

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:	Mengkuang-Heights Sdn Bhd
Address:	Lot 1371, 1937 Mukim Sermin, 85000 Segamat Johor
Reference No.:	100083
Standard(s):	MS 2530-3:2013
MPOB licence no: (for group certification, list all licences no. in the group)	1. Mengkuang-Heights Sdn Bhd – 502518702000 2. Mengkuang-Heights Sdn Bhd – 508837502000
MPOB licence scope of activity:	1. Menjual dan mengalih FFB
MPOB Licence expiry date:	1. Mengkuang-Heights Sdn Bhd – 30/06/2019 2. Mengkuang-Heights Sdn Bhd – 31/08/2019
Audit Type:	<input checked="" type="checkbox"/> Stage 2 Audit <input type="checkbox"/> Surveillance Audit <input type="checkbox"/> Re-certification Audit
Audit scope:	Provision of oil palm plantation, including planting, harvesting and delivery of palm fresh fruit bunches (FFB).
Sites sampled: (for group certification only)	1. Mengkuang-Heights Sdn Bhd 2. Mengkuang-Heights Sdn Bhd

GPS Coordinate:	2.4722472, 102.627777
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Map showing approximate location of certified entity:



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Audit date:	17/07/2019 to 20/07/2019
Total number of man-day(s):	3.0 man-day(s)
(for MSPO Part 2 & Part 3) Planted Area:	<input type="checkbox"/> Not applicable 1213.67 ha.
(for MSPO Part 2 & Part 3) Estimated tonnage of annual FFB produced:	<input type="checkbox"/> Not applicable 20907.16 mt.
(for MSPO Part 4) Estimated processing capacity: Estimated certified palm oil (CSPO): Estimated certified palm kernel (CSPK):	<input checked="" type="checkbox"/> Not applicable mt. FFB/hour mt./hour 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

The management commitment and responsibility were manifested in the Mengkuang Heights MSPO Policy which was established and approved by the Estate Manager. The MSPO was made available and communicate to workers and stakeholders accordingly. Internal audit was planned and carried out on 13th and 14th June 2019 for both Mengkuang heights division Mukim Sermin and Mukim Tangkak. 1 NC was identified for Home division and 2 NC was identified in Tangkak Division. The NCR was verified including the Corrective action reply. However, the estate management could consider the needs to include OFI findings classification in its audit report for better management action considerations. Management review was conducted on 02nd July 2019. The results of internal audit, MSPO progress and implementation were among the topics of discussion. The statement of commitment for continual improvement was established in its MSPO Policy. At time of assessment, there were 3 continual improvement action plans sighted with time line of completion set between Feb 2019 to Dec 2019.

In terms of transparency, Mengkuang Heights had established its communication procedure. The management monitors and submits relevant documents and information required by the government such as MPOB monthly e-submission. Relevant stakeholders were included in the list of stakeholders established by Mengkuang Heights. Stakeholder's meeting held on 10th June 2019 was among the methods applied by the company in gathering inputs and feedbacks regarding their operation. Relationship between the management and neighbouring estate were well maintained and informal discussions related to each party's interest were communicated. This was verified during the stakeholder's consultation conducted with the neighbouring estate. Regarding traceability of product, inspections were informally done through the daily practice of the clerks in compiling and maintenance of records from weighbridge tickets to record books. The

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estate Manager verifies and approve each transaction and record keeping on daily basis. Person in charge of traceability appointed is competent to the requirements of the job scope.

Mengkuang Heights is committed in ensuring all its operation complies to the legal requirements. Legal requirements register was available and relevant to the operations of the estate. In terms of better monitoring purposes, the management could consider the needs to document the methods of evaluating legal compliance. As per interviews conducted and documentation assessment carried out, there were no reports of land disputes recorded. The management was able to provide legal documentation to demonstrate ownership of each plots of land. All of the land owned by Mengkuang heights were freehold with land use rights of either to be planted with rubber or Oil Palm. Estate boundaries were clearly defined by construction of parameter drains and existence of drop gates in the fields.

Mengkuang Heights had identified the positive and negative impacts of its operations through the social impacts' assessment conducted. The management however could consider the needs to elaborate further on the completion status addressed for the negative impacts identified for better monitoring purposes. On complaints and grievances, the management had established a system to deal with each complaint raised. Through the company's complaint and grievances procedure, any party could lodge a complaint in the complaint form available at the estate office. The placement of complaint form could be reviewed by the company in ways that it could be more accessible and transparent.

Mengkuang heights concerns and priority on safety was manifested through the establishment of its Operational Safety and Health Policy. Safety awareness at workplace were communicated accordingly in series of trainings conducted. HIRARC was conducted for all relevant work operations. 1 accident case record was sighted regarding injury at workplace. The HIRARC related to the accident is yet to be reviewed in the next OSHA meeting. Site visit assessment noted the abundant use of PPE by harvesting workers. Awareness on purposes of wearing PPE was also positive among the workers. The workers normally practice direct communication to the management regarding any safety issues/concerns, apart from that the formal OSHA meeting conducted and attended by workers representative serves as a platform to discuss work SOP and also worker's matters.

Mengkuang Heights do not tolerate any discrimination, racism, harassment at workplace including sexual harassment and act of violence as per stated in its Social Policy. Payslips are issued and maintained accordingly and rates of pay followed the Minimum wages act. Attendance are record manually by the field supervisor. Time records of workers deployment abide to the legal regulations as per sighted. This was due to the practice of the management that do not offer overtime except on case to case basis. Site visit assessment at the worker's labour line noted the good upkeep and excellent condition of its labour quarters. As per record, no workers have joined any trade union, however the management will not restrict them from doing so should the interest arise. No child or young labour were deployed as verified through the documentation and site visit assessment.

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In its efforts on sustainable environment, Mengkuang Heights had in place its environmental Policy. An environmental aspect and impacts assessment were done including the consequences scoring and its mitigation measures. Most of the areas in Mengkuang Heights were hilly areas. Due to that, the management had established terrace plantings where applicable. Very steep hilly areas were left abandoned and serves as pocket forests for wildlife habitats. The management had also initiated plantings of ground covers as efforts to reduce land erosion. Workers are made aware of the environmental concerns, during site visit interview it was noted the awareness of workers to dispose waste accordingly and avoid burning of domestic waste. The estate mainly consumes diesel in its operation. The records of diesel, water and electricity bills were monitored on monthly basis including a graph indicating the usage trend. In the scope of waste management and disposal, the management had identified the schedule wastes and domestic wastes generated in the waste management plan. However, the management might consider to further review the schedule wastes items it generates to ensure better monitoring. During sight visit assessment, it was noted lack of labelling for the schedule wastes items stored. The management also had yet to notify its generation of schedule waste to DOE through the eSWISS. Through the environmental aspect and impact, the management had assessed its operation that caused significant pollution. The estate water consumption was sourced from Syarikat Air Johor (SAJ). Sighted the existence of a stream in Tangkak division and noted the action plan post MSPO stage 1 audit for the estate to conduct water sampling test.

Tangkak division borders a forest reserve. Both home and Tangkak divisions had recorded sightings of endangered and protected species such as Tapir and Pangolin. Good practices sighted in the estate where in Home division, the estate had reserved around 15 hectares of land to serve as pocket forest. The management had also emphasised on the efforts of conserving these species and its habitat by the abundant display of signages prohibiting illegal hunting. The estate practices zero burning during land preparation.

As for best practices, Mengkuang Heights had its procedures established covering all work operations. Harvesting was monitored systematically through its harvesting interval records. However, due to shortage of workers, a portion of area in Home division was excluded from the harvesting interval. The area will be recovered once the estate receives additional workers. The estate hired a visiting agronomist to advise on the fertiliser recommendation which was based on the leaf sampling results. There are no serious diseases or pest attacks sighted in Mengkuang Heights as at time of audit. Mengkuang heights gives sufficient attention to its economic aspects through the establishment of 3 years business plan which includes FFB projection, expenditure estimate and Ex – estate cost per metric tonnes. In terms that contractors were engaged, the management was committed in being transparent and fair by establishing agreements which were collectively agreed by both parties. Interview conducted with one of the contractors sighted satisfaction in terms of payment schedule.

Since takeover, the estate had already been planted with Oil Palms. There was no new conversion of forest to land. Overall, the MSPO system is in place and being implemented in Mengkuang Heights Estate.

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**Listing of strength / strong point identified:**

No	Strength Statement
1.	<i>Good commitment displayed by the estate management throughout the audit assessment</i>
2.	<i>The estate management took good care of the worker's welfare</i>
3.	<i>Management was seen committed in conserving the environment. Plenty of 'Dilarang Memburu' signages seen in the field. Reservation of 15 hectares of land in Home division as pocket forest.</i>
4.	<i>Construction of planting terraces were seen on hilly areas.</i>
5.	<i>Good employer – employee relationship sighted during interviews conducted.</i>

Listing of improvement potential / opportunities for improvement (OFI)

No	OFI Statement
1.	<i>The management could consider the needs to elaborate further on Internal audit plan/schedule whether to include sites to visit and topics to cover during site visit assessment for better planning.</i>
2.	<i>The management could consider the needs to include OFI findings in the audit report for better management action consideration.</i>
3.	<i>Management to consider needs to review results of HBV Monitoring and assessment, results of communication & consultation with stakeholders, status of complaints and grievances (if any), changes of environmental aspects, HIRARC review, replanting program (if any), changes of legal requirements and status of legal compliance as part of management review topics for better performance review purposes.</i>
4.	<i>Management might consider the needs of establishing a communication matrix for stakeholders regarded as high priority for better monitoring and action purposes.</i>
5.	<i>The management might consider the needs to include Wild life department in the list of stakeholders in order to have insights in the department's conservation progress since sightings of rare and endangered species were still sighted.</i>
6.	<i>The management might consider the needs to document the methods of evaluating legal compliance for better monitoring purposes.</i>
7.	<i>Social Impact Assessment was established; however, the estate could consider the needs to elaborate further on the completion status addressed for any negative impact identified for better monitoring purposes.</i>
8.	<i>Estate management could consider needs to review the placement of complaints and grievances form to be more accessible and transparent.</i>
9.	<i>The estate management could consider the needs on documenting Output from the stakeholder's meeting/consultation for better monitoring and follow up purposes.</i>
10.	<i>To consider include topic of HIRARC review in OSHA meeting and management might also consider to document the safe work inspection carried out.</i>
11.	<i>To consider the needs of including fire drill training in the annual training program</i>
12.	<i>Management to consider needs of centralising the annual training program for better planning and monitoring.</i>
13.	<i>To slot a specific agenda in the osha meeting. To discuss more detailed on objective and target of environmental concern.</i>

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14	<i>The estate did have a method to calculate/estimate the usage diesel by Contractors. Further enhancement on maintaining the relevant calculation records should be considered for better monitoring purpose.</i>
15	<i>Scheduled wastes procedure was established. Further review the need to amend current scheduled wastes list so that those scheduled wastes not generated at the moment could be removed from list in order to prevent confusion.</i>
16	<i>Estate management might consider the needs to elaborate further reuse/disposal methods of empty chemical containers in the Empty Chemical handling procedure</i>
17	<i>The management could consider the needs of installing signages indicating the date of closure and opening of landfill for better reference.</i>
18	<i>The estate management could consider the needs to include Calculation of greenhouse gas emission.</i>
19	<i>Estate management could consider the needs of further extending the assessment plan to forest reserves and pocket forests that exists within the estate.</i>

Listing of nonconformity (NCR)

No	Clause	NCR Statement	NCR status
1.	4.5.3.3	a. <i>Labelling of schedule waste for engine oil, oil filters and fertiliser bags were not sighted.</i> b. <i>Generation of scheduled waste yet to notify to DOE through eSWISS.</i>	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Close

Stakeholder consultation summary

Any issues raised by the stakeholder(s) towards the company?	<input type="checkbox"/> Yes, issue: _____ <input checked="" type="checkbox"/> No.
Remarks: <i>Based on interview with relevant stakeholders, they were satisfied with the positive interaction with the estate management. There were no evidences of land disputes recorded and the management had also shown commitment in establishing a long-term relationship. Phone interview with the MPOB officer noticed the cooperation of the management in spreading awareness regarding the needs to be MSPO certified to the smallholders within their neighbourhood.</i>	

Certification recommendation

In reference to **MS 2530-3:2013**, the audit team recommends for:

<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.

Tentative next audit date: **05/2020**

Company Representative

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Designation:	<input checked="" type="checkbox"/> Mr. <input type="checkbox"/> Ms. <input type="checkbox"/> Other, please specify:
Name:	Toh Soon Lee
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PCI Audit Team Member 1	
Name:	nil
Position:	<input 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)	
PCI Audit Team Member 2	
Name:	nil
Position:	<input 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)	