
Conclusion by CUC:			
NC Status: Yes <input type="checkbox"/> (CLOSED) No <input checked="" type="checkbox"/> (OPEN) ON SITE VERIFICATION REQUIRED Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>			
Lead Assessor signature: 		Date: 27th April 2017	

4.3.2 Non-Conformity Identified during the last ASA, not applicable for MA

The following NC's were raised for this audit.

NC number:	01/2016		
Client name:	KLK Bornion Complex		
Date raised:	22/04/2016		
Major or Minor:	Minor	Site:	Bornion Estate & Segar Usaha Estate
Raised by:	Baskaran Sankaran	Deadline:	Next Surveillance Audit
Aspect of standard: 5.2.4 (Minor)			
Where a management plan has been created there shall be ongoing monitoring:			
<ul style="list-style-type: none"> The status of HCV and RTE species that are affected by plantation or mill operations shall be documented and reported; Outcomes of monitoring shall be fed back into the management plan. 			
Evidence of non-conformity:			
<p>The company has established management plan for wildlife species. However, ongoing monitoring has not adequately identified wildlife species that present within the estates.</p> <p>[This sighted in the Survey Questionnaire Forms titled "Borang Soal Selidek Kawasan Bernilai Konservasi Tinggi (HCV)" is being used to identify species that seen by the estate workers where there are only pictures of 5 types of birds and 5 types animal is documented. However, there are about 230 types of bird species identified by Tabin Wildlife Resort that was established in year 2013 out of which 87 bird spices been classified as Near Threatened, Vulnerable and Endemic. During site visits to sighted Macac fascicularis (Kera) crossing Segar Usaha Estate's agriculture road along the border with Lungmanis Forest Reserves which has not been identified in the Monthly Monitoring HCV Checklist]</p>			
Lead Assessor signature:			
			
Date: 22/04/2016			
Root Cause Analysis and extent: (To be filled by Auditee)			
<ol style="list-style-type: none"> Monitoring records has not identified adequately wildlife species that present within the estates. PIC is not really understood the process of identified wildlife species. 			
Corrective/Preventive Actions: (To be filled by Auditee)			
<ol style="list-style-type: none"> Estate do the monitoring records to identified adequately wildlife species that present within the estates. Conducted the training especially for RTE Species for the process of identified the wildlife species Attended the training conducted by 3rd Party Site visit to PPB Oil Palms Berhad to learn regarding the HCV. 			
Evidence of Conformity:			
<ol style="list-style-type: none"> Seen the monitoring records to identify adequately wildlife species that present within the estates. Sighted the training records for RTE Species Management has been send Mr. Thien Jing Wen to attend the training conducted by 3rd Party Seen the evidence that site visit to PPB Oil Palms Berhad 			

Review of evidences submitted to CUC:

The estates use its sustainability department's SOP 11.0 titled "High Conservation Value (HCV) / Conservation Area management" procedure dated 01/06/2015 for HCV assessment. Sighted the latest HCV assessment was conducted on April 2017 by Mr. Thien Jing Wen based SOP 11.0 on which was established by company's Sustainability Department using guidance from HCV Forest Toolkit for Malaysia, edition Oct 2009. Conservation status and the legal protection status have been assessed using IUCN red list and the Sabah wildlife protection enactment 1967. No RTE species identified within the estate.

Estate has taken appropriated corrective action by do the monitoring record. Continuous monitoring done to identify RTE/HCVs and to ensure the management actions are properly implemented in riparian zones and other HCV areas. As evidence, seen monitoring records dated 07-04-17, 06-03-17, 28-12-16) (Bornion Estate) and 13-04-17, 06-03-17, 09-01-17 (Segar Usaha Estate).

The management has annual training plan to educate the estate workforce on about the status RTE species. It has been scheduled in the estate's training plan. As evidence in Bornion Estate, last training done on 08-04-2017 for all staff members.

Company has sent Mr. Thien Jing Wen to attend the training by 3rd Party. Seen the certificate of the training. The management of KLK Lahad Datu Complex also do site visit to PPB Oil Palms Berhad to learn from them how to handle the issue.

Conclusion by CUC:

The verification audit assessment carries out is evident and therefore this minor non-compliance is closed.

NC Status: Yes (CLOSED) No (OPEN)
ON SITE VERIFICATION REQUIRED Yes No

Lead Assessor signature:



Date: 27th April 2017

4.3.3 Observations Raised During this Audit

Non-were raised during this audit.

4.4 Issues that were raised during the Stakeholder Consultation, if any

Stakeholders that are likely to have information relevant for the evaluation was identified during the evaluation planning process.

- For Main and Re-Assessments, a 30 days Stakeholder consultation announcement is published on the RSPO website prior to the audit. The same announcement is circulated by the client and independently by the Control Union prior to the audit.
- For subsequent Annual Assessments, it is based on stakeholders reading the approved public summary reports available on the RSPO website, the client's procedures in receiving on-going feedback or if feedback was sent directly to Control Union prior to an audit or thorough RSPO complaints procedures.

Prior to and during all assessments (Main and annual), the audit team will seek to gather evidence about all relevant principles and criteria directly from stakeholders including statutory bodies, indigenous peoples, local communities (including displaced communities, if any), workers and workers' organizations [including migrant workers], smallholders, and local and national NGOs.

During each assessment, the audit team will review the company's implemented procedures in receiving feedback and will execute field visits and interviews. Not limited to the following questions, any feedback received is reviewed and summarized in this summary report for either Part 2 – Partial Certification or Part 4 – Assessment Findings above or noted below, if applicable:

1. Do you have any remarks on the RSPO standard?
2. What is your relation with the applicant?
3. Are there any plantation or mill management practices that affect you?
4. Do you consider any management is in conflict with the RSPO principles and criteria?
5. Do you have any suggestions for management?
6. Are you aware of any HCV in the plantations or in adjacent land?
7. Are you aware of any endangered or rare species?
8. Are there any adverse (or positive) effects on local communities?
9. Additional comments?
11. Do you have any comments about the assessment team and would you like to meet with them?
12. Do you have any comments for the client's management of any other plantations?

RSPO Principle	Stakeholder comment	CUC response [In case this has resulted in an NC, make reference to the NC number]
1 – Commitment To Transparency	<p>This stakeholder comments are including all 8 main principles complied with RSPO Principles & Criteria. Below are the cited responses gained during consultation:</p> <ul style="list-style-type: none"> • Company give good commitment in maintaining relationship with stakeholder • Payment to mill and estate contractors are made on time by the Management. • Contractors are chosen fairly based on quotation sent to the mill and good track of work quality. • KLK has conducted several RSPO training and meeting to their stakeholders. • Job vacancies are offered to local community. Economic improvement and more productive • Company has been complied with national laws. • FFB supplier is satisfied with the FFB price paid to them. • The management is providing kindergarten for estate children (Indonesian children) and also HUMANA School for students from Standard 1 to Standard 6. • Roads are in good conditions throughout the year. 	All are positive findings
2 - Compliance With Applicable Laws And Regulations		
3 - Commitment To Long-Term Economic And Financial Viability		
4 - Use Of Appropriate Best Practices By Growers And Millers		
5 - Environmental Responsibility And Conservation Of Natural Resources And Biodiversity		
6 – Responsible Consideration Of Employees, And Of Individuals And Communités Affected By Growers And Mills		
7 - Responsible Development Of New Plantings		
8 - Commitment To Continuous Improvement In Key Areas Of Activities		

PART 5: RSPO SUPPLY CHAIN CERTIFICATION

The palm mill mentioned in the scope of the audit was audited against the requirements of the following:
RSPO Supply Chain Certification Systems. November 2014
RSPO Supply Chain Certification Standard. November 2014

5.1 POM Included In The Scope Of The Audit

Name of Palm Oil Mill (POM)	Mill Capacity MT/Hour	Location Address	Supply Chain Model (IP or MB)
Bornion POM	60	KM 101, Jalan Lahad Datu – Sandakan, Kinabatangan, Sabah	MB

5.2 Confirmation Of The Company's Summary Of Annual Certified Volume Of RSPO Certified Palm Oil And Palm Kernel Over A Specified Period

Product CU Code	CPO (MT)	PK (MT)	Specified 12 month period
POM 1	33,831	8,336	Forecasted volume from July 2017 to June 2018. See also 1.6 above.

5.3 Summary Report Including A Brief Description Of The Scope Of Certification

KLK Bornion POM is running under approved capacity of 60 MT/Hour to process all the FFB. At this moment, the mill received FFBs from their own estates and others supplier as evident in List of Suppliers of Bornion POM. In future, mill will receive certified FFB's from WAGS – Sabah Kinabatangan (Registered under Wild Asia Group Scheme).

RSPO certified FFB received are converted into RSPO certified CPO and PK under CPO-Mills: Mass Balance (MB) model. As in financial year October 2015 – September 2016, the mill has recorded 20.91% Oil Extraction Rate (OER) from the production.

Actual quantities of certified FFB delivered to the mill are entered into a central computer system and the actual quantities of CPO and PK produced are also entered and the OER is known. The quantities of certified CPO and PK are shown in real time and summarized each day on a spreadsheet.

Sales of CPO and PK are made in real time and the quantity of sales never exceeds that shown in the spreadsheet. A full RSPO SCCS certification audit was used during this annual assessment and the findings support the certification based on supply chain model listed above.

5.4 Monthly Records of Certified and Uncertified FFB Received since the Last Audit In case of Main Assessment, it shall be the last 12 month figure.

Figure are actual FFB production on monthly basis

No	MONTH-YEAR	Certified Supply Bases (MT)	Uncertified Supply Bases (MT), if any	Total (MT)
1	October 2015	14,268.18	3918.07	18,186.25
2	November 2015	13,396.55	3596.29	16,992.84
3	December 2015	10,930.38	4265.53	15,195.91
4	January 2016	8,593.82	2836.18	11,430.00
5	February 2016	5,319.93	1458.66	6,778.59
6	March 2016	4,787.23	1140.61	5,927.84
7	April 2016	5,898.05	1180.04	7,078.09
8	May 2016	7,621.33	1297.09	8,918.42
9	June 2016	9,134.37	1876.72	11,011.09
10	July 2016	12,683.28	2130.35	14,813.63
11	August 2016	11,844.69	2276.41	14,121.10
12	September 2016	11,163.04	1611.62	12,774.66
	TOTAL	115,640.85	27,587.57	143,228.42

5.5 Monthly Records of Certified CPO and PK Since the Last Audit

In case of Main Assessment, it shall be the last 12 month figure.

Figure are actual CPO and PK production on monthly basis

No	MONTH-YEAR	Certified CPO (MT)	Certified PK (MT)
1	October 2015	3,097.96	729.11
2	November 2015	2,821.59	657.91
3	December 2015	2,321.42	480.68
4	January 2016	1,748.96	404.30
5	February 2016	1,095.48	265.57
6	March 2016	982.06	230.13
7	April 2016	1,282.21	269.47
8	May 2016	1,558.51	345.86
9	June 2016	1,840.39	416.49
10	July 2016	2,668.96	573.53
11	August 2016	2,458.65	526.27
12	September 2016	2,293.94	497.81
	TOTAL	24,179.38	5,401.69

5.6 Records of Certified CPO & PK Sold under GreenPlam to Buyers since the Last Audit, if Any

In case of Main Assessment, it shall be the last 12 months figure.

Figure are actual Certified CPO & PK Sold under GreenPlam to Buyers on monthly basis

No	Buyers Name	GreenPalm Trading No	Certified CPO (MT) Sold	Certified PK (MT) Sold
-	-	-	-	-

5.7 Records of Certified CPO & PK Sold under UTZ eTrace to Buyers since the Last Audit, if Any

In case of Main Assessment, it shall be the last 12 months figure.

If this is an Annual Surveillance Assessment, the figures used are since the last audit.

The transactions were sighted form the clients registered UTZ eTrace Account.

No	Buyers Name	UTZ eTrace Trading No	Certified CPO (MT) Sold	Certified PK (MT) Sold
-	-	-	-	-

5.8 Non-Conformities Identified during this Audit

Timeline for compliance:

1. All non-conformances observed during an audit shall be classified as 'major' since all requirements for Supply Chain certification have to be met before granting certification.
2. For Main Assessments, all non-conformances shall be addressed satisfactorily by the operation before certification may be granted by the certification body. If non-conformances are not addressed within three (3) months of the audit, a full re-audit shall be required. The certification body shall assess the effectiveness of the corrective and/or preventive actions taken before closing out the non-conformances.
3. For Annual Surveillance Assessments, non-conformances raised after the certification are serious (i.e. must be considered as a major) and the integrity of the RSPO Supply Chain Certification is at risk. A maximum of one month is to be given to the certified client to satisfactorily address the non-conformance. The certification body shall assess the effectiveness of the corrective and/or or preventive actions taken. Should the nonconformance not be addressed within the one-month maximum timeframe, a suspension or withdrawal of the certificate and a full re-audit may be necessary.
4. If no non-conformances are observed at an audit or when the corrective action plan has satisfactorily addressed raised non-conformance(s), the client shall be recommended for (re-) certification.

Non-were raised during this audit.

NC Number:	Not Applicable
Date:	-
Reference to standard:	-
Standard requirement:	-
Evidence of non-compliance:	-

5.9 Description of the Organizational Management Systems

Including organizations, management and operational systems to ensure compliance with the RSPO Supply Chain Certification Systems and Standards as detailed above

This palm oil mill and its supply bases were audited against RSPO SCCS. The mill processing capacity is 60 tonne FFB per hour. The mill is capable of handling IP supply chain model.

5.10 Final Certification decision by Control Union for the RSPO SCCS Audit of the POM

Recommendations made:	Yes
Summary of non-compliances:	No NC was raised during the audit.
Certification status of client:	<p>The POM included in the scope of this audit demonstrated full compliance with the RSPO SCCS.</p> <p>With effect from the certification date given in the RSPOPC certificate, this POM mentioned in the scope of this report is considered to be certified in accordance with the RSPO SCCS.</p>

PART 6: CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

6.1 Date of next ASA

The provisional date for the next ASA is:	April 2018
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6.2 Date for Closure of Non-Conformities


See sections above for details of NC's, if any	
• All major NCs to be closed by:	60 days from the issuance date
• All minor NCs to be closed by:	Before next surveillance audit

6.3 Signing by the Client

I the undersigned, being the most senior relevant management representative of the operation seeking or holding certification, agree with the contents and audit findings as presented in this document.

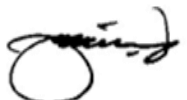
I also confirm:

- Acceptance of liability in execution of the instructions given.
- That this company was made aware that the findings of the audit team are tentative; pending review and decision making by the duly designated representatives of Control Union Certifications.
- That during the closing meeting all agenda items was covered by the Lead Auditor.

Acknowledged by:		 Signature
Name:	Thien Jing Wen	
Position:	Laboratory Manager	
Date:	21.06.2017	


6.4 Signing by the Lead Auditor

I the undersigned, being the Lead Auditor, confirm that this report is an accurate record of the findings and of the closing meeting. I further confirm that the summary of the findings as presented in this report are a true representation of the actual findings of the audit team.

Acknowledged by:		 Signature
Name:	Muhammad Syafiq	
Position:	Lead Auditor	
Date:	16.06.2017	

6.5 Signing by the Certifier

I the undersigned, being the Certifier, confirm that the information and conclusions included in this report have been prepared in good faith and that the certification decision has been based upon this information.

Acknowledged by:		 Signature
Name:	Elzy Ovktafia Chairul	
Position:	Certifier	
Date:	22.06.2017	

PART 7: APPENDICES

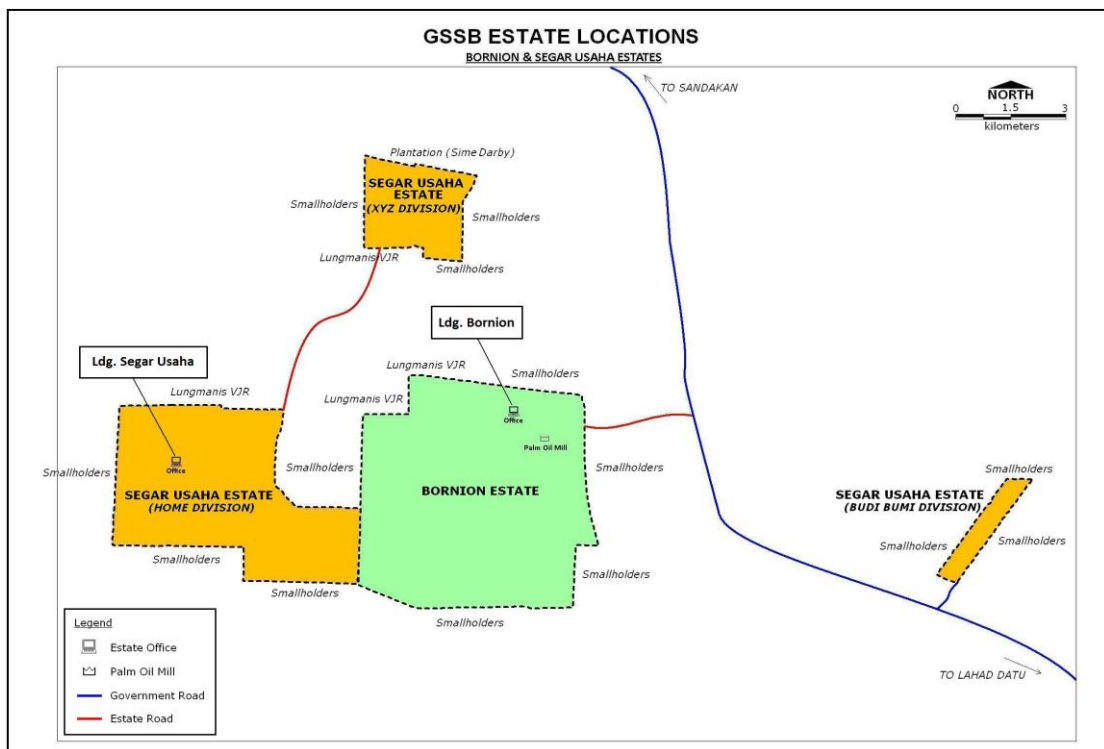
Appendix 1: Location Map for this Certification Unit

From 1.9, the location map(s)

1). Location of KLK Bornion POM in Malaysia



2). Location of KLK Bornion Complex in Sabah



Appendix 2: Summary of GHG Emissions

Summary of Net GHG Emissions

Emissions per Product	tCO ₂ e/tProduct
CPO	1.02
PK	1.02

Extraction	%
OER	22.83
KER	5.5

Production	t/yr
FFB processed	112,109.58
CPO Produced	25,592.63

Land use	ha
OP planted area	4,946
OP planted on peat	0
Conservation (forested)	0
Conservation (non forested)	0
Total	4,946

Summary of Field Emissions and Sinks

	<i>Own Crop</i>		<i>Group</i>		<i>3rd Party</i>		<i>Total</i>	
	tCO ₂ e	tCO ₂ e /tFFB	tCO ₂ e	tCO ₂ e /tFFB	tCO ₂ e	tCO ₂ e /tFFB	tCO ₂ e	tCO ₂ e /tFFB
Emissions								
<i>Land Conversion</i>	35,990.43	0.32	0	0	0	0	35,990.43	0.32
<i>*CO₂ Emissions from Fertiliser</i>	3,213.54	0.03	0	0	0	0	3,213.54	0.03
<i>**N₂O Emissions</i>	4,720.56	0.04	0	0	0	0	4,720.56	0.04
<i>Fuel Consumption</i>	534.78	0	0	0	0	0	534.78	0
<i>Peat Oxidation</i>	0	0	0	0	0	0	0	0
Sinks								
<i>Crop Sequestration</i>	-34,114.15	-0.3	0	0	0	0	-34,114.15	-0.3
<i>Conservation Sequestration</i>	0	0	0	0	0	0	0	0
Total	10,345.16	0.09	0	0	0	0	10,345.16	0.09

Summary of Mill Emissions and Credits

tCO ₂ e	tCo ₂ e/tFFB
Emissions	
<i>POME</i>	0.19
<i>Fuel Consumption</i>	0.01
<i>Grid Electricity Utilisation</i>	0
Credits	
<i>Export of Grid Electricity</i>	0
<i>Sales of PKS</i>	0
<i>Sales of EFB</i>	0
Total	0.20

Palm Oil Mill Effluent (POME) Treatment

Divert to compost	%
Divert to anaerobic digestion	100%

POME Diverted to Anaerobic Digestion:

Divert to anaerobic pond	100%
Divert to methane capture (flaring)	%
Divert to methane capture (electricity generation)	%

Appendix 3: GHG assessment for new plantings

Not applicable

Appendix 4: List of Abbreviations	
BRC	British Retail Consortium
CHRA	Chemical Health Risk Assessment
CoC	Chain of Custody
CPO	Crude Palm Oil
CSR	Corporate Social Responsibility
CU	Control Union
CUC	Control Union Certifications
DOE	Department of Environment
EFB	Empty Fruit Bunch
EIA	Environment Impact Assessment
ERT	Endangered Rare or Threatened species
EU	European Union
FFB	Fresh Fruit Bunch
FSC	Forest Stewardship Council
FSC COC	Forest Stewardship Council Chain of Custody
FSC FM	Forest Stewardship Council Forest Management
GGL	Green Gold Label
GMP	Good Manufacturing Practice
GOTS	Global Organic Textile Standard
GTP	Good Trading Practice
GPS	Global Positioning System
HACCP	Hazard Analysis and Critical Control Point
HCV	High Conservation Value
HCVF	High Conservation Value Forest
IPM	Integrated Pest Management
JAS	Japanese Agricultural Standard
MDC	MDC Publishers Sdn Bhd (Company Name)
MSDS	Material Safety Data Sheet
NC	Non Conformity
OE	Organic Exchange
OSH	Occupational Safety and Health
OSHAS	Occupational Safety and Health Assessment Scheme
P&C	Principle and Criteria
PEFC	Programme for the Endorsement of Forest Certification
PK	Palm Kernel
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
RSPO	Roundtable on Sustainable Palm Oil
RSPO NI	Roundtable on Sustainable Palm Oil National Interpretation
SA8000	Social Accountability 8000
Sdn Bhd	Sendirian Berhad
SIA	Social Impact Assessment
SOCISO	Social Security Organisation
SOP	Standard Operating Procedure
USDA/NOP	United States Department of Agriculture – National Organic Program
MT	Metric Tonnes
WHO	World Health Organization