

PRIMA CERT INTERNATIONAL SDN BHD (1107878-A)

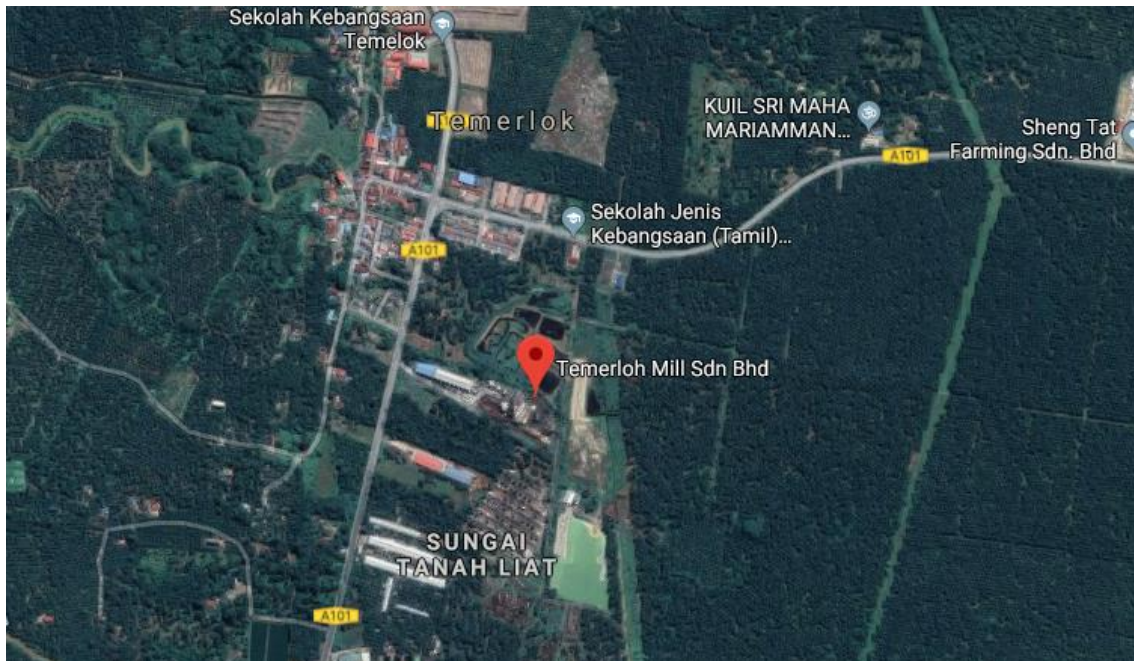
5A, Jalan Anggerik Eria AU 31/AU
 Kota Kemuning, 40460 Shah Alam
 Selangor, D. E. Malaysia
www.pci.com.my / +603-5525 8359)

**MSPO Audit Summary**

| | |
|---|--|
| Company Name: | Temerloh Mill Sdn Bhd |
| Address: | 34800 Trong, Perak, Malaysia |
| Reference No.: | 100046 |
| Standard(s): | MS 2530-4:2013 |
| MPOB licence no: (for group certification, list all licences no. in the group) | 500022204000 |
| MPOB licence scope of activity: | 1. Menjual & mengalih PK, CPO, SPO 2. Membeli dan mengalih FFB, PK, CPO 3. Menyimpan PK, CPO, SPO 4. Mengilang FFB |
| MPOB Licence expiry date: | Contact PCI for detail |
| Audit Type: | <input checked="" type="checkbox"/> Stage 2 Audit <input type="checkbox"/> Surveillance Audit <input type="checkbox"/> Re-certification Audit |
| Audit scope: | Palm oil milling. |
| Sites sampled: (for group certification only) | n/a |

GPS Coordinate: **N 4° 38' 52.246" E 100° 41' 43.817"**

Map showing approximate location of certified entity:



Audit date:

29/12/2018 to 29/12/2018

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|--|---|
| Total number of man-day(s): | 3.0 man-day(s) |
| (for MSPO Part 2 & Part 3) Planted Area: | <input checked="" type="checkbox"/> Not applicable ha. |
| (for MSPO Part 2 & Part 3) Estimated tonnage of annual FFB produced: | <input checked="" type="checkbox"/> Not applicable mt. |
| (for MSPO Part 4) Estimated processing capacity: Estimated certified palm oil (CSPO): Estimated certified palm kernel (CSPK): | <input type="checkbox"/> Not applicable 40.0 mt. FFB/hour 6.0 mt./hour 2.0 mt./hour |
| (N/A for Stage 2 & Re-certification assessment) Date of certificate issued and validity | <input checked="" type="checkbox"/> Not applicable dd/mm/yyyy to dd/mm/yyyy |
| Please state if the organization certified for other sustainability scheme(s)? | <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, _____ |

Executive Summary

Temerloh Mill Sdn Bhd (TMSB) started commissioning since 1977 and current capacity was 40 mt /hr. The organization get the raw material to running the mill by buying Fresh Fruit Bunch (FFB) from surrounded small holders, dealers and estate. The mill was conventional concept by using cages and sterilizer to process FFB. Their customers were like PFE0 and Wilmar Group & Mewah Group.

TMSB-Manual (MSPO Management Manual, Rev 0 dated 15-Jul-2018) was established according to the MS 2530-4:2013 MSPO Part 4 by the Director of Ngan & Ngan Holdings Sdn Bhd for its Group of Companies. The Director has appointed Mill Manager to be responsible for the maintenance and distribution of the manual.

This assessment was single site certification as a palm oil mill. Stage 1 audit was performed on 30/11/2018 and total of 14 findings were highlighted during audit on documentation review and site walkabout. All areas of concern were satisfactorily closed by the time of stage 2 audit.

Stage 2 audit was conducted on 29 Dec 2018 and improvement was sighted since last visit. However, there were total of 4 Nonconformities been detected which were relevant to internal audit (Principle 1), legal requirements compliance (Principle 3), employment condition (Principle 4). Details could be referred to NCR 1 to 4 of 4 and MSPO Part 4 Audit Checklist.

Listing of strength / strong point identified:

| No | Strength Statement |
|----|---|
| 1. | <i>Openness of Auditee and provide good support during audit.</i> |
| 2. | <i>Frequency of conduct MSPO briefings to internal staffs to enhance their understanding.</i> |

Listing of improvement potential / opportunities for improvement (OFI)

| No | OFI Statement |
|----|---------------|
|----|---------------|

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| | |
|----|---|
| 1. | <i>There was 1 incident reported due to hand injury when handling conveyor activities at Kernel Plant in early of year 2018. Further review the accuracy of likelihood rating defined in current HIRARC in order to provide better judgement on the necessity of proposing additional control after assessment if required.</i> |
| 2. | <i>To consider Authorities (DOE or JKKP or MPOB Monthly Report) request information as the information and documents relevant to MSPO requirements to be shared to the interested parties as part of transparency practice.</i> |
| 3. | <i>To further review on the Job Description against the Designation stated in Employee List to enhance the linkage and ease reference.</i> |
| 4. | <i>Consider to encourage workers and foreign workers who were not join NUPW to have their own representative to enhance on collective bargaining.</i> |
| 5. | <i>Consider to segregate recyclable materials from general waste as noted at the present pit.</i> |

Listing of nonconformity (NCR)

| No | Clause | NCR Statement | NCR status |
|----|---------|---|--|
| 1. | 4.1.2.2 | <i>Clause 4.1.2.2 required that the internal audit result shall be documented and evaluated, followed by the identification of strengths and root causes of nonconformities in order to implement the necessary corrective action. Internal Audit Procedure (TMSB-P1-02, Rev 0 dated 15-Jul-2018) also required to raise OFI and Corrective Action Request (CAR) for audit findings. For CAR required to take correction, corrective action based on root cause investigation and evaluate the effectiveness of corrective action taken. Noted internal audit was performed on 22-Oct-2018 and total of 13 NCs were reported. However, during audit there were lack of evidences that CARs been raised for 13 NC findings.</i> | <input type="checkbox"/> Open <input checked="" type="checkbox"/> Close |
| 2. | 4.3.1.2 | <i>Clause 4.3.2.2 required that the management shall list all relevant laws related to their operations in legal requirements register. TMSB Manual Section 4.1 also required that the organization shall evaluate the compliance to applicable regulatory requirements at least once every 12 months and maintain record. However, during audit there were lack of evidences that compliance evaluation been performed for regulatory requirements as below: a) MPOB related requirements such as MPOB (licensing) Regulations 2005, MPOB (Quality) Regulations 2005, MPOB (Registration of Contract) Regulations 2005 etc. b) Companies related requirements including Companies Act 1965, Registration of Businesses Act 1965 etc.</i> | <input type="checkbox"/> Open <input checked="" type="checkbox"/> Close |
| 3. | 4.4.5.8 | <i>The MS 2530-4:2013 clause 4.4.5.8 stated the working hours and breaks of the individual workers indicated in the time records shall comply with legal regulations and collective agreements. Overtime</i> | <input type="checkbox"/> Open <input checked="" type="checkbox"/> Close |

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|-----------|-----------------|--|--|
| | | <p><i>shall be mutually agreed upon and shall meet legal requirement applicable.</i></p> <p><i>During the audit, it was noted</i></p> <p><i>a) There is no break for worker working more than 5 hours during working Overtime. Sample collected for Employee No. ABD028 on 6 Dec 2018 who has last break on 9:57 pm and continue work until 5am. This is against Employment Act 1955, Section 60A.</i></p> <p><i>b) Employee No. DKR073 with normal Overtime (rate 1.5) of 142 hours on Nov 2018 and over 104 hours/month limit defined by Employment (limitation of overtime work) regulation 1980.</i></p> | |
| 4. | 4.4.5.11 | <p><i>The MS 2530-4:2013 clause 4.4.5.11 states ° In cases where on-site living quarters are provided, these quarters shall be habitable and have basic amenities and facilities.</i></p> <p><i>During the audit, the compound of Block 13 of the quarters for migrant workers was found to be in an unhygienic condition with unattended discarded equipment and recyclable materials with a potential of facilitating breeding places for vermin.</i></p> | <input type="checkbox"/> Open <input checked="" type="checkbox"/> Close |

Stakeholder consultation summary

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|---|---|
| Any issues raised by the stakeholder(s) towards the company? | <input type="checkbox"/> Yes, issue: _____ <input checked="" type="checkbox"/> No. |
| Remarks: <i>Stakeholder consultation was performed during audit and 3 different parties including NGO (Temple Representative), Representative from School and Kampung were interviewed. Based on the outputs from interview, they were satisfied with the relationship and positive interaction with the organization. Based on interview with relevant stakeholders, they are satisfied with the relationship and positive interaction with TMSB.</i> | |

Certification recommendation

In reference to **MS 2530-4:2013**, the audit team recommends for:

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|--|
| <input type="checkbox"/> Issuance of the certificate. |
| <input checked="" type="checkbox"/> Issuance of the certificate as soon as implementation of corrective action(s) has been demonstrated. |
| <input type="checkbox"/> Maintenance of the certificate. |
| <input type="checkbox"/> Maintenance of the certificate as soon as implementation of corrective action has been demonstrated. |
| <input type="checkbox"/> Not applicable, due to extraordinary type of report. |

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|----------------------------|-----------------------|
| Tentative next audit date: | <u>12/2019</u> |
|----------------------------|-----------------------|

| Company Representative | |
|------------------------|--|
| Designation: | <input checked="" type="checkbox"/> Mr. <input type="checkbox"/> Ms. <input type="checkbox"/> Other, please specify: |
| Name: | Hakimie |

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|--|---|
| Position: | Mill Manager |
| Tel: | 05-8544 130 |
| Email: | temerlohmill@yahoo.com.my |
| PCI Audit Team Leader | |
| Name: | Dominic Retan Giah |
| Area of expertise | Forestry, plantation management, health & safety, EIA expert |
| Tel: | +603-5525 8359 |
| Email: | info@pci.com.my |
| PCI Audit Team Member 1 | |
| Name: | Tee Kee Hu |
| Position: | <input type="checkbox"/> Co-Auditor <input type="checkbox"/> Auditor-in-Training <input type="checkbox"/> Technical Expert <input type="checkbox"/> Observer <input checked="" type="checkbox"/> Other, please specify: Lead Auditor-in-Training |
| Area of expertise (N/A if observer & other) | Environmental, health & safety, HIRARC |
| PCI Audit Team Member 2 | |
| Name: | Lim Aik Loong |
| Position: | <input checked="" type="checkbox"/> Co-Auditor <input type="checkbox"/> Auditor-in-Training <input type="checkbox"/> Technical Expert <input type="checkbox"/> Observer <input type="checkbox"/> Other, please specify: |
| Area of expertise (N/A if observer & other) | Social economic, quality management, business management |