

MALAYSIAN SUSTAINABLE PALM OIL PUBLIC SUMMARY AUDIT REPORT

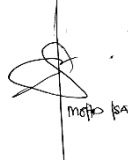
CLIENT/COMPANY	SAWIT KINABALU GROUP	AUDIT NO.	099/19
ADDRESS	Jalan kelapa Sawit, Off KM 4, Jalan Tuaran, 88300 Kota Kinabalu, Sabah.		
TYPE OF ASSESSMENT	Main Audit		
GROUP MANAGER	Hj. Amirsah bin Tiksun		
EMAIL ADDRESS	amirshah@sawitkinabalu.com.my		
WEB PAGE	www.sawitkinabalu.com.my		
AUDIT STANDARD(S)	MS 2530-3:2013 - Malaysian Sustainable Palm Oil Part 3: General principles oil palm plantations		
AUDIT SCOPE	Provision of 16,464 Ha of Sustainable Oil Palm Plantations.		
AUDIT DATE	8 th – 11 th April 2019		
PREVIOUS AUDIT DATE	18 th – 19 th February 2019		
NEXT AUDIT DATE	1 st Surveillance Audit tentatively plan on March 2020		
OTHER CERTIFICATION HELD	-		
CLIENT'S REFERENCE DOCUMENTS	Per clients document master list		
CERTIFICATE VALIDITY	14/08/2019 to 13/08/2024		
AUDITOR TEAM MEMBERS	LEAD AUDITOR	Mohd Isa Hasim (ISA)	
	AUDITOR	1. Hamsah Sulaiman (HBS) 2. Mohd Syafiq Zawawi (MSZ)	
	AUDITOR IN TRAINING	Sabahuddin Hj. Yusuf (SBY)	

*These are your certification details.
Please inform us immediately if amendments are required.*

Audit Conclusion
Based on the documentation reviewed, records sampled, site visit and interview with relevant personnel during this Stage 2 Audit, we conclude that SAWIT KINABALU GROUP has effectively implemented its Malaysian sustainable Palm Oil system in accordance to the MS 2530-3:2013 requirements in line with the organization procedure & policy for the above mention scope

Recommendation
The audit team has agreed to recommend SAWIT KINABALU GROUP to be awarded with MS 2530-3:2013 Certifications based on applied scope subject to review by Certification Approval Panel

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Team Leader	Mohd Isa Hasim	Signature		Date	12/4/2019
AUDIT OBJECTIVE					

The objectives of this audit are as follows:

To evaluate the implementation, including effectiveness of **Sawit Kinabalu Group** on **MS 2530-3:2013** Malaysian Sustainable Palm Oil (MSPO) documentation. It shall include at least the following:

- a. Information and evidence about conformity to all requirements of the applicable management system standard or other normative document;
- b. Performance monitoring, measuring, reporting and reviewing against key performance objectives and targets (consistent with the expectations in the applicable management system standard or other normative document);
- c. The **Sawit Kinabalu Group** MSPO and performance as regards legal compliance;
- d. Operational control of the **Sawit Kinabalu Group** processes;
- e. Internal auditing and management review (if applicable);
- f. Management responsibility for the **Sawit Kinabalu Group** policies;
- g. Links between the normative requirements, policy, performance objectives and targets (consistent with the expectations in the applicable management system standard or other normative document), any applicable legal requirements, responsibilities, competence of personnel, operations, procedures, performance data and internal audit findings and conclusions.

EXECUTIVE SUMMARY

The **Stage 2** audit was satisfactorily conducted to evaluate the MSPO implementation of **SAWIT KINABALU GROUP**. The management is a wholly own company of **Sawit Kinabalu Group** which located 1.5 hours from **Tawau Town, Sabah**. The company has various businesses and one of the core business in Oil Palm plantation.

NIOASH Certification is an accredited certification body by Standards Malaysia which providing a comprehensive certification and inspection services mainly for management system of occupational safety & health, environmental, quality and MSPO for various industries. The **Stage 2** audit have been satisfactorily conducted by NIOASH Certification on **8-12th April 2019**.

During the Closing Meeting held on **12th April 2019**, the overall results of the audit are as follow:

- a. **NIL – Major Nonconformity Report (NCR)**
- b. **NINE (9) – Minor Nonconformity Report (NCR)**
- c. **THREE (3) – Opportunities for Improvement (OFI)**



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SAWIT KINABALU GROUP has prepared Corrective Action Plan as respond of raised NCR which date of implementation adequately accepted by Audit Team. The effectiveness of the corrective action for minor NCR will be reviewed on the next surveillance while major NCR satisfactorily reviewed closed.

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ASSESSMENT TEAM MEMBER	
Lead Auditor	<p>En. Mohd Isa Hasim</p> <p>As a holding professional certificated 1st grade Steam Engineer, Lead Auditor MSPO MS2530, Lead Auditor ISO 9001:2015, Safety Officer (SHO) NIOSH, Authorized Entry Standby Person (AESP) NIOSH, Competent Person Schedule Waste (CePSWaM) DOE. Currently join a team between Certification Body as aMSPO Auditor since 2015 until now 2018. Current achievement he had got certification for Train The Trainer (TTT) from NIOSH and also (TTT) from HRDF.</p> <p>He has experience working in plantation industry which is background in palm oil mill as an Mill Engineer at Sime Darby Plantation. Expertise in palm oil mill processing, implementation good mill practice in mill organization and maintain on legal compliance for safety, health and environment. He shows a good communicate between his cooperate team members during develop the documentation on Roundtable Sustainable Palm Oil (RSPO). Lastly, he has demonstrated leadership skill within palm oil mill organization with lead a team until successful achieving the certification of RSPO.</p>
Auditor	<p>En. Mohd Syafiq Zawawi</p> <p>As a holding professional certificated 2nd grade Steam Engineer, Auditor MSPO MS2530, Lead Auditor Integrated Management System, Certified Gas Tester for Confined Space, Authorized Entry Standby Person (AESP) NIOSH, Competent Person Schedule Waste (CePSWaM) DOE. Currently join a team between Certification Body as MSPO Auditor since middle of 2018.</p> <p>He has 10 years' experience working in plantation industry which is background in palm oil mill as an Mill Engineer and last position as Senior Executive for Supply Chain Operation Team. Expertise in palm oil mill & refinery, implementation good mill practice in mill organization and maintain on legal compliance for safety, health and environment. He was a key person during the development of Roundtable Sustainable Palm Oil (RSPO) and International Sustainability and Carbon Certification (ISCC). During his tenure is last company he has demonstrated leadership skill within palm oil mill organization with lead a team until successful achieving the certification of RSPO and ISCC certification in his supply chain operation.</p>
Auditor	<p>En. Hamsah Sulaiman</p> <p>He holds Master in Plantation Management & Bachelor Degree in Organization Management from University Science Malaysia (USM) in 2005. He has 15 years working experience of managing oil palm plantations with expertise in Good Agricultural Practices (GAP) including Integrated Pest Management (IPM), Labour & Logistics Management. He is experienced with RSPO, MSPO and ISCC requirements for certification from all these various organizations.</p> <p>He successfully completed the Lead Auditor course for ISO 9001, ISO 14001 & ISO 45001, Auditor MSPO MS 2530:2013 & MS SCCS. He had been involved in MSPO</p>

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	auditing since 2018 in various companies in Malaysia. Able to communicate in Bahasa Malaysia, Bahasa English and Local Language.
Auditor in Training	<p>En, Sabahuddin Hj. Yusuf (SBY)</p> <p>He holds Diploma in Valuation, graduated from Malaysian University of Technology (U.T.M) in 1999. He was qualified Safety and Health Officer which registered with DOSH since 2008. He has almost 20 years of working experience with various industries and 10 years' experience in Oil Palm Industry as OSH Manager. He has attended and passed the Course On Certified Environmental Profesional In Scheduled Waste Management (CePSWaM) in 2010. Has also completed the ISO 9001 Lead Auditor Course and OHSAS 18001 Lead Auditor Course in 2005, MSPO Lead Auditor Course in 2017 and ISO 45001 Internal Audit and Lead Auditor Course in 2018</p>

AUDIT METHODOLOGY & AUDIT PROGRAMME

The assessment was conducted involving estates under **SAWIT KINABALU GROUP (TAWAU REGION)**. The minimum manday has been justified as per ABC-OPMC 2 (Audit Duration for CB Operating Oil Palm Management Certification under MSPO scheme). The audit covers documentation review, internal policies and procedures, management system as well as records review in compliance with the audit criteria requirements based on initial review self-questionnaire and Stage 1 Audit assessment, the risk factor medium (1.5) is determined.

The **Stage 2** audit assessment has been conducted on sampling based on sampling size $1.5\sqrt{8}$ calculation resulted of **4 sampled estates**. The assessment were cover documentation and records review, physical field observation covering all plantation processes, workshop, chemicals store, waste management, boundary & buffer zones, workers housing, stakeholders consultation, interview with internal & external stakeholders, workers and contractors

SUMMARY AUDIT FINDINGS

The following items represented **positive observations** by the audit team:

1. Commitment Internal MSPO Team
2. Good understanding on the requirement of MSPO
3. Good of filing system on MSPO Documentation
4. Good presentation for safety briefing before auditing start

During the audit closing meeting held on **12th April 2019**, the overall results of the audit are as follows:

- a. NIL – Major Nonconformity Report (NCR)**
- b. NINE (9) – Minor Nonconformity Report (NCR)**
- c. THREE (3) – Opportunities for Improvement (OFI)**

The audit team has satisfactorily verified the corrective action plan provided by the client. The effectiveness on the action plan for the corrective action will be reviewed by NIOSH Certification's auditors during the next surveillance audit.

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COMPANY BACKGROUND

Sawit Kinabalu Berhad and its Group of Companies were established after signing of Corporatisation Agreement between Sabah Government, SLDB, Sawit Kinabalu Berhad and Borneo Samudera Sdn Bhd. (BSSB) on 26th November 1996. A Management Agreement tied between BSSB the main operating company owned by Sawit Kinabalu Berhad and SLDB to manage the operation and investment assets of residual SLDB. However, the Management Agreement expired on 31st September 2002. After the corporatisation exercise, Sawit Kinabalu Berhad and SLDB are separated into two different entities. Sawit Kinabalu Berhad is an investment holding company (Government-Linked Company) owned by Chief Minister Incorporated while SLDB remains as a government agency. After five years, on the 04th September 2007, Sawit Kinabalu berhad has changed to a private limited company under new company name i.e. Sawit Kinabalu Sdn. Bhd.

DETAILS OF PLANTATION UNIT (S)

NO	ESTATES NAME	FULL ADDRESS	GPS COORDINATE	TOTAL TITLE AREA (Ha)
1*	Pegagau Estate	Simpang Borneo Ladang Madai, Km120 Jalan Kunak-Lahad Datu	4.376789 118.463331	3,491.00
2*	Madai Estate	Madai Estate Beg Berkunci 28, 91009 Km1.8, Jalan Kunak-Lahad Datu	4.735547 118.152481	3,122.00
3*	Tawau Seed Garden (TSG)	Sawit Kinabalu Seeds S/B, Jalan Maktab Perguruan Tawau, Batu 24, Balung, 91009 Tawau, Sabah	4.368889 118.101194	288.20
4*	Bongalio Estate	Bongalio Development Estate Km80, Jalan Kunak, Kunak P.O Box 412, 91207 Kunak	4.602511 118.153889	2,098.00
5	Kalabakan Estate	Kalabakan Plantation Sdn Bhd Locked Bag 28, 91009, Tawau	4.349558 117.347789	2,632.00
6	Ulu Kalabakan Estate	Ulu Kalabakan Estate, Borneo Samudera Sdn Bhd Locked Bag 28, 91009, Tawau	4.345197 117.393961	1,262.00
7	Merotai Estate	Merotai Estate Beg Berkunci 28 KM 2½ Jalan Kuhara, 91009 Tawau	4.447794 117.758008	809.00
TOTAL				13,702.20

MPOB LICENSE DETAILS

NO	ESTATES NAME	MPOB LICENSE	SCOPE OF ACTIVITY	EXPIRY DATE
1	Pegagau Estate	502820802000	Menjual dan mengalih FFB	31/01/2020
2	Madai Estate	502807102000	Menjual dan mengalih FFB	31/01/2020
3	Tawau Seed Garden (TSG)	591124002000	Menjual dan mengalih FFB	30/11/2019
4	Bongalio Estate	503410102000	Menjual dan mengalih FFB	31/10/2019
5	Kalabakan Estate	504055102000	Menjual dan mengalih FFB	31/01/2019
6	Ulu Kalabakan Estate	508646102000	Menjual dan mengalih FFB	30/04/2019
7	Merotai Estate	550494002000	Menjual dan mengalih FFB	30/06/2019

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AREA AND FFB PRODUCTION

		PLANTED AREAS			NON PLANTED AREA			TOTAL TITLE AREA (Ha)
NO	ESTATES NAME	IMMATUR E AREA (Ha) 0-3 YRS	MATUR E AREA (Ha) >3 YRS	TOTAL PLANTE D AREAS (Ha)	CONSERV ATION AREA (HBV, Steep Land, etc.) Ha	OTHERS (BUILDING , LINE SITES, ETC.) Ha	TOTAL UNPLANTE D AREA (Ha)	
1	Pegagau Estate	398.00	2,840.00	3,238.00	106.43	146.30	252.73	3,491.00
2	Madai Estate	1,227.00	1,498.00	2,725.00	230.32	166.09	376.91	3,122.00
3	Tawau Seed Garden (TSG)	37.90	237.34	275.24	0.00	12.96	12.96	288.20
4	Bongalio Estate	361.00	1,613.00	1,974.00	112.00	12.00	124.00	2,098.00
5	Kalabakan Estate	844.00	0	844.00	279.00	2,443.00	2,722.00	2,632.00
6	Ulu Kalabakan Estate	0	1,088.00	1,088.00	61.00	113.00	174.00	1,262.00
7	Merotai	151.00	390.00	541.00	268.00	0	268.00	809.00
	Total	2867.90	5663.34	8,531.24	788.75	2893.35	3663.6	13,702.20

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PRODUCTION VOLUME

NO	ESTATES NAME	TITLE AREA (Ha)	FFB PRODUCTION PREVIOUS Y2018 (MT)	FFB PRODUCTION FORECAST Y2019 (MT)
1	Pegagau Estate	3,491.00	49723.99	58929.24
2	Madai Estate	3,122.00	32067.64	35406.78
3	Tawau Seed Garden (TSG)	288.20	5,203.00	5,254.00
4	Bongalio Estate	2,098.00	46237.54	37924.47
5	Kalabakan Estate	5,204.00	17718.541	14910.33
6	Ulu Kalabakan Estate	1,262.00	34929.53	29597.13
7.	Merotai Estate	809.00	11414.93	11718.27
TOTAL		13,702.20	185,880.00	182,022.00
OER%				

Review and follow-up on previous audit findings

All findings raised during the previous audit found has been addressed adequately. All NCR has been verified accordingly.

Stakeholders Consultation Session

Stakeholder consultation began with notification of upcoming assessment by official letter to identified stakeholders. Emails, phone call and official letter were sent to applicable interested stakeholders. Audit team then visited some stakeholders to obtain positive / negative information or any issues in connection with estate and mill management. Among stakeholders contacted included external & internal :

- Government agency
- Smallholder
- Supplier
- Contractor
- Identified internal stakeholder

The agenda of discussion including legal compliance, environmental protection, biodiversity conservation, safety & social responsibility and development of community. There is no issue been raised up during stakeholder consultation. However, good finding and request recorded as following below:

External Stakeholder

- Good relationship stakeholder between estate management
- Good communication and cooperation between estate management
- Donation recycle drum for recycling programme at SMK Balong
- Gotong royong between villagers and estate team
- Opportunity career for orang kampung
- Cooperation between officer police and estate management

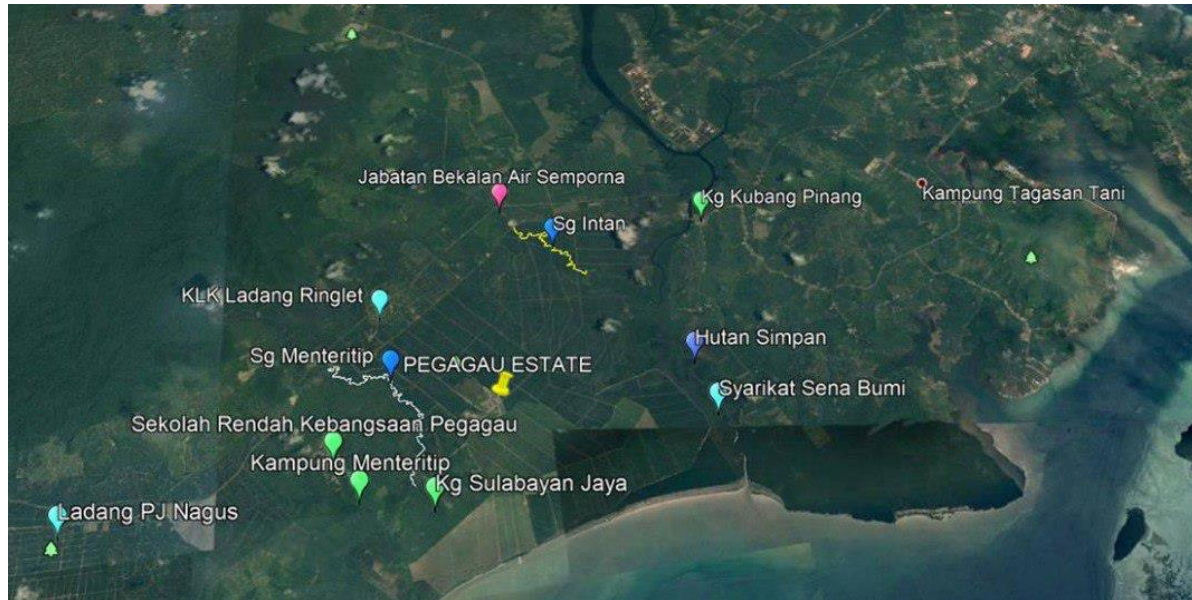
Internal Stakeholder

- The worker aware about safety requirement during harvesting work
- The worker aware about environment which is no open burning at housing area
- The villager representative request on fire drill and first aid training at housing area

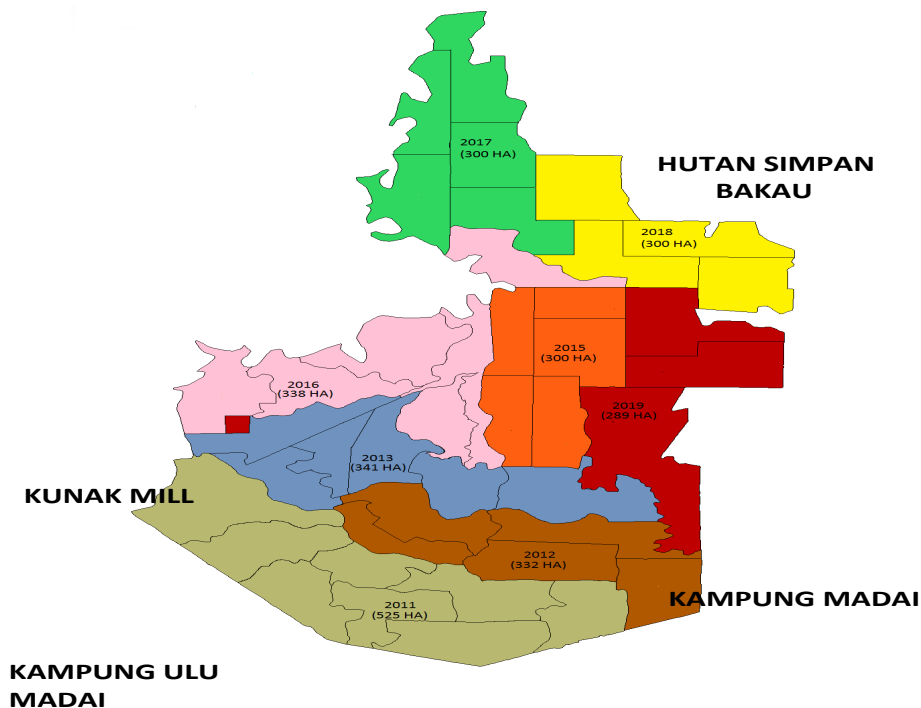
Name & Category Stakeholder

- Head Committee Villager
- Head Kg. Uluk Madai
- Chairman Tadika
- SMK Balong
- SMK Balong
- Contractor
- MPKK Balong
- Police IPD Kunak

LOCATION AND MAP



MAP : PEGAGAU ESTATE



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MAP : BONGALIO ESTATE

Others

Disclaimer

NIOSH Certification provides services which are designed to determine whether the referenced Management System of the client:

- a) complies with the relevant (mentioned) Standard; and
- b) has been properly implemented and maintained.

Audits are based on random sampling techniques and nonconformances may exist which did not become apparent during the audit.

NIOSH Certification does not provide any advice on compliance with any legislation, regulation, or standards. All audit reports and other documentation provided by NIOSH Certification, are given in good faith and in reliance on the accuracy and completeness of the information provided by the client. No responsibility is accepted to any third party that may rely in whole or in part on the content of this report, to the extent permitted by Law.

- End of Audit Report -