

GLOBAL GATEWAY CERTIFICATIONS

MALAYSIAN SUSTAINABLE PALM OIL (MSPO)



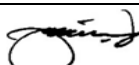
CERTIFICATION AUDIT REPORT


Part 4: General Principles for Palm Oil Mills

**Kuala Lumpur Kepong Berhad
Changkat Chermin POM**

-Group Certification-

**ANNUAL SURVEILLANCE AUDIT 3
14th July 2020**

| Revision History | | | | | |
|------------------|------------|------------------------|-------------------------------|--------------|---|
| Rev | Date | Description | Performed by | Role | Signature |
| A | 30/07/2020 | Issued as Draft Report | Surenthiran Panneerselvam | Lead Auditor |  |
| B | 09/09/2020 | Issued as Final Report | Surenthiran Panneerselvam | Lead Auditor |  |
| B | 15/09/2020 | Final Report Approved | Muhammad Syafiq bin Abd Razak | Certifier |  |

| Acknowledgment by Kuala Lumpur Kepong Berhad | | | | | |
|--|------------|----------------------------|---------------------------|---------------------------------|---|
| Rev | Date | Description | Management Representative | Role | Signature |
| B | 15/09/2020 | Acceptance of the contents | Ms. Lee Kuan Yee | Senior Manager (Sustainability) |  |

Declaration

The auditor(s) has (had) no personal, business or other ties to the client and the assessment is carried out objectively and independently.

WITH INTEGRITY WE SERVE



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Note: Section II of this report contain confidential information and been protected from public disclosure.

SECTION I: PUBLIC SUMMARY REPORT**1.1 Certification Scope**

Global Gateway Certifications Sdn. Bhd. [hereafter known as GGC] has conducted the Certification Assessment of Kuala Lumpur Kepong Berhad, Changkat Chermin Complex [Mill & Estates]. During this Annual Surveillance Audit, the audit team were briefed by Mill Manager, of the supply base disposition. The source of FFB supplies to KLK Changkat Chermin POM are only from their own estates [Changkat Chermin Estate, Lekir Estate, Raja Hitam Estate, Glenealy Estate, Allagar Estate, Serapoh Estate, Kuala Kangsar Estate, Pinji Estate, Batu Dua Estate, Menglembu Estate and Kampar Estate].

This assessment was conducted onsite on 14th July 2020 to assess the compliance of the certification unit against the MS 2530-4:2013 Malaysian Sustainable Palm Oil (MSPO) Part 4: General Principles for Palm Oil Mills. The scope of certification is "Production of Sustainable Crude Palm Oil and Palm Kernel".

1.2 Company details and Contact information

| | |
|-------------------------|---|
| Company Name | Kuala Lumpur Kepong Berhad |
| Business Address | 1, Jalan S. P. Seenivasagam, 30000 Ipoh, Perak. Malaysia. |
| Contact Person | Ms. Lee Kuan Yee |
| Office Telephone | +6052417844 |
| E-Mail | kuanyee.lee@klk.com.my |

1.3 Certification Unit

| | | | |
|---|------------------------------------|--------------|--|
| Name of the Certification Unit | KLK Changkat Chermin Palm Oil Mill | | |
| Mill Capacity (MT/HR) | 60 | | |
| Site Address | Batu 13 ½, 32400 Ayer Tawar, Perak | | |
| GPS Reference of the site office | Longitude | E 100.785' | |
| | Latitude | N 4.275' | |
| MPOB License Information | License No. | 566667104000 | |

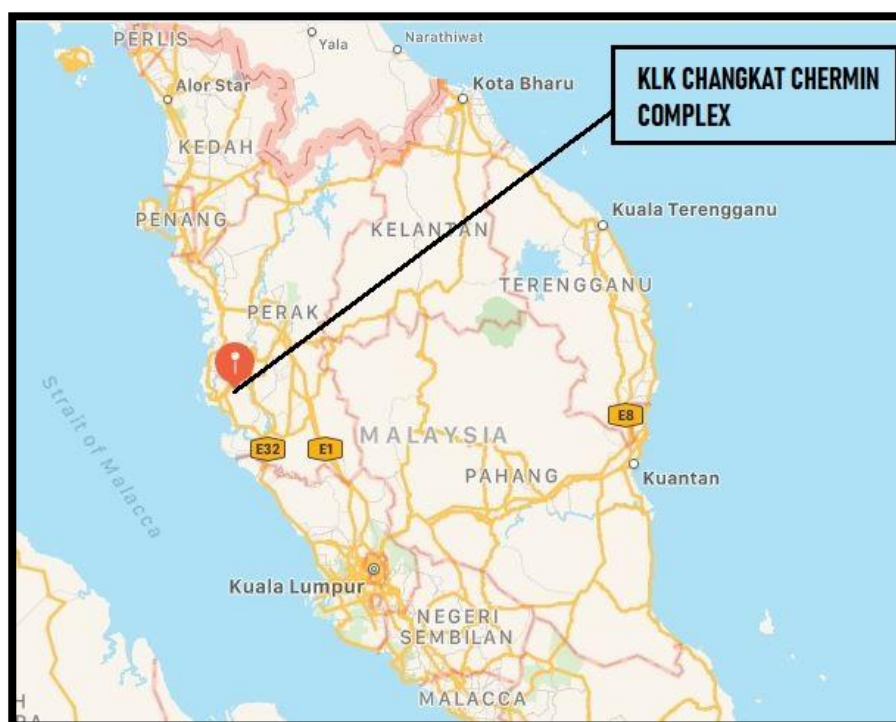
| | | |
|--|--------------------------|--|
| | Scope of Activity | 1. Sell and distribute PK, CPO and SPO. 2. Purchase and distribute FFB. 3. Store PK, CPO and SPO. 4. Manufacture/Process FFB. |
| | Expiry Date | 30th November 2020 |

Others Sustainability Certification

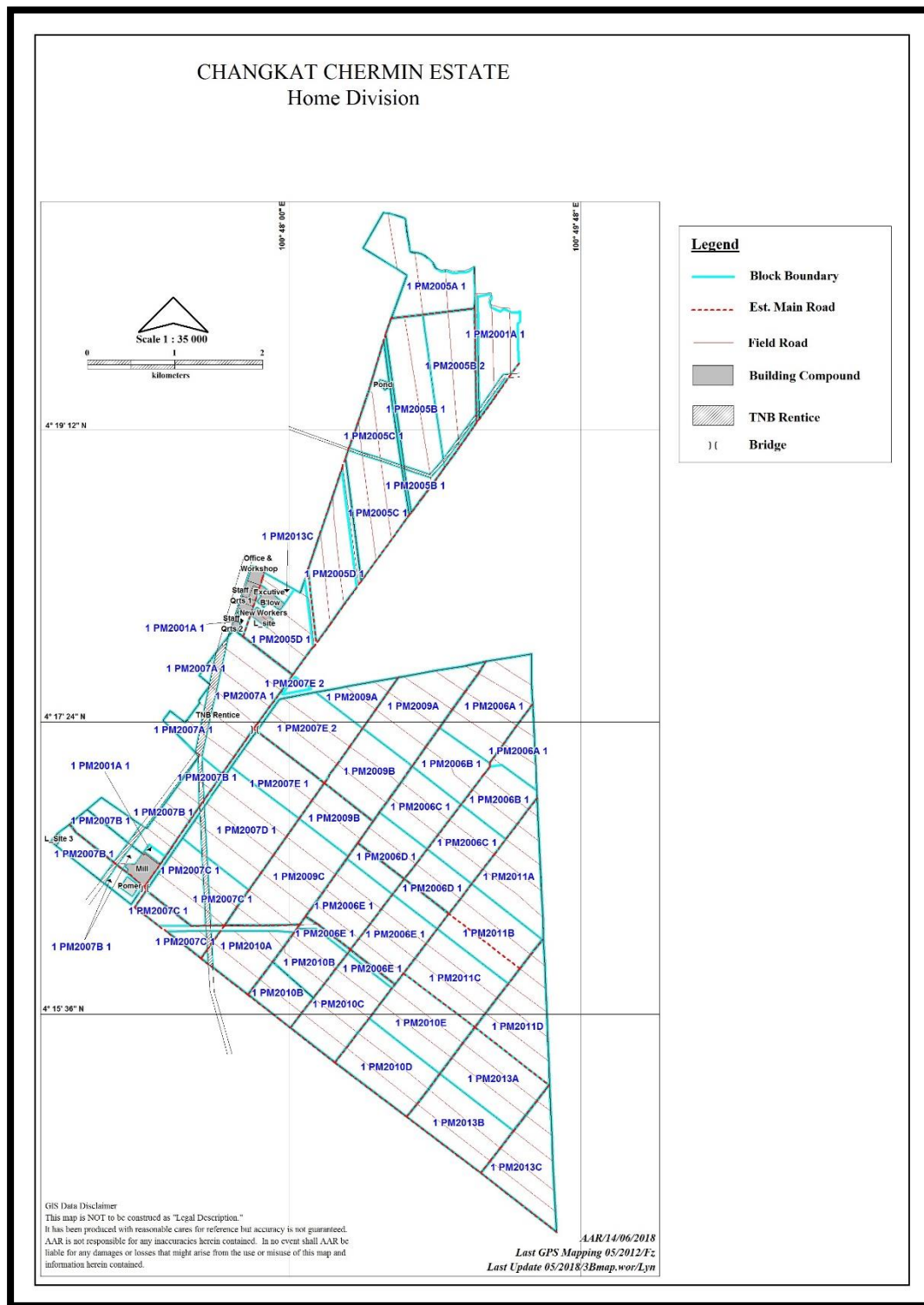
| No | Name of the Site | Others Sustainability Certification |
|----|----------------------|-------------------------------------|
| 1. | Changkat Chermin POM | RSPO & ISCC |

1.4 Map Showing Geographical Location

a. KLK Changkat Chermin POM



b. KLK Changkat Chermin POM (Share with KLK Changkat Chermin Estate Land Title)



1.5 Production Area, Actual and Projected FFB Production (MT)**Production for Certified Unit**

| Changkat Chermin POM | Projected from last audit [Jun 2019-May 2020] | Actual Production for 12 Months [Jun 2019-May 2020] | Projected Production for next 12 Months [Jun 2020-May 2021] |
|-----------------------------|--|--|--|
| FFB Summary (MT) | 292,163 | 215,435.660 | 282,068 |
| CPO Summary (MT) | 63,136 | 46,331.012 | 59,076 |
| PK Summary (MT) | 13,732 | 9,589.987 | 12,735 |

FFB's Own Estates

Production for Uncertified Unit

| Changkat Chermin POM | Projected from last audit [Jun 2019-May 2020] | Actual Production for 12 Months [Jun 2019-May 2020] | Projected Production for next 12 Months [Jun 2020-May 2021] |
|-----------------------------|--|--|--|
| FFB Summary (MT) | NIL | NIL | NIL |
| CPO Summary (MT) | NIL | NIL | NIL |
| PK Summary (MT) | NIL | NIL | NIL |

1.6 Certificate Details**Certification body**

Global Gateway Certifications Sdn. Bhd.,
No. 10 Jalan Rasmi 7, Taman Rasmi Jaya,
68000 Ampang,
Selangor Darul Ehsan, Malaysia.
Tel.: +603 4256 2689; Fax: +603 4256 2687
Website: www.ggc.my

Assessment standard

(MSPO) Part 4: General principles for palm oil mills

Certificate number

GGC-KLK003-MSPO-02-2017

Initial certificate issued date15th September 2017**Certificate expiry date**14th September 2022**Stage 1 assessment date**

Not applicable as client certified for RSPO & ISCC



| | |
|--------------------------------------|----------------------------|
| Stage 2 / Main Assessment | 03 rd July 2017 |
| Annual Surveillance 1 [ASA 1] | 21 st May 2018 |
| Annual Surveillance 2 [ASA 2] | 28 th June 2019 |
| Annual Surveillance 3 [ASA 3] | 14 th July 2020 |
| Annual Surveillance 4 [ASA 4] | June 2021 |

1.7 Qualification of the Lead Assessor and Assessment Team

Lead Auditor

Name: Surenthiran Panneerselvam

Graduate in PgDip/MSc Oil and Gas Accounting from University of Abertay Dundee, Scotland, UK. Equipped with experience in sustainability audit field and with more than 7 years working experience. Involved in MSPO Assessment since 2017. Fully trained in audit certification such as MSPO, MSPO SCCS, RSPO, ISO9001:2015, ISO37001: 2016. Able to communicate in both Bahasa Malaysia and English (written and spoken). During this assessment, he assessed on the aspect of transparency, traceability, best practices and stakeholder's consultation. Able to speak and understand Bahasa Malaysia and English.

Auditor

Name: Md Jefri Bin Sharaai

Bachelor Degree in Chemical Engineering and Master Degree (Science) in Quality & Productivity. Total of 25 years working experiences in various industries and disciplines; manufacturing, production, quality, internal audit, research & development, oil & gas design engineering. Involved in auditing, developing, implementing and maintaining of ISO 9001, ISO 14001 and OHSAS 18001. Having years of auditing experiences in Roundtable on Sustainable Palm Oil (RSPO) and Malaysian Sustainable Palm Oil (MSPO) sustainable programme. Member of GGC MSPO audit team. Able to speak and understand Bahasa Malaysia and English. During this assessment, he assessed on the aspect of environmental, best practices and legal requirements. Able to speak and understand Bahasa Malaysia and English.

Auditor

Name: Baskaran Sankaran

Master of Occupational Safety & Health Risk Management from Open University Malaysia, Diploma in Mechanical Engineering and Management Programme. More than 20 years of working experience in various industries. Involved in RSPO and MSPO assessment since 2014. Involved in audits conducted in for many different companies in Malaysia and Indonesia. Completed ISO 9001:2008 and ISO 14001:2004 lead auditor course in 2006 & 2010. Also completed RSPO Lead Auditor training in December 2014. Qualified as Lead Auditor/Auditor in several certification programme such as RSPO, MSPO, ISO and etc. Member of GGC MSPO audit team. Able to speak and understand Bahasa Malaysia and English. During this assessment, he assessed on the aspect of safety and health, policies and procedures area.

1.8 Audit Methodology

The audit was conducted based on sampling following the method as specified in the MSPO requirements (MSPO-Questionnaire Self-Assessment – RA). The sampling was calculated and determined prior to the audit assessment. In the case of this certification unit, sampling calculation was not applied as there is only one palm oil mill, namely Changkat Chermin Palm Oil Mill. The documents that had been reviewed among others were company policy, internal procedures, management system procedures, waste management procedures, legal documents etc. Significant issues that would impact to the environmental and social were also been verified. The approach of the audit was to treat the palm oil mill as MSPO Certification Unit [Changkat Chermin Complex].

During onsite audit, collection of objective evidence was established during physical site inspections, observation of tasks and processes, interviews of stakeholders, interview of officers, review of documents and data. The audit team covered the palm oil mill operations, occupational safety and health, environmental and other requirements. Checklists and questionnaires were used to guide the collection of information and the comments made by external stakeholders were also been taken into consideration in this assessment. Appendix A (Audit Plan) details the actual assessment plan. Stakeholders were consulted randomly during the assessment to obtain feedback on the management compliance and performance (Appendix C) of MSPO.

The Prime Minister, Tan Sri Muhyiddin Yassin did announce that the Conditional Movement Control Order (CMCO) ended 9th June 2020 and replaced with the Recovery Movement Control Order (RMCO). The RMCO would take effect from 10th June 2020 until 31st August 2020 with more lenient restrictions.

With reference to the Federal Government Gazette (9th June 2020), Prevention and Control of Infectious Diseases (Measures Within Infected Local Areas) (No. 7) Regulations 2020, Certification for Agri Commodities was not included in prohibited activities.

Majlis Keselamatan Negara (MKN) had issued a Standard Operating Procedure for "Persijilan bagi Agrokomoditi" dated 12th June 2020 which need to be complied during the audit process by both parties, the Certification Body and clients.

1.9 Audit Plan Information

| | |
|---------------------------------------|----------------------------|
| Audit Date | 14 th July 2020 |
| Name of site(s) visited | Changkat Chermin POM |
| Total number of man-days spent | 3 man-days |

1.10 Audit Result Summary Findings

| Findings category | | |
|-----------------------|---------|---|
| Category | Numbers | Status (Closed/Open/Not Applicable/No Action Requires) |
| Major Nonconformities | 0 | No action requires |
| Minor Nonconformities | 0 | No action requires |

| | | |
|-------------------------------|---|--------------------|
| Area of Concern | 0 | No action requires |
| Noteworthy /Positive Comments | 3 | No action requires |

1.11 Stakeholder Consultation

per ACB-Malaysian Sustainable Palm Oil (MSPO); ACB-OPMC4; Issue 1, 01st August 2017; Stakeholder Consultation Requirements for Certification Bodies Operating Oil Palm Management Certification under Malaysian Sustainable Palm Oil (MSPO) Certification Scheme, the stakeholder consultation would be carried out during stage 2 audit and recertification audit cycle of the management unit. The CB shall carry out stakeholder consultation to ensure continued compliance with the requirements of the certification standards. During this Annual Surveillance Audit 3, the audit team has conducted stakeholder consultations involving both internal and external stakeholders randomly as to understand the practices in relation to environmental, social performance and their performance with respect to the MSPO requirements. The meeting was conducted without the present of Mill Management.

The aim of stakeholder consultation is to ensure that the MSPO requirements are continuously implemented and adhere to, as well as others aspects that they considered could be improved. However, in surveillance audit, the consultation may be limited to those stakeholders who have raised concerns, complaints or disputes prior to the audit. The auditor begin consultation with brief explanation on the purpose of the audit. Process of interview and all comments made by the stakeholders are recorded. The comments were verified with the estate management before incorporating into the assessment findings. The details are as per table below:

| No | Stakeholders Name | Subject raised / Identified Risk | Company response and proposed action to be taken. [What we did] | Assessment team findings [Outcome] |
|----|----------------------------------|---|--|---------------------------------------|
| 1. | Stakeholder A (Mill workers) | <ul style="list-style-type: none"> Have good understanding about MSPO. Attended training provided by company. Aware of complaint and grievance mechanism. All PPE were provided for free. They confirmed wages are being paid more than the Minimum Wage Order 2020 and understand all the deductions being made if any. | No action requires | Positive findings |
| 2. | Stakeholders B (Mill Workers) | <ul style="list-style-type: none"> Free housing was provided to them with subsidized of water and electricity. Personal Protective Equipment are distributed free of charged by management. | No action requires | Positive findings |

| | | | | |
|----|---|--|--------------------|-------------------|
| | | <ul style="list-style-type: none"> • He has good understanding about complaint and grievance mechanism | | |
| 3. | Stakeholders C (Mill Workers – Union Representatives) | <ul style="list-style-type: none"> • Company well managing the welfare, health and safety of their workers. • No sexual harassment and violence case reported at workplace. • They have been treated equally without any discrimination. Their salary was according to Minimum Wage Order 2020. | No action requires | Positive findings |

1.12 Recommendation

The company has established sustainability policy, objectives and procedures that define an effective system for the administration and control of sustainability management system throughout all operation activities of Kuala Lumpur Kepong Berhad especially for KLK Changkat Chermin Palm Oil Mill. The Mill Manager is in charge and ensures that facility and his subordinates comply with the requirements and procedures stated in this manual. Mill management shows their commitment towards complying with MSPO system by providing awareness training to all personnel involved in this standard ensure they understand the procedures and implementation of the standard. During site visit and interview session, our audit team randomly selected number of stakeholder inclusive of internal workers, they aware of the requirements of MSPO. There was no complaint or feedback received during this Annual Surveillance Audit. This site is also assisted by KL Kepong Berhad, Sustainability Department.

This report will be internally reviewed prior to certification decision by GGC and externally peer reviewed by independents panel reviewers (qualified and trained by MPOCC) are not required since this is annual surveillance audit. The audit was conducted in accordance to MS 2530-4:2013 Malaysian Sustainable Palm Oil (MSPO) Part 4: General Principles for palm oil mills), zero non-conformities have been raised to the facilities that being audited. During this Annual Surveillance Audit, zero non-conformities have been raised to the facilities that being audited. Audit objectives has been achieved as highlighted in the audit plan. The assessment resulted with no major non-conformity findings. Hereby, the lead auditor recommends the certification unit to continue the certificate of compliance “MS 2530-4:2013 Malaysian Sustainable Palm Oil (MSPO) Part 4: General principles for palm oil mills” to KLK Changkat Chermin POM.

1.13 Date of Next Surveillance Audit

The fourth annual surveillance assessment visit will be scheduled after 12 months of the MSPO Certificate being issued.

1.14 Confidentiality

GGC auditors will not discuss or reveal any of the confidential information seen during the audit to any third party. Any public summary of the main assessment will be approved by the client prior to publication.

1.15 Abbreviations Used

| | |
|--------|---|
| BOD | Biological Oxygen Demand |
| CHRA | Chemical Health & Risk Assessment |
| CIP | Continuous Improvement Plan |
| COD | Chemical Oxygen Demand |
| CoP | Code of Practise |
| CSPO | Certified Sustainable Palm Oil |
| CPO | Crude Palm Oil |
| CSPK | Certified Sustainable Palm Kernel |
| DOE | Department of Environmental |
| DOSH | Department of Occupational Safety and Health Malaysia |
| EIA | Environmental Impact Assessment |
| EMP | Environmental Management Plan |
| FFB | Fresh Fruit Bunch |
| FGS | Finished Good Stock |
| GAP | Good Agriculture Practise |
| GHG | Greenhouse Gas |
| GGC | Global Gateway Certifications Sdn Bhd |
| HIRARC | Hazard Identification, Risk Assessment and Risk Control |
| ISCC | International Sustainability & Carbon Certification |
| IPM | Integrated Pest Management |
| KLK | KL Kepong |
| MPOB | Malaysian Palm Oil Board |
| MSPO | Malaysian Sustainable Palm Oil |
| NCR | Non-Conformance Report |
| NGO | Non-Government Organization |
| OHS | Occupational Health & Safety |
| OHSAS | Occupational Health and Safety Assessment Series |
| PK | Palm Kernel |
| POM | Palm Oil Mill |
| POME | Palm Oil Mill Effluent |
| PPE | Personal Protective Equipment |
| RSPO | Roundtable on Sustainable Palm Oil |
| SEIA | Social Environmental Impact Assessment |
| SOP | Standard Operating |
| SPO | Sludge Palm Oil |

SECTION II: ASSESSMENT FINDINGS BY PRINCIPLES AND CRITERIA

2.1 Principle 1: Management commitment and responsibility

Criterion 1 Malaysian Sustainable Palm Oil (MSPO) Policy

Indicator 1 Policy for the implementation of MSPO shall be established.

Summary KLK has established Sustainability Manual. It's done by KLK Sustainability Department. Sighted Policy of MSPO; [Issue/Rev: 3/2, dated 1st January 2020]. As seen KLK Sustainability Policy, KLK are committed to meet the sustainability requirements of MSPO and committed to continuous improvement. Communication and consultation process are conducted through training programs and meetings. The policies and procedures are communicated to the staff/workers dated on 4th March 2020. A written policy on commitment towards sustainable palm oil production sighted and duly filed. Sighted record MSPO Policy briefing provided for mill employees on 04th March 2020 which was attended by mill workers. Interviews held with mill workers during site visit evident that workers are been briefed on MSPO policy.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 2 The policy shall also emphasize on the commitment to continual improvement with the objective of improving the milling operation.

Summary KLK has established Sustainability Manual. It's done by KLK Sustainability Department. Sighted Policy of MSPO; [Issue/Rev: 3/2, dated 1st January 2020]. As seen KLK Sustainability Policy, KLK are committed to meet the sustainability requirements of MSPO and committed to continuous improvement. Company's commitment for continual improvement has stated in its MSPO Policy as 'We are committed to meet the sustainability requirements of MSPO and committed to continuous improvement'. Management commitment is evident from the various improvement plan including continuous training plan on sustainability, health & safety and introduction of new technology to improve efficiency, etc.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Criterion 2 Internal audit

Indicator 1 Internal audit shall be planned and conducted regularly to determine the strong and weak points and potential area for further improvement.

Summary Internal audit has been planned by the mill management. Seen the internal audit planned sent via email by the Sustainability Team to KLK Changkat Chermin Complex dated 3rd February 2020. The Sustainability Team, HQ conducted the internal audit on 13th March 2020, and leaded by Mr Poey Shao Jiann and Mr Vemalan a/l Palanchiandiran. Internal audit has been conducted based on all 20 SOP's established by the KLK Berhad and included with site visit and interview of workers. As referring to SOP 19.0: Internal audit procedures; Issue/Rev: 2/1 dated 1st January 2020. As per the SOP, the frequency of audit should be at least once a year.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Indicator 2 The internal audit procedures and audit results shall be documented and evaluated, followed by the identification of strengths and root causes of nonconformities, in order to implement the necessary corrective action.

Summary The internal audit report has been provided to the mill management on 20th March 2020 and action should be taken by the management latest by 10th April 2020. Sighted the email response by the mill management was sent on 6th April 2020. Below are the sampled findings addressed by the internal audit team:

- Training needs analysis, attendance and evaluation form (SOP 8: App2) year 2020 was not updated during the time of audit.
- SIA baseline questionnaires and management plan for internal and external stakeholders for year 2020 not available during audit.

In total 12 findings have been found, during the internal audit. Mill management has submitted the evidence and root cause(s) together with the corrective action(s) taken. As per interview with the Sustainability Team representative, internal auditor is required to verify the evidence either in document form or site visit if required. The mill effectively complying with MSPO standard by establishing SOP and conduct awareness training to staff and workers. Seen the action taken by Mill Manager for all the findings done by the KKK Sustainability Department.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Indicator 3 Reports shall be made available to the management for their review.

Summary All findings from internal audit was responded by the mill management timely. However, there are few items still remain open as the corrective action needed longer time. This request was approved by the management during management review meeting. Management review meeting was held on 10th June 2020, internal audit findings were discussed during the meetings. As sighted, the minute of meetings was available, prepared by Mr Ramendhiran a/l Govindasamy and verified by Mr Loh Che Han, dated 22nd June 2020. The meeting which chaired by Lekir Estate Manager Mr Loh Che Han, attended by estate managers, mill manager and senior sustainability manager Ms Lee Kuan Yee as sighted from the minutes of meeting. The meeting has discussed internal audit findings and status of corrective action taken on non-conformities identified during the internal audit.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Criterion 3 Management review

Indicator 1 The management shall periodically review the continuous suitability, adequacy and effectiveness of the requirements for effective implementation of MSPO and decide on any changes, improvement and modification.

Summary Sighted SOP 16.0 titled "Management Review" dated 1st January 2020; Issue/Rev: 2/1. The mill has conducted management review as per planned intervals (annually). All details internal audit has reviewed and discuss during the management review. Sighted minutes of latest management review meeting held for year 2019/2020. The review was conducted for the Changkat Chermin Complex on 10th June 2020 which has included all supplying estates and the mill. The meeting has discussed internal audit findings and status of corrective action taken on non-conformities identified during the internal audit.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Criterion 4 Continual improvement

Indicator 1 The action plan for continual improvement shall be based on a consideration of the main social and environmental impact and opportunities for the company.

Summary The mill has established Continuous Improvement Plan for year 2020. The plan prepared mill assistant engineer Mr Lim Gao Yih on 02nd January 2020 was verified by Mill Manager. The continuous improvement plan (CIP) is developed based on elements of social, environment and safety. Improvement programmes in the CIP plan include Pollution and GHG Reduction, Waste reduction, road maintenance, Impact on worker, etc.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Indicator 2 The company should establish a system to improve practices in line with new information and techniques; and for disseminating this information throughout the workforce.

Summary The mill obtains information on new techniques, new industry standards and technology through unit managers attending seminars, conferences and as well from newsletters from MPOB and from company's membership with ISP. New information is evaluated by the mill management and where feasible for adoption will obtain approval from Mill Advisor or Plantation Director or Group Plantation Director or CEO based on cost impact to the company. As part of enhancement of boiler capacity, the mill is planning to buy a new boiler with better power generation efficiency. Sighted (CERF2) mill's formal requisition dated 28th May 2020 to purchase new boiler.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

2.2 Principle 2: Transparency

Criterion 1 Transparency of information and documents relevant to MSPO requirements

Indicator 1 The management shall communicate adequate information to other stakeholders on environmental, social and legal issues relevant to sustainable practices in the relevant languages and forms.

Summary

KLK has established Standard Operating Procedures (SOP) for Stakeholders Engagement/Negotiation–SOP No.1 (Rev.4/3) date on 01st January 2020. The procedures have identified mechanism for Request and Response, Consultation & Communication and Complaint & Grievances. Record of request/ complain/ communication is available in the:

- Buku Lawatan DOE
- JKKP Logbook
- LAJ Kejuruteraan File

The KLK Sustainability Policy: Clause 4: Governance, has identified mechanism for Request and Response, Consultation & Communication and Complaint & Grievances. Stakeholder meeting was last conducted on 25th February 2020, at CCPOM Meeting room, and attended by 30 participants inclusive of internal and external stakeholders. Stakeholder minutes of meeting is sighted during the audit and agenda includes;

- Briefing on KLK Sustainability Policy
- KLK Supplier Code of Conduct
- KLK OSH Policy
- Social Compliances
- Environment & Waste Management
- SIA – External stakeholders

During the meeting, mill management highlighted on the existence of logbook, they may lodge request or complaint to the management in writing or through walk-in-method. Evidence the attendance record and photographs of the meeting.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 2 Management documents shall be publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes

Summary

Mill management has implemented SOP for Control of Documents & Records [SOP: 9.0; Issue/Rev: 2/1; dated 1st January 2020. As per SOP, the documents can be in the form of hard copy and electronic media. All records are kept in accordance to the minimum retention period of 5 years or otherwise specified. Management documents not necessarily limited to the following shall be made available upon request:

Sample of the publish available document are:

- Monthly declaration

- Weekly Grading Summary
- Year End Report
- CSDS

Sample of confidential document are:

- Income tax
- Accounts comments
- Internal Audit Report Mill

All the documents are available in the Mill Office. Requests for official documents through the mill office will have to go through the mill manager/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.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Criterion 2 Transparent method of communication and consultation

Indicator 1 Procedures shall be established for consultation and communication with the relevant stakeholders.

Summary

Mill management has implemented SOP for Stakeholder Engagement/ Negotiation [SOP: 1.0; Issue/Rev: 4/3; dated 1st January 2020. KLK Policy on Sustainability which includes the Procedure on Communication with stakeholders are conducted during the stakeholder meeting. The procedures are communicated to the relevant stakeholders during stakeholder meeting. Sighted the stakeholder meeting minutes. Stakeholder meeting was last conducted on 25th February 2020, at CCPOM Meeting room, and attended by 30 participants inclusive of internal and external stakeholders.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 2 The management shall nominate management officials at the operating unit responsible for issues related to Indicator 1 (4.2.2.1).

Summary

KLK Changkat Chermin POM has appointed En. Lim Gao Yih, as the person in-charge for MSPO supply chain implementation, and approved by En. How Yong Chian, Mill Manager. The roles and responsibilities stated in appointment letter are as follows:

- Responsible for all stakeholder's related matters.
- Ensure demonstration of environmental and social responsibility.
- Other relevant sustainability and supply chain matters.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 3 A list of stakeholders, records of all consultation and communication and records of action taken in response to input from stakeholders shall be properly maintained.

Summary Referring the SOP for Stakeholder Engagement/ Negotiation [SOP: 1.0; Issue/Rev: 4/3; dated 1st January 2020. The list of stakeholders was last updated on 5th March 2020.

- Government bodies
- NGO
- Transporter
- Supplier
- Neighbouring community
- Mill representative
- CPO Buyer
- PK Buyer
- Approved Certified Supplier (Changkat Chermin Region)
- Approved Certified Supplier (Batu Lintang Region)
- Approved Certified Supplier (Tg Malim)

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Criterion 3 Traceability

Indicator 1 The management shall commit itself to implement and maintain the requirements for traceability and shall establish a standard operation procedure for traceability.

Summary Mill management established SOP for Supply Chain Procedure [SOP18.0; Issue/Rev: 4/3, dated 1st January 2020. The mill is receiving FFB's from own estates. The mill has good system for tracking the movement of certified FFBs (Electronic Commodity Trading System (ECTS)). The mill recorded all FFB received, FFB Processed, CPO & PK Produced and CPO & PK Stock Position in Finished Good System (FGS). Verified delivery order, receiving and dispatch slips, notice paper and weighbridge tickets that effectively carries the information of applicable traceability products.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 2 The management shall conduct regular inspections on compliance with the established traceability system.

Summary The Mill Management team holds the responsibility on regular inspection of traceability system. Periodical inspections also being conducted through Mill Advisor and Internal Audit Team. Inspection on compliance with the traceability system are made available in the SOP on Sustainability: Internal Audit Procedure SOP: 19.0; Issue/Rev: 2/1; Date: 01st January 2020. The scope of the procedure shall cover all areas, activities and functions related to the scope of the sustainability management system. Internal audit has been conducted by the KLK Sustainability Department, last internal audit conducted on 13th March 2020 as reported by Mr Poey Shao Jiann and Mr Vemalan a/l Palanchiandiran. The effectiveness of the monitoring will evidence in the internal audit and visit report findings.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 3 The management shall identify and assign suitable employees to implement and maintain the traceability system.

Summary KLK Changkat Chermin POM has appointed En. Lim Gao Yih, as the person in-charge for MSPO supply chain implementation, and approved by En. How Yong Chian, Mill Manager. The roles and responsibilities stated in appointment letter are as follows:

- Responsible for all stakeholder's related matters.
- Ensure demonstration of environmental and social responsibility.
- Other relevant sustainability and supply chain matters.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 4 Records of storage, sales, delivery or transportation of crude palm oil and palm kernel shall be maintained.

Summary Purchases and sales will base on demand and has agreeable documentation with the supplier. As evidence, seen the CPO Contract Agreement. Sighted the incoming and outgoing summary for the month July 2020. Sighted CSPO/CSPK sales as per in their online system. The mill has good system for tracking the movement of FFBs (Electronic Commodity Trading System (ECTS)). The mill recorded all FFB received, FFB Processed, CPO & PK Produced and CPO & PK Stock Position in Finished Good System (FGS).

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

2.3 Principle 3: Compliance to legal requirements

Criterion 1 Regulatory requirements

Indicator 1 All operations shall be in compliance with applicable local, national and ratified international laws and regulations.

Summary The company has established and updated list of applicable laws and regulations that are applicable for the mill as per SOP No. 2.0 titled "Legal Compliance"; Issue 2/1 dated 01st January 2020. The legal register has column for identifying legal document title, regulatory/ authority, requirements, current status and remarks. Sighted lists of permits/licenses among others which has to be monitored and updated periodically such as:

- MPOB license No. 566667104000 untuk Menjual dan Mengalih PK, CPO, Membeli dan Mengalih FFB, Menyimpan PK, CPO dan Mengilang FFB, validity 1st December 2019 to 30th November 2020.
- Lesen Jabatan Alam Sekitar No 004218, validity 1st July 2019 to 30th June 2020. Sighted letter (ref: KLK/CCPOM/GD-04) from POM to DOE for renewal of license. Process defer due to Movement Control Order.
- Lesen Pelanggaran Jabatan Alam Sekitar No 005452, validity 5th June 2019 to 4th June 2020. Sighted letter (ref: KLKB/CCPOM/GD-04) from POM to DOE for renewal of license. Process defer due to Movement Control Order.
- Tubewells license; in the midst of applying license for all three (3) tubewells "Lesen Abstraksi Air Tanah Tahun 2020-2021". Sighted replied from Pejabat Daerah Dan Tanah Manjung, Ref: Bil (36) PT. MJG.400/18-3 dated 24th June 2020.
- Perakuan Kelayakan Dandang – Bi-Drum Water Tube Boiler, Ref PMD-PK/20 44891T-SL/19 120184 expiry 12th April 2021.
- Perakuan Kelayakan Pengandung Tekanan Tak Berapi – Thermal Dearator, Ref PMT-PK/20 44890 expiry 12th April 2021.
- Permit Barang Kawalan Berjadual, A000981- Diesel.

The list is fully covered the requirements that related to MSPO compliance. These documents include information on laws, enforcement bodies, main requirement, environmental aspect, standard, fine, person in charge, and compliance status.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Indicator 2 The management shall list all relevant laws related to their operations in a legal requirement register.

Summary The company has established and updated SOP No. 2.0 Rev 2/1, Title: List & summary of applicable laws and regulations that are applicable for the mill updated 01st January 2020. Some of applicable laws includes:

- Occupational Safety and Health Act 1994 (Act 514)
- Factories and Machinery Act with regulations (Act 139)
- Kementerian Perdagangan Dalam Negeri
- MPOB Act 1998 (Act 582)
- Road Transport Act 1987 (Act 333)

- Employees Social Security Act 1969 (Act 4)
- Industrial Relations Act 1967 (Act 177)
- Workman Compensation Act 1952 (Act 273)
- Workers' Minimum Standards of Housing and Amenities Act 1990 (Act 446)
- Minimum Wages Order 2020

The mill also follows and practise the guidelines of COVID-19 Emergency Preparedness and Response provided by the KLK Corporate. List of legal correspondences for permits/licenses is periodically updated by Mr Lim Gao Yih (Assistant Engineer) and verified by Mr. How Yong Chian (Mill Manager).

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 3 The legal requirements register shall be updated as and when there are any new amendments or any new regulations coming into force.

Summary SOP No.2.0 issue has specified any changes to legal requirements are tracked by means of periodic review and evaluation on the Laws & regulations list to ensure that any new/addition as well as changes and amendment are captured and updated. Any update any new amendments or any new regulations received from the following sources:

- HQ Department
- Communication with law/enforcement officers
- Website

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 4 The management should assign a person responsible to monitor compliance and to track and update the changes in regulatory requirements.

Summary The following personals were appointed to ensure/maintain the compliance with applicable laws and regulations of the Mill.

- Mr.Lim Gao Yih (Assistant Engineer)
- Prakash a/I Palanisamy (Sr.Assistant Engineer)
- Mohd Zain Bin Mohd Sharif (Assistant Engineer)

The letter of appointment (for Sustainability Related Matters) dated 03rd February 2020 has been signed by the Mill Manager, Mr How Yong Chian

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Criterion 2 Land use rights

Indicator 1 The management shall ensure that their oil palm milling activities do not diminish the land use rights of other users.

Summary The mill was built on within the land title (99 pajakan, 2/03/2080), Ladang Perbadanan Fima Sendirian Berhad, Lot 20406, Daerah Manjung, Mukim Sitiawan, Perak. No boundary markers sighted in the mill premises however, the permanent fence separated Mill and the Changkat Chermin Estate area.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Indicator 2 The management shall provide documents showing legal ownership or lease, history of land tenure and the actual legal use of the land.

Summary The mill was built on within the land title (99 pajakan, 2/03/2080), Ladang Perbadanan Fima Sendirian Berhad, Lot 20406, Daerah Manjung, Mukim Sitiawan, Perak. Ladang Perbadanan Fima Sendirian Berhad was acquired by Kuala Lumpur Kepong Berhad on 2008. The copy of land titles is kept in the mill office and were sighted during the audit. Evidence of annual payment of land tax and quit rent to the state government is available in the form of receipts.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Indicator 3 Legal perimeter boundary markers should be clearly demarcated and visibly maintained on the ground, where practicable.

Summary As the mill was built within the Changkat Chermin Estate's area, the permanent fence had been constructed to demarcate the vicinity of the mill milling area.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Indicator 4 Where there are, or have been disputes, documented proof of legal acquisition of land title and fair compensation that have been or are being made to previous owners and occupants; shall be made available and that these should have been accepted with free prior informed consent (FPIC).

Summary No disputes have been recorded in the Mill area. There is no evidence of conflict present in this Mill. There is no violence on instigated violence in maintaining peace because company has a clear procedure for land conflict.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Criterion 3 Customary land rights

Indicator 1 Where lands are encumbered by customary rights, the company shall demonstrate that these rights are understood and are not being threatened or reduced.

Summary There is no customary land within or surrounding the Mill. There are also no land disputes or claims involving the Mill. The company has proper legal land titles for the land ownership.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Indicator 2 Maps of an appropriate scale showing extent of recognized customary rights shall be made available.

Summary As per mill is built within Changkat Chermin Estate. Thus, no disputes have been recorded in mill area. There is no evidence of conflict present in this mill and no maps showing extent of recognized customary rights.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 3 Negotiation and FPIC shall be recorded and copies of the relevant agreements should be made available.

Summary There is no customary land within or surrounding the Mill. There are also no land disputes or claims involving the Mill. The company has proper legal land titles for the land ownership.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

2.4 Principle 4: Social responsibility, health, safety and employment condition

Criterion 1 Social impact assessment (SIA)

Indicator 1 Social impacts should be identified and plans should be implemented to mitigate the negative impacts and promote the positive ones.

Summary

The company has established SOP 13.0, Social Impact Assessment (SIA) procedure last updated on 01st January 2020, under title "In-house Social Impact Assessment" has outlined its requirements to conduct SIA. Latest SIA for mill for internal stakeholders was conducted in March-April 2020 by company's Sustainability Executive Mr Ramendhiran Govindasamy as sighted from "Baseline Social Impact Assessment for Internal Stakeholders" dated 07th May 2020. The assessment report was reviewed by Assistant Mill Manager Mr Lim Gao Yih on 20th May 2020 has covered following factors under qualitative approach:

- Access and use rights
- Economic livelihood and working conditions
- Health and education facilities
- Cultural and religious values
- Subsistence activities
- Amenity
- Employment
- Human Rights
- Food and water security

The assessment was carried using survey questionnaires on the above factors prepared in Malay language in google form for mill workers. Based on the above assessment report total of 85 mill employees have participated in the SIA. Level of impact to workers is categorized as High if <40% has responded positively, Moderate if 40-60% has responded positively and Low if > 60% has responded positively. The report finding has concluded that "all social impact to workers identified are low level". Sighted internal stakeholder attendance list for 85 millworkers who have participated in the survey. Even though SIA results show low impact to workers, the mill has identified enhancement measures to continue with existing good practices.

Latest external stakeholder SIA for mill was conducted on 25th February 2020 by company's Sustainability Executive Mr Ramendhiran Govindasamy as sighted from "Baseline Social Impact Assessment for External Stakeholders" dated 16th March 2020. The assessment report was reviewed by Assistant Mill Manager Mr Lim Gao Yih on 23rd March 2020.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Criterion 2 Complaints and grievances

Indicator 1 A system for dealing with complaints and grievances shall be established and documented.

Summary The company has established SOP 1 titled "Stakeholder Engagement/ Negotiation" last updated on 01st January 2020. The SOP has elaborated stakeholder engagement under the sub-title of 1. Request & Response, 2. Consultation & Communication and 3. Complaint & Grievance. The SOP also has attachment of complaint and grievances form titled "Stakeholder Log book". Sighted record of complaints received for year 2020 for the mill, most of the complaints are from workers related to facility breakdown. All the complaints been addressed by the mill management on timely manner.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 2 The system shall be able to resolves disputes in an effective, timely and appropriate manner, which is accepted by all parties.

Summary The company SOP 1 titled "Stakeholder Engagement/ Negotiation" has stated that the complaints need to be addressed in within time frame stated for the action agreed in the complaint form. According to mill manager complaints are generally addressed within 2 weeks. Most of the complaints are related facility breakdown and there is no dispute for the mill.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 3 A complaint form should be made available at the premises, where employees and affected stakeholders can make complaints.

Summary KLK Berhad established SOP 1, which also has attachment of complaint and grievances form titled "Stakeholder Log book". The complaint from are within the office and also been placed outside the office at guard post for anyone to make complaint. In addition, there is 'e-Grievance Form' available from the company's website www.klk.com.my/sustainability/e-grievance-form for anyone wish to make complaint.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 4 Employees and surrounding communities should be made aware of its existence and that complaints or suggestions may be made at any time.

Summary Briefing on complaint mechanism is given to mill internal stakeholders during muster ground on 04th March 2020 while external stakeholder was briefed on 25th February 2020. This was further verified during site visits interview where noted that workers well aware about their complaint process. External stakeholder is briefed during stakeholder meeting held as evident from external stakeholder meeting minutes.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 5 Complaints and solutions within the past 24 months shall be documented and be made available to affected stakeholders upon request.

Summary The company has established SOP 1 titled "Stakeholder Engagement / Negotiation" last updated on 01st January 2020. The SOP has elaborated stakeholder engagement under the sub-title of 1. Request & Response, 2. Consultation & Communication and 3. Complaint & Grievance. The SOP also has attachment of complaint and grievances form titled "Stakeholder Log book". Sighted record of complaints received for year 2020 for

the mill, most of the complaints are from workers related to facility breakdown. All the complaints been addressed by the mill management on timely manner.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

| Criterion 3 | Commitment to contribute to local sustainable development |
|--------------------|--|
| Indicator 1 | Palm oil millers should contribute to local development in consultation with the local communities. Where the mill is an integral part of a plantation, such contribution to local community development may be regarded as a joint effort by the mill and the plantation. |

Summary

The mill has been contributing to local development as evident from the records sighted. The mill office has retained records donation made to its external stakeholders.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

| Criterion 4 | Employees safety and health |
|--------------------|--|
| Indicator 1 | An occupational safety and health policy and plan which is in line with Occupational Safety and Health Act 1994 and Factories and Machinery Act 1967 (Act139) shall be documented, effectively communicated and implemented. |

Summary

The Mill has established "Polisi Keselamatan dan Kesihatan Pekerja Kilang Kelapa Sawit Changkat Chermin" dated 01st January 2020 signed by Mill Manager Mr How Yong Chian in line with OSH legal requirements on safety. The policy been communicated to its workers as sighted from KLK Sustainability policy training record dated 04th March 2020 which was attended by 102 mill employees.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

| | |
|--------------------|--|
| Indicator 2 | <p>The occupational safety and health plan shall cover the following:</p> <ul style="list-style-type: none"> a) A safety and health policy, which is communicated and implemented. b) The risks of all operations shall be assessed and documented. c) An awareness and training programme which includes the following requirements for employees exposed to chemicals used at the palm oil mill: <ul style="list-style-type: none"> i) all employees involved are adequately trained on safe working practices; and ii) all precautions attached to products should be properly observed and applied. d) The management shall provide the appropriate personal protective equipment (PPE) at the place of work to cover all potentially hazardous operations as identified in the risk assessment and control such as Hazard Identification, Risk Assessment and Risk Control (HIRARC). e) The management shall establish Standard Operating Procedure for handling of chemicals to ensure proper and safe handling and storage in accordance to Occupational Safety Health (Classification Packaging and Labeling) Regulation 1997 and Occupational Safety Health (Use and Standard of Exposure of Chemical Hazardous to Health) Regulation 2000. f) The management shall appoint responsible person(s) for workers' safety and health. The appointed person(s) of trust shall have knowledge and access to latest national regulations and collective agreements. g) The management shall conduct regular two-way communication with their employees where issues that affect their business such as those related to employees' safety, health |
|--------------------|--|

and welfare are discussed openly. Records from such meetings shall be kept and the concerns of the employees and any remedial actions taken shall be recorded.

h) Accident and emergency procedures shall exist and instructions shall be clearly understood by all employees.

i) Employees trained in First Aid shall be present at all mill operations. First Aid equipment should be available at each worksite.

j) Records shall be kept of all accidents and be reviewed periodically at quarterly intervals.

Summary

The Mill has established "Polisi Keselamatan dan Kesihatan Pekerjaan Kilang Kelapa Sawit Changkat Chermin" dated 01st January 2020 signed by Mill Manager Mr How Yong Chian in line with OSH legal requirements on safety. The policy been communicated to its workers as sighted from KLK Sustainability policy training record dated 04th March 2020 which was attended by 102 mill employees.

The mill has conducted HIRARC to assess risk of its operation and has established mitigation measures to reduce health and safety risks. The HIRARC register which was reviewed and updated on 21st March 2020. The HIRARC has covered mill activities such as weighbridge, Sterilization, oil room, press station, fiber separation, boiler room, EFB ramp, CPO dispatch bay, etc.

The mill has established annual OSH training programme for year 2020. There are 36 trainings planned to be conducted for year 2020. Some of the of training planned include PPE training, confined space training – in Jan 2020, SOP training, working in height safety training – in Feb 2020, etc. Sighted training record for PPE Training conducted by mill assistant Mr Prakash and mill assistant engineer Mr Lim Gao Yih on 20th January 2020 by which was attended by 17 mill workers.

Mill management has established chemical register listing chemicals used for the mill operation including its Lab and store. The chemical register prepared by mill assistant engineer Mr Lim Gao Yih on 01st July 2020 contains 45 types of chemicals that applicable to the mill operation. The mill retains copies of Safety Data Sheet (SDS) that relevant to its operation both at mill office and chemical store.

Mill workers are provided with free PPE by the mill management. During site visit to the mill noted workers are wearing proper PPE based on the safety risk identified. Sighted evidence of PPE been distributed mill workers from PPE issuance record. i.e on 01st July 2020 safety shoe was issued to mill process operator Mr Nurtaat.

The mill has established safety SOP titled "Prosedur Kerja Selamat" document Rev. 01/2017 for all its key operations. i.e. SOP for Tractor Driver, SOP for Shovel driver, SOP for contractor, SOP for air compressor, boiler multi cyclone, etc. Each of the safety SOP has outlined potential danger, action before start operation, action during operation and action after operation to ensure workers safety.

The company has established SOP for chemical handling titled "Prosedur Kerja Selamat – aktiviti kerja: Pengendalian bahan kimia" Rev 01/2017. The SOP has outlined potential danger, action before start operation, action during operation and action after operation to ensure workers safety.

Management appointed Mill Manager Mr How Yong Chian as person responsible for the mill health and safety as sighted from official letter of appointment issued by the Mill Advisor Mr Rafezal dated 01st February 2019.

The mill has established safety committee consists of 18 committee members (9 representing management rep & 9 representing workers) chaired by Mill Manager. Mill OSH meetings are held on quarterly basis and sighted latest meeting minutes dated 05th June 2020 which was attended by 14 OSH committee members. Previous meetings were held on 10th March 2020 and 16th December 2020.

Under the company OSH Manual, Policy No. GP/OSH7 – Investigation & Notification, dated 01st July 2010, the management has established SOP titled “Investigation of Work-related Injuries, disabilities, ill health, disease, and near misses and their impact on safety and health performance” outlining process for accident investigation and management.

The mill has 3 First Aiders namely Mr Muhammad Al-Hafiz, Mr Mageswaran and Ms Rohani who were trained by CERT Academy on 13 & 14th May 2019 as sighted form training certificate records maintained by the mill office.

Mill retains records accident as sighted “Monthly Accident Report” and Minor accident Summary”. Sighted JKPP 8 (Ref:JKPP 8/22403/2018) which was submitted and acknowledged on 08th January 2019. There is one accident reported for year 2019, where operator belt-press En Salam Rube’s finger injured during valve closing activity resulted in 10 days of medical leave. Sighted investigation was done using JKPP 6 form and findings were submitted to DOSH Tawau branch on 02nd August 2018.

There are 11 First Aid Kits located within various location of the mill area. During field visit to the mill noted first aid kits contents are inspected on monthly basis and record of inspection maintained at mill office. Latest inspection was done on 23rd June 2020 by Ms Miera and Mr Zain.

Mill’s CHRA was last conducted on 10th July 2017 by DOSH registered Assessor Mr Ganesanrojoo (JKPP HIE 127/171-2(357). Sighted CHRA report Ref No. HQ/14/ASS/00/357-2017/016. Activities involve chemicals has been assessed and has recommendation to perform Chemical Exposure Monitoring.

The mill has conducted chemical exposure monitoring on 26th November 2019 based on the CHRA recommendation. The exposure monitoring was done by Mr Sugunish Sukumaran (Competency Reg.No. HQ/15/JHI/00/206) and the result reported as below the PEL.

Even though there is no recommendation in CHRA for medical surveillance, as precautionary measure, to mill has sent its workers who are exposed to chemicals for annual medical surveillance. Sighted latest medical surveillance done on 22/11/2019 for 4 mill workers. The medical surveillance was conducted by Dr Subbiah (DOSH Ref. No OHD MMC NO.36831HQ/08/ DOC/00/00201) on 19th August 2019. The medical surveillance report has concluded all the workers are fit for work.

Mill retains records of accident on monthly basis as sighted from "OSH8-Monthly submission", accident statistic document which is sent to company's OSH department at HQ. Sighted JKPP 8 (Ref:JKPP 8/40503/2019) which was submitted and acknowledged receipt by DOSH on 10th January 2020. The submission was for one accident reported for year 2019, where mill assistant Mr Lim Gao Yih accidentally fall into sludge drain on 18th June 2019 and burns left leg and resulted in 73 days of medical leave. Sighted investigation was done using JKPP6 form and findings were submitted to DOSH on 22nd June 2019. Accident records are being reviewed during the mill's OSH committee meeting and records are reviews are maintained at the office.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Criterion 5 Employment conditions

Indicator 1 The management shall establish a policy on good social practice regarding human rights in respect of industrial harmony. The policy shall be signed by the top management and communicated to the employees.

Summary Company's policy on good social practice regarding human rights elaborated under 'KLK sustainable policy' in clause 2.1 (i) Respect Employees Rights has stated "Recognize the inherent dignity of an individual and supports the Universal Declaration of Human Rights by the United Nations.". The policy has been communicated to its workers as sighted from KLK Sustainability policy briefing record dated 01st March 2019 which was attended by 99 mill workers.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Indicator 2 The management shall not engage in or support discriminatory practices and shall provide equal opportunity and treatment regardless of race, colour, sex, religion, political opinion, nationality, social origin or any other distinguishing characteristics.

Summary According to the mill manager there is no discriminatory practices within the company. This was further verified by the mill workers during site visit interviews. In addition, KLK Sustainability Policy under the Sub-clause 2.1 (x) Equal Employment Opportunities and Diversity it has stated "Ensure equal opportunities in the work place... and "There shall be no discrimination based on nationality, race, religion or gender." The mill employees consist of multi ethnicity and different faith and cultural backgrounds.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Indicator 3 Management shall ensure that employees' pay and conditions meet legal or industry minimum standards as per Collective Agreements. The living wage should be sufficient to meet basic needs and provide some discretionary income based on minimum wage.

Summary All workers are provided with documented employment contract which signed by both employee and the management. Sighted 'Kontrak Pekerjaan' dated 02nd December 2019 for mill General Workers. The contract has stated term and condition of employment as MAPA/NUPW Collective Agreement. Sighted June 2020 Salary Slip for General Workers. Salary payment being made through bank available with evidence.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Indicator 4 Management should ensure employees of contractors are paid based on legal or industry minimum standards according to the employment contract agreed between the contractor and his employee.

Summary Sighted 'External Contractor Compliance Checklist' dated 01st October 2019 for contractor Mayang Bayumas Sdn Bhd which has identified legal and other document required to be provided to KLK which include worker's pay slip. Sighted Agreement No. 03/2019-2000 signed between KLK and Mayang Bayumas Sdn Bhd on 01st October 2019 for transportation of mill's CPO. Also sighted the contractor's worker pay slip for the month of March 2020 detailing minimum salary and other deduction.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Indicator 5 The management shall establish records that provide an accurate overview of all employees (including seasonal workers and subcontracted workers on the premises). The records should contain full names, gender, date of birth, date of entry, a job description, wage and the period of employment.

Summary Sighted, the registration card being established for all workers. The registration card stated the offered position, wages implied, working hours, OT, allowances, rest day, working on holiday etc. Mill maintains records of its workers details in tabulated form containing names, gender, date of birth, date join, a job description and the period of employment.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Indicator 6 All employees shall be provided with fair contracts that have been signed by both employee and employer. A copy of employment contract shall be made available for each and every employee indicated in the employment records.

Summary All workers are provided with documented employment contract which signed by both employee and the management. Sighted 'Kontrakt Pekerjaan' dated 02nd December 2019 for mill General Workers. The contract has stated term and condition of employment as MAPA/NUPW Collective Agreement.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Indicator 7 The management shall establish a time recording system that makes working hours and overtime transparent for both the employees and employers.

Summary Working hours is 8 hours. From Monday to Saturday. Total monthly working hours is 208 hours. The overtime maximum is 104 hours according to Malaysian Law. The mill has used punch card as a working time recording system. Mill workers daily attendances are recorded punch card system which is located within the mill area.

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Indicator 8 The working hours and breaks of the individual worker indicated in the time records shall comply with legal regulations and collective agreements. Overtime shall be mutually agreed upon and shall meet the legal requirement applicable.

Summary Working hours are specified in employment contract is in compliance with the laws as total working hours is 8 hours with 1-hour lunch as follows:

- Morning Shift: 7.00 am – 3.00 pm (8hrs)
(Break hours: Breakfast: 9.00 – 9.15am; and Lunch :12.00 – 1.00pm)
- Afternoon Shift: 3.00pm -11 pm (8 am)
(Break hours: Coffee break 5.00pm – 5.15pm and 07.00 pm – 8.00pm)

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 9 Wages and overtime payment documented on the pay slips shall be in line with legal regulations and collective agreements.

Summary Mill workers' salaries are paid as per MAPA/NUPW collective agreement and complying with Minimum Wage Order 2020. The mill management pays their workers minimum RM1,200 as per the company policy regardless of location of the mill within Malaysia. Sighted salary slip of mill workers daily wages and overtime are paid as per MAPA/NUPW collective agreement. 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. Documented payslip was distributed to individual workers on the day of payment. Payment being made through bank.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 10 Other forms of social benefits should be offered by the employer to employees, their families or community such as incentives for good work performance, bonus payment, support of professional development, medical care provisions and improvement of social surroundings

Summary The company provides benefits such as free housing and water, electricity, in-house clinic free services for workers and family members, school bus subsidy for each school going children, etc.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 11 In cases where on-site living quarters are provided, these quarters shall be habitable and have basic amenities and facilities.

Summary The company provides workers quarters for mill workers. Worker with family is given one whole house while 4 bachelors share one house. Each house has two bed rooms, a living room, kitchen, and toilet and bathing facility. During site visit to the linesite noted the mill workers houses are well maintained and rubbish from house are collected 3 times a week.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 12 The management shall establish a policy to prevent all forms of sexual harassment and violence at the workplace.

Summary The company has established policy to prevent all forms of sexual harassment and violence at the workplace as sighted from KLK Sustainability Policy under the Sub-clause 2.1(ix) Harassment and Violence has stated that "Zero tolerance of any type of harassment, intimidation or violence". The policy has been communicated to mill workers as sighted from KLK Sustainability policy briefing record dated 04th March 2020.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 13 The management shall respect the right of all employees to form and join trade union and allow workers' own representative(s) to facilitate collective bargain in accordance with applicable laws and regulations. Employees shall be given freedom to join trade unions relevant to the industry or organize themselves for collective bargaining. Employees shall have the right to organize and negotiate their work conditions. Employees exercising this right should not be discriminated against or suffer repercussions.

Summary NUPW trade union exists within the mill where some of the workers are members of the union as evident from RM8.00 deduction from their monthly salary slip. According to the mill manager there is no restriction from the company for workers to form or join trade union. Interviews held with workers during site visit indicate that there is no restriction from the management on joining trade union. In addition, the right of employees to form and join trade union is also expressed in KLK Sustainability Policy, under the Sub-clause 2.1 (vi) Freedom of Association and Right to Collective Bargaining where it has stated "Recognise and respect the right of employees to form and join trade unions of their choice and to bargain collectively. Mill workers salary and other benefits are accorded with MAPA /NUPV collective agreement.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 14 Children and young persons shall not be employed or exploited. The minimum age shall comply with local, state and national legislation.

Summary The company has created and implemented minimum age policy and no child labor noted during this audit period. Interviews with workers and staff confirmed that there is no child labor employed neither in the mill. There is no of young person or children employed within the mill as sighted workers list which contains date of birth and date of employment (Refer to clause 4.4.5.5).

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Criterion 6 Training and competency

Indicator 1 All employees and contractors shall be appropriately trained. A training programme shall include regular assessment of training needs and documentation, including records of training.

Summary Training needs of mill employees are assessed by the management at beginning of the year as per SOP No.8.0. Sighted "Training Needs Analysis, Attendance & Evaluation Form" for training need assessment carried out on 02nd January 2020 for all mill workers. Sighted training given on contractor "Profina" for its 4 workers on the subject of OSH and sustainability. The training was conducted by Mill Assistants Mr Prakash and Mr Zain on 25th May 2020.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 2 Training needs of individual employees shall be identified prior to the planning and implementation of the training programmes in order to provide the specific skill and competency required to all employees based on their job description.

Summary Yearly training plan is created based on Training Needs Analysis for workers involved in the operations. Sighted the Training Need Analysis of all workers which are based on their competencies and job description. Training needs of individual employees are assessed based on their job function by mill assistant engineer Mr Lim Gao Yih as sighted "Training Needs Analysis, Attendance and Evaluation Form" for training need assessment carried out on 02nd January 2020 for all mill workers.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 3 A continuous training programme shall be planned and implemented to ensure that all employees are well trained in their job function and responsibility in accordance to the documented training procedure.

Summary As per of companies continuous training plan, the mill has established annual training programme for the mill. Sighted sustainability training for the mill prepared by mill assistant engineer Mr Lim Gao Yih dated 02nd January 2020 and verified mill manager Mr How Yong Chian consists of 10 training programme i.e Supply Chain Trainings in Feb 2020, KLK Sustainability briefing in March 2020, KLK Code of conduct in March 2020, etc. Similarly, as a continuous training plan, the mill also has planned and conducted OSH training for year 2020. i.e PPE training, confined space training – in Jan 2020, SOP training, working in height safety training – in Feb 2020, etc. Training records including training plan and participants training attendance sheet are well maintained in the mill's office.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

2.5 Principle 5: Environment, natural resources, biodiversity, and ecosystem services

Criterion 1 Environmental management plan

Indicator 1 An environmental policy and management plan which shall be in line with the relevant country and state environmental laws shall be established, effectively communicated and implemented.

Summary The mill has established the environment Policy in document, "KLK Sustainability Policy". The policy was signed by Tan Sri Dato' Seri Lee Oi Hian, Chief Executive Officer. EIA was conducted based on the internal procedure title Environmental Aspect & Impact Assessment dated 01st January 2020 SOP 10.0, Issue 3/2. Generally, the process flow consists of identification > Implementation & Maintenance > Review. Sighted the environmental management plan for year 2020 prepared by Mr Lim Gao Yih (Mill Assistant Engineer) on 2nd January 2020 and approved by Mr How Yong Chian (Mill Manager) on 15th January 2020. The plan to mitigate the negative impacts and to promote the positive one. The policy and the management plan have been communicated on conducted on 4th March 2020 to all staffs and workers.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 2 The environmental management plan shall cover the following:
a) An environmental policy and objectives;
b) The aspects and impacts analysis of all operations.

Summary KLK has established the Corporate Environmental Policy. The policy was signed by Tan Sri Dato' Seri Lee Oi Hian, Chief Executive Officer. The policy among others are stated;

- We are committed to keep our environment clean, safe and healthy
- We will continue to promote greater environmental awareness in our daily activities
- Preservation of the environment is the responsibility of everybody in the company.

Sighted the SOP 10.0; Environmental Aspect & Impact Assessment Procedure; Issue/Rev: 3/2; Date on 1st January 2020. Mill has conducted Environmental Aspect & Impact Assessment (EAIA) for all its' activities as prepared by Mr Lim Gao Yih (Mill Assistant Engineer) on 2nd January 2020 and approved by Mr How Yong Chian (Mill Manager) on 15th January 2020. The mill has identified 59 processes/area and determined the aspects and impacts of all these processes. Environmental Impact / Risk Matrix and Risk / Impact Value Table have been established in the Aspect – Impact Register. Environmental severity levels are classified in 5 categories: Insignificant, minor, moderate, major, severe. Finally, the environmental ratings are classified as low, medium and high. Among risk identified (with score calculated) by process/area are;

- FFB Sterilization>Sterilizer waste> Score (5)
- Separation>Mill wastewater> Score (5)
- Effluent treatment>Pumping/recycling of POME>Score (10)

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 3 An environmental improvement plan to mitigate the negative impacts and to promote the positive ones, shall be developed, implemented and monitored.

Summary Sighted the environmental management plan for the year 2020 developed to mitigate the negative impacts and to promote the positive one and effectively implemented and monitored which includes among others;

Process: Discharge of POME

Impact: Water pollution

Management Control:

- To carry out regular monitoring of effluent results
- POM waste water is treated using ponding system before discharging into cascaded pits for land application
- Operation of belt press to remove effluent solids

Process: CPO spillage/leakage from tank

Impact: Land contamination

Management Control: To ensure bund at the CPO storage area is in good condition

Process: Threshing & Stripping

Impact: Land contamination

Management Control (positive): Reuse as biomass for steam generation

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 4 A programme to promote the positive impacts should be included in the continual improvement plan.

Summary The continual improvement plan sighted for year 2020. Prepared by Mr Lim Gao Yih (Assistant Engineer) and verified by Mr How Yong Chian (Mill Manager). The continual improvement plan (CIP) consist:

Environment

- Regular service of shovel
- Briefing of energy saving
- Installation of Biogas plant, target on 2023
- Installation of Electrostatic Precipitator (ESP), target date 2022
- Waste reduction

Social

- Hiring contract workers to out keep the cleanliness of workers linesite
- Road maintenance

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 5 An awareness and training programme shall be established and implemented to ensure that all employees understand the policy, objectives and management plans and are working towards achieving the objectives.

Summary

Sighted the Mill training program 2020 for all executives, staffs and workers on the following aspects;

- Supply chain training – critical control point operators (security guard), conducted on 13th July 2020.
- Supply chain training – critical control point operators (weighbridge), conducted on 13th July 2020.
- Supply chain training – critical control point operators (production unit) conducted on 12th February 2020 and 4th March 2020.
- Supply chain training – critical control point operators (storage tanks), conducted on 12th February 2020 and 4th March 2020.
- Briefing on KKK Code of Conduct, conducted on 4th March 2020.
- Briefing on MAPA/NUPW Agreement 2019, conducted on 4th March 2020.
- Briefing on water sampling procedure, conducted on 22nd April 2020, conducted on 4th March 2020.
- Briefing on SW management, conducted on 4th March 2020.
- KKK Sustainability Briefing (Policy, RTE Awareness, Domestic Waste Management, Riparian Zone Management), conducted on 4th March 2020.

In Compliance

☒ Yes

☐ No

☐

Not Applicable

Indicator 6

Management shall organize regular meetings with workers where concerns of workers about the environmental quality are discussed.

Summary

Sighted the latest meeting regarding environmental conducted by Mr Lim Gao Yih (Assistant Engineer) and verified by Mr.How Yong Chian, attended by staff and workers.

In Compliance

☒ Yes

☐ No

☐

Not Applicable

Criterion 2 Efficiency of energy use and use of renewable energy

Indicator 1

Consumption of non-renewable energy shall be optimized and closely monitored by establishing baseline values and trends shall be observed within an appropriate timeframe. There should be a plan to assess the usage of non-renewable energy including fossil fuel, electricity and energy efficiency in the operations over the base period.

Summary

Sighted the monitoring usage of Diesel and Electricity consumption for the operation of the mill. Observed that the consumptions are monitored on a monthly basis. The mill use diesel for gen-set, TNB national grid and turbine for power generation. Data compiled (2 years) for comparison and monitored to optimize the use of non-renewable energy. Records available were verified and showed satisfactory monitoring of the resources. As evidence:

| Month | FFB Processed (MT) | kWhr for TNB (target) | kWhr for TNB (usage) | kWhr for Genset (target) | kWhr for Genset |
|---------|--------------------|-----------------------|----------------------|--------------------------|-----------------|
| Jan '20 | 21123 | 74806 | 134334 | 810 | 5455 |
| Feb '20 | 17858 | 74806 | 73137 | 810 | 50 |
| Mar'20 | 22047 | 74806 | 90398 | 810 | 1440 |
| Apr'20 | 24078 | 74806 | 81440 | 810 | 1200 |
| May'20 | 23705 | 74806 | 72810 | 810 | 1830 |
| June'20 | 23379 | 74806 | 72930 | 810 | 260 |

The baseline value set for 74806 kWhr for TNB and 810 kWhr for Genset

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 2 Palm oil millers shall estimate the direct usage of non-renewable energy for their operations, including fossil fuel, and electricity to determine energy efficiency of their operations.

Summary

The projection consumption of diesel and electricity for mill has been documented on annual basis based on the financial year with the latest available is for FY2019/20. Sighted baseline value established as above. This baseline value is kept monitoring and action plan drawn when there are exceeding the limit.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 3 The use of renewable energy should be applied where possible.

Summary

The mill uses by product of FFB production as renewable energy source where 100% of fibre and shell are extracted from FFB production.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Criterion 3 Waste management and disposal

Indicator 1 All waste products and sources of pollution shall be identified and documented.

Summary Sighted SOP 12.0; Waste Management & Energy Use; Issue/Rev: 3/2; Date on 1st January 2020. Mill's chemical wastes and other scheduled wastes are identified and disposed through a DOE registered schedule waste disposal contractor as per DOE requirements.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 2 A waste management plan shall be developed and implemented, to avoid or reduce pollution. The waste management plan should include measures for:
a) Identifying and monitoring sources of waste and pollution.
b) Improving the efficiency and recycling potential of mill by-products by converting them into value-added products.

Summary The mill has identified and documented the types of wastes that generated from its operation in Environmental Management Plan. Assessment of all polluting activities for the estate are identified and recorded in document titled "Environmental Aspect & Impact Assessment", SOP 10.0 dated 01st January 2020. Mitigation measures are identified for in the aspect-impact register to prevent or minimize pollution. The plan has also identified source of pollution, impact, waste generated, management control, PIC and Status. The wastes identified in the plan includes spent lubricant oil, spent oil filter, spent batteries, used cotton rags, palm oil effluent, black smoke, dust, etc.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 3 The palm oil mill management shall establish Standard Operating Procedure for handling of used chemicals that are classified under Environment Quality Regulations (Scheduled Waste) 2005, Environmental Quality Act, 1974 to ensure proper and safe handling, storage and disposal. Scheduled waste shall be disposed as per Environmental Quality Act 1974 (Scheduled Wastes) Regulations, 2005.

Summary KLK has established SOP 6.0; Title "Safe used and Storage for Agrochemicals/Chemicals, Issue 4/3. Date on 01st January 2020. Handling of any used chemical produced in the mill is under controlled and carried out by qualified person which have attended certain training. Mill has specialized person in handling the chemical. The person must be trained before handling the chemicals. Schedule wastes are disposed through the appointed contractor [Hiap Huat Chemical & Texcycle (P2) Sdn Bhd] license as below;

- Texcycle(P2) Sdn Bhd, No: 001486; "Pemerolehan Kembali Luar Tapak Buangan Terjadual", expired 01st May 2020 – 30th April 2021.
- Hiap Huat Chemicals Sdn Bhd, No: 003222; "Kemudahan Penstoran Luar Tapak Bagi Tujuan Pengumpulan Pemindahan – Pengangkutan", expired 01st May 2020 – 30th April 2021.

Sighted consignment notes, dated 25th June 2020 and 29th June 2020. Sighted the inventory record of schedule wastes generated from mill process well maintain by storekeeper and monitored by Mill Manager.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 4 Domestic waste should be disposed as such to minimize the risk of contamination of the environment and watercourse.

Summary Mill dispose of Domestic waste to minimize the risk of contamination of the environment and watercourse. Mill sent domestic waste to Changkat Chermin Estate and sharing the same landfill.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Criterion 4 Reduction of pollution and emission including greenhouse gas

Indicator 1 An assessment of all polluting activities shall be conducted, including greenhouse gas emissions, particulate and soot emissions, scheduled wastes, solid wastes and effluent.

Summary The assessment of polluting activities is identified and documented in the environmental impact assessment and management plan. From the EIA, it will be evaluated for the impact and any impact will be included in the management plan. Data on the level of Greenhouse gases (GHG) emissions are monitored and compiled on yearly basis through the GHG calculation methodology accepted for RSPO and ISCC GHG calculations and certifications which are analyzed. As evidence, sighted the GHG Calculation for Changkat Chermin certification unit year 2019 using GHG Emissions Calculation Methods, RSPO PalmGHG Calculator, V.4. Sighted summary emission for Changkat Cermin complex for year 2019;

Total (Mill + Estate):

CPO = 1.55 tCOe2

PK = 1.55 tCOe2

Mill = 0.23 tCOe/t FFB

Estate = 0.17 tCOe/t FFB

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 2 An action plan to reduce identified significant pollutants and emissions shall be established and implemented.

Summary Mill has developed action plan to reduce identified waste and identified significant pollutant and emission from mill processed. Mill has conducted Environmental Aspect & Impact Assessment (EAIA) for all its' activities as prepared by Mr Lim Gao Yih (Mill Assistant Engineer) on 2nd January 2020 and approved by Mr How Yong Chian (Mill Manager) on 15th January 2020. It includes the following processes/ activities;

- Discharge of Effluent
- Scheduled waste spillage
- Chemical spillage

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 3 Palm oil mill effluent (POME) shall be treated to ensure compliance with standards as stipulated in the relevant Environmental Quality (Prescribed Premises) (Crude Palm Oil) Regulations 1977. POME discharge limits and method should be in accordance with the respective state and national policies and regulations

Summary

The POM is treating POME in accordance to the DOE Limits for final discharge into the land application. Sighted the license (Jadual Pematuhan) from DOE:004218; AS(B) A91/110/616/087; validity 01st July 2019 to 30th June 2020. Currently, the mill applying for renewal of license as sighted in the acceptance letter from DOE letter Ref.no: AS(B)A31/152/000/31. Treated waste water are used for land application. DOE Limits for final discharge/land application analyzed by Technology & Quality Control Centre, KKK Bhd Kota Damansara on 23rd June 2020.

| Parameter | Results | DOE Limits |
|----------------------------|--------------|------------|
| pH | 7.7 @ 26.0°C | N/A |
| COD (mg/l) | 3920 | N/A |
| BOD (mg/l) | 1014 | 100 max |
| Total Nitrogen (mg/l) | 242 | 200 max |
| Ammoniacal Nitrogen (mg/l) | 184 | 150 max |
| Total Solid (mg/l) | 9658 | N/A |
| Suspended Solid (mg/l) | 4463 | 400 max |
| Oil& Grease (mg/l) | 39 | 50 max |

In Compliance ☒ **Yes** ☐ **No** ☐ **Not Applicable**

Criterion 5 Natural water resources

Indicator 1 The management shall establish water management plans to maintain the quality and availability of natural water resources (surface and ground water).
The water management plan may include:
a) Assessment of water usage and sources.
b) Monitoring of outgoing water which may have negative impacts into the natural waterways at a frequency that reflects the mill's current activities.
c) Ways to optimize water and nutrient usage and reduce wastage (e.g. having in place systems for re-use, night application, maintenance of equipment to reduce leakage, collection of rainwater, etc).

Summary

Sighted Surface & Groundwater management SOP No. 5 Rev 2/1 dated 01st January 2020 was established for the mill to source from;

- River water and wetlands
- Water from hill/tube well/well/spring
- Raw/Treated water – at water treatment plant
- Domestic wastewater & Palm Oil Mill Effluent

Currently, the mill consume water for mill processing from 3 tube wells, and drinking water from Lembaga Air Perak. The mill in the midst of applying license for "Abstraksi Air Bawah Tanah" in accordance with the national requirements. Sighted letter dated 24th June 2020 to Pejabat Daerah and Kinta Ipoh.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 2 Where open discharge of POME into water course is practiced, mills should undertake to gradually phase it out in accordance to the applicable state or national regulations.

Summary The POME is sent to the estate for land application. The BOD is below approved limit of 5000ppm by DOE for land application on quarterly using OER (online environmental report).

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

2.6 Principle 6: Best practices

Criterion 1 Mill management

Indicator 1 Standard operating procedures shall be appropriately documented and consistently implemented and monitored.

Summary The mill has capacity of 60 MT/Hr – Sterilization is by horizontal sterilizer. The mill has implemented Good Milling Practice (GMP) as seen from visit to the mill and seen from the document and also interviewing the workers. Based on the SOP mill has also developed safe operation procedures. Palm Oil Mill has 4 types of Manuals: -

- Sustainability Standard Operating Procedure
- Mill Standard Operation Procedure (SOP)
- Group Policy Occupational Safety & Health
- Guidelines Group Policy Occupational Safety & Health - Manual

SOP are well maintained and implemented. The SOP are revised dated 1st January 2020. The mill has implemented Good Milling Practice (GMP) as seen from visit to the mill and seen from the document and also interviewing the workers. The mill processed own crop @ 11 supply bases – IP - (RSPO certified). During mill visit it was observed that GMP is well practice in mill processed.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 2 All palm oil mills shall implement best practices.

Summary KLK has taken a step ahead on preparing the KLK-GMP [draft copy] after discussion and meeting with HQ department. Establishing own KLK Good Milling Practice and committee will be led by Mr. Johari, by upgrading current SOP to GMP. Sighted email update dated 19th April 2019 by Mr. Yah Kim Seng. As evidence, the mill is operating in accordance to Jadual Pematuhan Peraturan Kualitii Alam Sekeliling. POM effluent is treated by ponding system. POME is passed thru belt pressed system before going to 1st pond. POME pressed is sent for land application in own estate.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Criterion 2 Economic and financial viability plan

Indicator 1 A documented business or management plan shall be established to demonstrate attention to economic and financial viability through long-term management planning.

Summary The mill management has established the business management plan. Mill develop an annual budget which includes the projected FFB production, general charges, upkeep & cultivation, Collection and Immature areas. Sighted the 3 years business plan for the Mill as below:

| Items | Units | 2019/2020 | 2020/2021 | 20210/2022 |
|------------------------------------|-------|-----------|-----------|------------|
| FFB Projection | MT | 273,981 | 293,431 | 299,182 |
| Estimate oil extraction rate (OER) | % | 21.8 | 21.9 | 22.0 |
| CPO Projection | MT | 59,727.86 | 64,261.39 | 65,820.04 |
| MPOB CPO Price /tonne forecast | RM/MT | 2,750.00 | 2,800.00 | 2,875.00 |
| Ex-Mill cost per tonne of Oil | RM/MT | 252.56 | 260.00 | 270.00 |

Seen the 3 years business plan prepared by En Lim Gao Yih, Asst. Engineer and verified by Mr How Yong Chian.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Criterion 3 Transparent and fair price dealing,

Indicator 1 Pricing mechanisms for the products and other services shall be documented and effectively implemented.

Summary The mill exercises transparent and fair pricing dealing. Sighted the monthly mill accounts, Sales and purchase agreements and/or contract, service contract, credit terms. The pricing follow MPOB Crude Palm Oil price from the MPOB website every month and supplied by KLK Marketing Dept HQ Ipoh. A bimonthly review and update does guarantee a clear and transparent procedure, complete records are available and the records of past and present prices of FFB, CPO and PK are kept by the management of KLK Berhad and this information is provided to the mill.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

Indicator 2 All contracts shall be fair, legal and transparent and agreed payments shall be made in a timely manner.

Summary Mill management provides the contract agreement between KLK Mill and contractors. Under Clause 4: Payment to Carrier for Transportation Services; "Payment day shall be within 60 days pay to the carrier the rate per trip for such services". As sampled taken:

- (Transport Agreement dated 6th February 2020. Seen invoice sent by the contractor [INV: 200398] dated on 30th June 2020 and payment made on 6th July 2020 [PV: LV05109].

- (Transportation services) dated 1st July 2020. Seen invoice sent by the contractor [INV: HLESB3052] dated on 30th June 2020 and payment made on 6th July 2020 [PV: LV05111].
- Transporter agreement dated 1st October 2019. Seen invoice sent by the contractor [INV: MBSB/06-20/011]] dated on 30th June 2020 and payment made on 6th July 2020 [PV: LV05113].

Payment was made within the stipulated timeframe agreed between contractor and mill management

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

| Criterion 4 Contractor | |
|------------------------|--|
| Indicator 1 | In case of the engagement of contractors, they shall be made to understand the MSPO requirements and shall provide the required documentation and information. |

Summary Mill management perform inspection through on the contractor's workers. As evidence, during field visit, the workers aware with OSH requirement and the workers wear appropriate PPE during the work task that given to them. Sighted all contract includes an agreement signed by contractor and mill manager with term and condition which includes:

- Contractor must adhere to KLK Sustainability policy and all estate standard certifications includes MSPO

Estate management has briefed the contractors on the MSPO requirement during the contract signing. Sighted "External Contractor Compliance Checklist" as they are required to furnish relevant documents to comply with MSPO requirements.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

| | |
|--------------------|--|
| Indicator 2 | The management shall provide evidence of agreed contracts with the contractor. |
|--------------------|--|

Summary Mill management has signed contract with the contractor prior to perform the assigned work. Contractor has been instructed by mill management to follow the MSPO standard requirement when carrying out their work in the mill premise. Beside the contract agreements, there is a meeting between Changkat Chermin POM and Contractors and dealers on MSPO requirement.

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

| | |
|--------------------|--|
| Indicator 3 | The management shall accept MSPO approved auditors to verify the assessments through a physical inspection, if required. |
|--------------------|--|

Summary The mill is audited by Global Gateway Certifications Sdn Bhd auditor dated on 14th July 2020 (ASA 3). Sighted audit plan which have been received and accepted by the mill management. All the auditors are qualified MSPO auditor. As per agreed, the KLK Berhad accept the GGC MSPO Auditors to verify through a physical inspection if required for audit purposed. Sighted evidence of contractors agreed to be assessed by MSPO

approved auditors as stated in contract agreement between contractors and estate management. Stated as; "The CONTRACTOR shall be subjected to the management system audits by auditors assigned by the management as and when deemed necessary. It is understood that the contractor has obligation to comply with the certification standards along with the management. Respective contractors shall be given a written notice prior to each of the audit".

In Compliance ☒ **Yes** ☐ No ☐ Not Applicable

2.7 Details of Audit Findings

Details Non-Conformity

- nil -

Details of Area of Concern

- nil -

Details of Noteworthy / Positive Findings

- 1) Positive feedback received from the internal and external stakeholders.
- 2) Good cooperation and commitment from the Management and Staff.
- 3) Mill management demonstrated full commitment during the entire audit process.

Appendix A: Audit Plan

| AGENDA | | | | |
|----------------------------|---------------|--|---------------------|----------------|
| Date | Time | Subjects | Lead Auditor | Auditor |
| 14 th July 2020 | 09:00 – 13:00 | Changkat Chermin Palm Oil Mill Document Audit: <ul style="list-style-type: none"> Public documents, SOPs, Policies, Internal audit, Production & Supply chain records, FFB pricing, Review on SEIA documents and records, payment records, complaint records, workers records, training records, permits, CIP, etc. | SP | JS/BS |
| | 10:30 – 12:30 | Mill Inspection: <ul style="list-style-type: none"> Workshop, Laboratory, Environment, OHS, Chemical Stores, Workers Welfare and Interview, Clinic, Landfill, Mill Housing, Biogas System, WWTP, Schedule Waste, POME. | SP | JS/BS |
| | 13:00 – 14:00 | Lunch | SP | JS/BS |
| | 14:00 – 15:30 | Continue document review <ul style="list-style-type: none"> Public documents, SOPs, Policies, Internal audit, Production & Supply chain records, FFB pricing, Review on SEIA documents and records, payment records, complaint records, workers records, training records, permits, CIP, etc. | SP | JS/BS |
| | 15:30 – 16:00 | ➤ Verify any outstanding issues and auditor discussion. | SP | JS/BS |
| | 16:00 – 17:00 | Centralize Closing Meeting at Changkat Chermin POM: Chaired by the audit Lead Auditor <ul style="list-style-type: none"> Welcome and introduction by the Lead Auditor Presentation of findings by the audit team Questions & answers and Final summary by Lead Auditor End of assessment | SP | JS/BS |

Appendix B: Non-Conformity details

| Non-Conformities Identified During Previous Audit | |
|---|------------------------------------|
| Major Nonconformities: | Non-were raised during this audit. |
| Minor Nonconformities: | Non-were raised during this audit. |
| Area of Concern: | Non-were raised during this audit. |

Appendix C: List of Stakeholders Contacted

Internal Stakeholders

- 1) Changkat Chermin Mill Management team and staff
- 2) Gender Committee Representatives
- 3) Local Workers Representatives
- 4) Foreign Workers Representatives
- 5) General workers
- 6) Boiler
- 7) First aid team
- 8) Laboratory workers

External Stakeholders

- 1) CPO Transport Contractor – Zhi Seng Transport Sdn Bhd
- 2) Transporter – Huap Leong Enterprise Sdn Bhd
- 3) Transported – Mayang Bayumas Sdn Bhd