	SIRIM QAS INTERNATIONAL SDN. BHD. Building 4, SIRIM Complex, No. 1 ,Persiaran Dato' Menteri, Section 2, P.O. Box 7035, 40911 Shah Alam, Selangor, Malaysia.	**File Ref. : EL26030001**
	RSPO PUBLIC SUMMARY REPORT **INDEPENDENT SMALLHOLDER**	

CLIENT : LKM Trading

RSPO MEMBERSHIP NO. : 1-0268-19-000-00

GROUP MANAGER : CHUA SOON LEE @ LIEW SOON LEE

DETAILS OF SMALLHOLDERS (LOCATION, GPS AND/OR HECTARAGE):

Certification Unit	Supply Base	GPS Location		Location
		Latitude	Longitude	
LKM Trading (ISH group)	CHUA SOON LEE @ LIEW SOON LEE and CHUA SOON NYEE	5º 18' 31.89" N	118º 29' 53.51" E	Sungai Segama, Jalan Jeroco, 91109 Lahad Datu, Sabah.
	CHUA SOON DEE @ LIEW SOON DEE and CHUA SOON YEE @ LIEW SOON YEE			
	LIM ENGIT FUN	5°23'14.293" N	118°42'37.431"E	

AUDIT DATE : 29/01/2024-31/01/2024 **DURATION : 12 days**

STANDARD :
RSPO INDEPENDENT SMALLHOLDER STANDARD FOR THE PRODUCTION OF SUSTAINABLE PALM OIL (NOVEMBER 2019)

SCOPE OF REGISTRATION (specify sites, tonnages of FFBs and/or approved processes) :
PRODUCTION OF SUSTAINABLE FRESH FRUIT BUNCHES

NO OF SMALLHOLDERS (Applicable to the scope of activities audited): 3

TYPE OF AUDIT : ELIGIBILITY / ~~MS A / INITIAL CERTICATION~~ / ASA 4 / ~~RECERTIFICATION~~

The following attachments form part of this report:

Non-conformity Report (s) [redacted] **List of additional site (s)** [redacted]

Report by Audit Team Leader

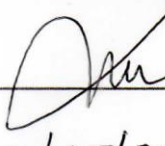
Name : MOHD ZULFAKAR KAMARUZAMAN

Signature : 

Date : 8 MAY 2024

Acknowledgement by Client's Representative

Name : CHUA SOON LEE

Signature : 

Date : 11/05/2024

INITIAL COMPLIANCE					
On-site audit date	:	17 – 18 September 2019		No. of auditor days:	10 auditor days
Audit team	:	Mohd Zulfakar Kamaruzaman (LA), Mohd Ab Raouf Asis, Selvasingam a/l Kandiah, Dzulfiqar Azmi, Mahzan Munap			
No. of major NCR	:	2	Indicator: RSPO P&C (2.1.1 & 6.1.2)		Closing date: 13/02/2020
No. of minor NCR	:	-	Indicator: -		
Indicate the stakeholders interviewed during the on-site audit	:	Employees / Workers organizations	Settlers	Villagers / Local communities	Employees / Workers organizations
		√	-	√	√
		Contract workers	Local & National NGOs	Govt. agency / Statutory bodies	Contract workers
		-	-	-	-
		Indigenous people	Contractor	Others (Please specify)	
		NA	-	-	-
Supply base sampled	:	LKM Trading (2 smallholders)			
Justification of audit planning	:	During stage 2 audit, the audit team visited the estate, linesite, chemical stores, schedule waste store, and other surrounding facilities such as waste collection area. In addition to the above, interviews were held with the management, employees and other relevant internal and external stakeholders.			
Name of peer reviewer	:	Dr Dzolkhifli Omar			
Report approved by	:	Kamini A/P M.Sooriamoorthy		Approval date: 16/03/2020	

ASA 1					
On-site audit date	:	26-28 April 2021		No. of auditor days:	9
Audit team	:	Mohd Razman Salim, Dzulfiqar Azmi, Mohd Zulfakar Kamaruzaman & Rohazimi Mat Nawi (Trainee Auditor)			
No. of major NCR only	:	11	Indicator: 1.1E, 1.1MS A, 1.3MS A, A2.3MS B, 3.1MS A, 3.4MS A, 3.5MS A, 3.6MS A, 4.1MS A, 4.7MS A & 4.9MS A 1		Closing date: 1/07/2021
Indicate the stakeholders interviewed during the on-site audit	:	Employees / Workers organizations	Settlers	Villagers / Local communities	Employees / Workers organizations
		√	-	-	√
		Contract workers	Local & National NGOs	Govt. agency / Statutory bodies	Contract workers
		-	-	-	-
		Indigenous people	Contractor	Others (Please specify)	
		NA	-	-	-
Supply base sampled	:	LKM Trading Estate (2 smallholders)			
Changes since last audit	:	No changes since last audit.			
Justification of audit planning	:	During the audit, the audit team visited the estate, linesite, chemical stores, schedule waste store, and other surrounding facilities such as waste collection area. In addition to the above, interviews were held with the management, employees and other relevant stakeholders.			
Name of peer reviewer	:	NA			
Report approved by	:	Kamini A/P M.Sooriamoorthy		Approval date: 5/7/2021	

ASA 2					
On-site audit date	:	5-7 January 2022		No. of auditor days:	9
Audit team	:	Khairul Najwan (LA), Mohd Raouf, Amir Bahari			
No. of major NCR	:	1	Indicator: 4.2		Closing date: 5/04/2022
Indicate the stakeholders interviewed during the on-site audit	:	Employees / Workers organizations	Settlers	Villagers / Local communities	Suppliers
		✓	-	-	-
		Contract workers	Local & National NGOs	Govt. agency / Statutory bodies	Independent growers / Smallholders
		-	-	-	✓
		Indigenous people	Contractor	Others (Please specify)	
		NA	-	-	
Supply base sampled	:	LKM Trading Smallholding (2 smallholders)			
Changes since last audit	:	No changes since last audit.			
Justification of audit planning	:	Audit has been planned and conducted as per audit plan. Smallholding farm operation, workers housing, general stores, and lubricant store were visited during the audit. Interviews and consultations were held with the management, employees, and other relevant stakeholders.			
Name of peer reviewer	:	NA			
Report approved by	:	Kamini Sooriamoorthy		Approval date: 8/4/2022	

ASA 3					
On-site audit date	:	31/1/2023 – 3/02/2023		No. of auditor days:	12
Audit team	:	Rozaimee Ab Rahman (LA), Khairul Najwan, Mohd Razman			
No. of major NCR	:	-	Indicator: -		Closing date: -
Indicate the stakeholders interviewed during the on-site audit	:	Employees / Workers organizations	Settlers	Villagers / Local communities	Suppliers
		✓	-	✓	-
		Contract workers	Local & National NGOs	Govt. agency / Statutory bodies	Independent growers / Smallholders
		-	-	-	✓
		Indigenous people	Contractor	Others (Please specify)	
		NA	-	-	
Supply base sampled	:	LKM Trading Smallholding (3 smallholders)			
Changes since last audit	:	Additional 1 new member Lim Engit Fun, joined for Eligibility Phase.			
Justification of audit planning	:	Audit has been planned and conducted as per audit plan. Smallholding farm operation, workers housing, general stores, and lubricant store were visited during the audit. Interviews and consultations were held with the management, employees, and other relevant stakeholders.			
Name of peer reviewer	:	NA			
Report approved by	:	Kamini Sooriamoorthy		Approval date: 22/02/2023	

<table>
<tr><th colspan="6">ASA 4</th></tr>
<tr><td>On-site audit date :</td><td colspan="2">29/01/2024-31/01/2024</td><td>No. of auditor days:</td><td colspan="2">12</td></tr>
<tr><td>Audit team :</td><td colspan="5">Mohd Zulfakar Kamaruzaman (LA), Khairul Najwan Ahmad Jahari, Rozaimee Ab Rahman</td></tr>
<tr><td>No. of major NCR :</td><td>1</td><td colspan="3">Indicator: A2.3 MS B</td><td>Closing date: 29/04/2024</td></tr>
<tr><td rowspan="8">Indicate the stakeholders interviewed during the on-site audit :</td><td>Employees / Workers organizations</td><td>Settlers</td><td>Villagers / Local communities</td><td colspan="2">Suppliers</td></tr>
<tr><td>✓</td><td>-</td><td>✓</td><td colspan="2">✓</td></tr>
<tr><td>Contract workers</td><td>Local & National NGOs</td><td>Govt. agency / Statutory bodies</td><td colspan="2">Independent growers / Smallholders</td></tr>
<tr><td>-</td><td>-</td><td>-</td><td colspan="2">✓</td></tr>
<tr><td>Indigenous people</td><td>Contractor</td><td colspan="3">Others (Please specify)</td></tr>
<tr><td>NA</td><td>-</td><td>-</td><td colspan="2"></td></tr>
<tr><td colspan="6"></td></tr>
<tr><td colspan="6"></td></tr>
<tr><td>Supply base sampled :</td><td colspan="5">LKM Trading Smallholding (3 smallholders)</td></tr>
<tr><td>Changes since last audit :</td><td colspan="5">No Changes</td></tr>
<tr><td>Justification of audit planning :</td><td colspan="5">Audit has been planned and conducted as per audit plan. Smallholding farm operation, workers housing, general stores, and lubricant store were visited during the audit. Interviews and consultations were held with the management, employees, and other relevant stakeholders.</td></tr>
<tr><td>Name of peer reviewer :</td><td colspan="5">NA</td></tr>
<tr><td>Report approved by :</td><td colspan="3">Kamini Sooriamoorthy</td><td colspan="2">Approval date: 8/05/2024</td></tr>
</table>

TABLE 1 -SUMMARY OF INFORMATION

	STAGE 2	ASA 1	ASA 2	ASA 3		ASA 4	
Period	Sept 2019 – Aug 2020	April 2021 – Mar 2022	Jan 2022 – Dec 2022	Jan 2023 – Dec 2023		Jan 2024 – Dec 2024	
FFB Production (MT)	920.00	450.00	1,100.00	1,100.00	450.00	*1,100.00	**620.00
IS – FFB Production (MT) *Applied @ 40% FFB*	**APPLICABLE FOR PHASE: ELIGIBILITY & MS A ONLY**				***180.00	-	***180.00
Certified volume CSPO (MT) ***OER applied @ 20% FFB***					36.00		36.00
Certified volume CSPK (MT) ***KER applied @ 5% FFB***					9.00		9.00
IS – CSPO ***OER applied @ 20% FFB***					36.00		36.00
IS – CSPKO ***PKO applied @ 45% CSPK***					4.05		4.05
IS – CSPKE ***OER applied @ 55% CSPK***					4.95		4.95
Certified Areas (Ha)	60.78	60.78	60.78	89.881		89.881	
Planted Areas (Ha) (*Mature + Immature area*)	59.11	59.11	59.11	86.661		86.661	
Production Areas (Ha) (*Mature area only*)	59.11	59.11	59.11	86.661		86.661	
HCV Areas (Ha)	-	-	-	-		-	
Conservation Areas (Ha)	-	-	-	-		-	
REMARKS	*Crop production based on normal production rate. **Crop production under Eligibility/MS-A phase, which has been based on actual production value. ***Eligibility values are the same for Year-1 and Year-2.						

TABLE 2 – ISH GROUP INFORMATION

	VOLUME
New licence year's certified FFB (MT) – MS B	1,100.00
Last licence year's certified FFB (MT) – MS B	1,100.00
Last licence year's actual sold volume of certified FFB (MT, if applicable)	798.50
Last licence year's actual sold volume of certified FFB under other schemes (MT)	0
Last licence year's actual sold volume of certified FFB as conventional (MT)	612.29
Last licence year's volume of IS-CSPO (CREDIT) – ELIGIBILITY AND MS A	0
Last licence year's volume of IS-CSPKO (CREDIT) – ELIGIBILITY AND MS A	0
Last licence year's volume of IS-CSPKE (CREDIT) – ELIGIBILITY AND MS A	0
Last licence year's actual sold volume of IS-CSPO (CREDIT)	0
Last licence year's actual sold volume of IS-CSPKO (CREDIT)	0
Last licence year's actual sold volume of IS-CSPKE (CREDIT)	0

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1.0 AUDIT PROCESS

1.1 Certification Body

SIRIM QAS International Sdn. Bhd. is the leading certification, inspection and testing body in Malaysia. SIRIM QAS International provides a comprehensive range of certification, inspection and testing services which are carried out in accordance with internationally and nationally recognised standards. Attestation of this fact is the accreditation of the various certification and testing services by leading national and international accreditation and recognition bodies such as the Department of Standards Malaysia (STANDARDS MALAYSIA), the United Kingdom Accreditation Services (UKAS) and the International Automotive Task Force (IATF). SIRIM QAS International is a partner of IQNet, a network currently comprising of leading certification bodies in Europe, North and South America, East Asia and Australia.

SIRIM QAS International has vast experience in conducting audits related to RSPO certification. It has certified more than a hundred palm oil mills and several estates to ISO 14001 & ISO 45001. SIRIM QAS International has also conducted many audits for sustainable production of palm oil products against the requirements of the RSPO P&C. SIRIM QAS International was approved by the RSPO as a RSPO certification body on 21 March 2008 and re-accredited by ASI on 3 October 2019 (accredited since 2014).

1.2 Qualification of audit team

Member of the Audit Team	Role/area of RSPO requirements	Qualifications
Mohd Zulfakar Kamaruzaman	Lead Auditor / Social & Environment	Holds a B.Sc. Forestry from UPM. He had 5 years of working experience in the oil palm operation. He is a qualified RSPO P&C, RSPO Supply Chain and MSPO Lead Auditor.
Khairul Najwan Ahmad Jahari	Auditor / Social & HCV	Possessed B.Sc. of Forestry from Universiti Putra Malaysia with total more than 20 years of working experience in the Forest Management, forest inventories, forest harvesting, remote sensing & GIS. He had 10 years of auditing experience in the oil palm operation including auditing in HCVF and social issues. He is a qualified Lead Auditor for RSPO P&C, MSPO, Forest Management (FMC), MyTLAS, STLVS and ISO.
Rozaimee Ab Rahman	Lead Auditor / GAP & Safety	Holds a B.Sc. Agriculture from UPM. He had 5 years of working experience in the oil palm operation. He is a qualified RSPO P&C, RSPO Supply Chain and MSPO Lead Auditor

1.3 Audit methodology

The minimum sample size should be four (4) members. For groups with fewer than four (4) members, 100% of the members shall be assessed. The following information shows sample size formula that shall be applied at every phase.

1) Eligibility = (√y) x (0.5) where y is the number of group members;

2) Milestone A = (√y) x (0.8) where y is the number of group members;

3) Milestone B = (√y) x (z), where y is the number of group members and z is the multiplier defined by the risk assessment.

The certification unit under assessment goes for Independent Smallholder Phased Approach for Certification, Claims and Benefits as:

■ Eligibility ☐ Milestone A ■ Milestone B

And, in accordance with the RSPO Certification System for P&C and RSPO ISH Standard, the risk level of the size for the group has been determined as (applicable to MS B only):

■ Low risk (Level 1, z=1.0) ☐ Medium risk (Level 2, z=1.2) ☐ High risk (Level 3, z=2.0)

LKM Trading Sdn Bhd, with the current certified two (2) members and additional one (1) new member Lim Engit Fun, 100% sampling was conducted during the assessment.

Lim Engit Fun, joined on 27/01/2023 (Eligibility phase). The LKM Trading Sdn Bhd is a company owned by private smallholders. The audit included an on-site audit of LKM Trading Estate and its line site to verify the implementation of the requirement of the certification. Interviews with the CU's management, employees and other relevant stakeholders were also conducted during the audit.

1.4 Stakeholder Consultation

Stakeholder consultation was carried out during the on-site audit and the evidence from the stakeholder consultation carried out were as tabulated below: In general, there was no negative comments made against this independent smallholder.

Stakeholders interviewed	Evidence from stakeholder consultation
1) Employees / Workers Organizations (including migrant workers)	No issues.
2) Settlers	NA
3) Villagers / Local communities (including women representatives, displaced communities)	Ketua Kampung of Kg. Litang and Hap Seng Representative
4) Suppliers	Smallholders by direct from Supplier in Lahad Datu such as fertiliser supplier - Sabah Softwoods Hydbrid
5) Contract workers	There were no contract workers has been used in CU
6) Local & national NGOs	NA
7) Government agencies / Statutory bodies	No land claims/disputes and no social issues. Harmonius co-existence.
8) Independent growers / Smallholders	NA
9) Indigenous people	NA
10) Contractor	NA
11) Previous land owner	The exisiting member - The Land Title are originated from Sabah Land Development (Sabah Government) and sell to Company Name Orient Tide Sdn Bhd in year 1999 and Orient Tide Sdn Bhd Sell their Land to Chua Soon Lee (1/4), Chua Soon Nyee (1/4), Chua Soon Yee (1/4) and Chua Soon Dee (1/4). Auditor has verified the record of Transfer from Orient Tide Sdn Bhd Sell their Land to Chua Soon Lee (1/4), Chua Soon Nyee (1/4), Chua Soon Yee (1/4) and Chua Soon Dee (1/4). The purpose of the land is cultivation of Oil Palm. Lim Engit Fun has the legal right to use the land in accordance with national and local laws, and customary practices. Details were provided in section 2.1E of this checklist.
12) Others (please specify)	NA

1.5 Audit plan : Refer to Attachment 2

1.6 Date of next audit : The next surveillance audit will be conducted within 12 months but not sooner than 9 months from this audit.

2.0 SCOPE OF CERTIFICATION AUDIT

2.1 Description of the certification unit

The LKM Trading Sdn Bhd is a company owned by private smallholder. The Estate is located in Sungai Segama, Jalan Jeroco, Lahad Datu, Sabah. The location of the members are very close to Hap Seng Estate and Hap Seng POMs such as Bukit Mas POM, Jeroco 1 POM and Jeroco 2 POM.

There are two (2) smallholders' unit under the same land title. The owners are the siblings of four (4) and they inherited their portion of the estate i.e., a quarter each, from their father. List of the independent smallholders i.e., group members of LKM Trading are tabulated below (also provided in Attachment 6). Mr Chua Soon Lee has been appointed as Group Manager for the RSPO Independent Smallholders group, the LKM Trading. Since 27/01/2023, one (1) smallholder, Lim Engit Fun joined this ISH group.

No	Group member	Site location address	GPS Location	Total certified area (ha)	FFB production (MT/yr)	Year of planting
1	*CHUA SOON LEE @ LIEW SOON LEE and CHUA SOON NYEE*	Sungai Segama, Jalan Jeroco, 91109 Lahad Datu, Sabah.	Latitude: 5° 18'31.891''N Longitude: 118°29'53.514''E	30.39	798.50	2004
2	*CHUA SOON DEE @ LIEW SOON DEE and CHUA SOON YEE @ LIEW SOON YEE*		Latitude: 5° 18'31.891''N Longitude: 118°29'53.514''E	30.39		2004
3	*LIM ENGIT FUN*		Latitude: 5°23'14.293" N Longitude: 118°42'37.431"E	29.101	612.29	2004 2007 2011
Total				**89.881**		

The previous 2 estates are fully developed with 100% oil palm planting. It began planting oil palm in year 2004 and for Lim Engit Fun, the oil palm planting is in year 2004, 2007, and 2011 thus, 5 blocks were applicable for LUCA. All crops are sent to Hap Seng Plantation's mills.

2.2 Description of the Supply Base (including the planting profile)

Table 1 Planted and certified area of LKM Trading

Smallholder	Planted (ha)	Certified (ha)
CHUA SOON LEE @ LIEW SOON LEE and CHUA SOON NYEE	29.54	30.39
CHUA SOON DEE @ LIEW SOON DEE and CHUA SOON YEE @ LIEW SOON YEE	29.57	30.39
LIM ENGIT FUN	27.551	29.101
Total	**86.661**	**89.881**

Table 2 Planting profile for LKM Trading Estate

Year of planting	Planting cycle (1st, 2nd, 3rd, etc. Generation)	Mature / Immature	Planted area (ha)	Percentage of planted area (%)
CHUA SOON LEE @ LIEW SOON LEE and CHUA SOON NYEE	2004 – 1st planting	Mature	29.54	97.27%
CHUA SOON DEE @ LIEW SOON DEE and CHUA SOON YEE @ LIEW SOON YEE	2004 – 1st planting	Mature	29.57	97.27%
LIM ENGIT FUN	2004 – 1st planting	Mature	4.956	94.67%
	2011– 1st planting		3.758	
	2004– 1st planting		5.000	
	2011– 1st planting		3.783	
	2007– 1st planting		3.879	
	2007– 1st planting		3.921	
	2011– 1st planting		3.777	
Total			27.551	
Grand Total			**86.661**	**100**

Table 3 FFB Production for LKM Trading Estate

CU own estates	**FFB Contribution**	
	Tonnes	**Percentage (%)**
LKM Trading (MSB 2 members)	798.50	56.60%
Lim Engit Fun	612.29	43.40%
Total	**1,410.79**	**100%**

2.3 Organizational Information/Contact Person(s)

The details of the contact person are as shown below:

Name	:	CHUA SOON LEE @ LIEW SOON LEE
Position	:	RSPO Group Manager, LKM Trading
Address	:	Off 40 KM, Jalan Jeroco, 91100, Lahad Datu,
Phone no.	:	Sabah, Malaysia
Fax no.	:	016-7114317
Email	:	chuasoonlee@gmail.com

3.0 AUDIT FINDINGS

3.1 Changes to the products in accordance to the production of the previous year:

No Changes

3.2 Any new acquisition which has replaced primary forests or HCV areas ☐ Yes ■ No

3.3 Other changes (e.g. organizational structure, new contact person, addresses, etc.)

No changes

3.4 Complaint received from stakeholder (if any)

NA

4.0 DETAILS OF NON-CONFORMITY REPORT - INDEPENDENT SMALLHOLDERS

For details checklist, refer to Attachment 3.

Total no. of major NCR(s) List : 1 A2.3 MS B (RAR 01 2024)

5.0 AUDIT CONCLUSION

Independent Smallholder Phased Approach for Certification, Claims and Benefits:

■ Eligibility ☐ Milestone A ■ Milestone B

In general, it can be concluded that the organization has established and maintained its management system in line with the RSPO Independent Smallholder Standard for the Production of Sustainable Palm Oil standard and demonstrated the ability of the system to systematically achieve agreed criterion & requirements specified for the phase above.

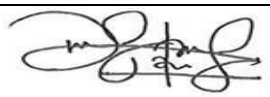
6.0 RECOMMENDATION

☐ No NCR recorded. Recommended to continue certification.

■ Major NCR(s) recorded. Evidence of implementation of the corrective actions have been provided and accepted by the audit team. The NCR(s) have been satisfactorily closed out. Recommended to continue certification.

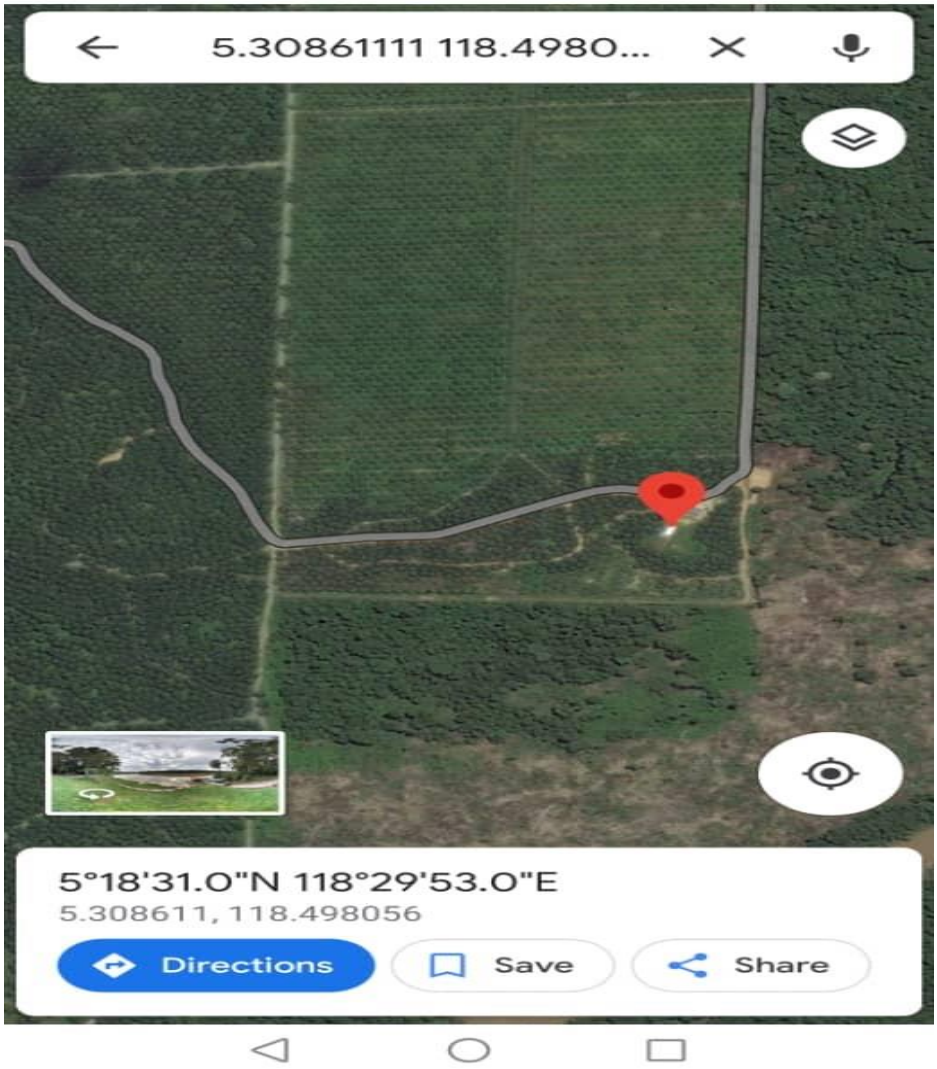
☐ Major NCR(s) recorded. Evidence of implementation of the corrective actions have been provided but not fully accepted by the audit team. NCR(s) which have not been satisfactorily closed out within 90 days of the audit. Recommended for suspension of the certificate.
Note: Major NCRs which are not addressed within a further 90 days shall result in the certificate being withdrawn.

7.0 IT IS CONFIRMED THAT ALL CORRECTIVE ACTIONS TAKEN ON MAJOR NON-CONFORMITIES HAVE BEEN SATISFACTORILY REVIEWED, ACCEPTED AND VERIFIED AND ALL CORRECTIVE ACTIONS PLANS PROVIDED ON MINOR NON-CONFORMITIES HAVE BEEN SATISFACTORILY REVIEWED AND ACCEPTED. RECOMMENDED FOR CONTINUATION OF RSPO P & C CERTIFICATION UNDER INDEPENDENT SMALLHOLDER STANDARD.

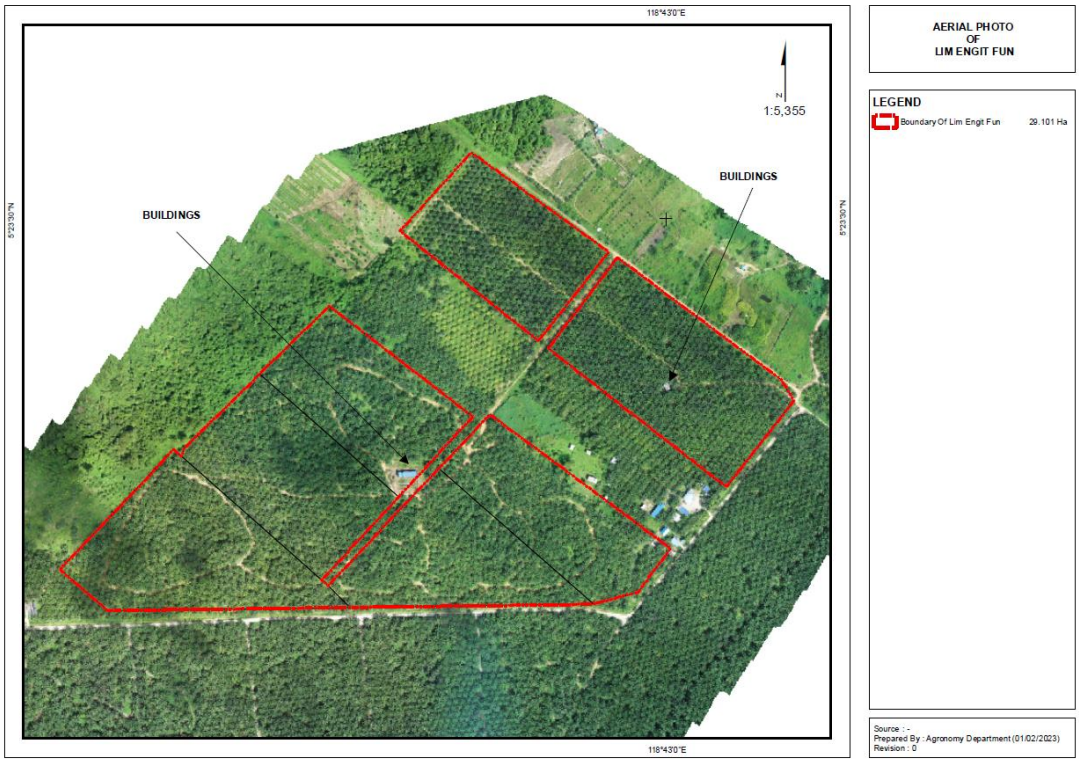
Audit Team Leader :	**MOHD ZULFAKAR KAMARUZAMAN**		**29/04/2024**
	(Name)	(Signature)	(Date)

Attachment 1

Map of LKM Trading (Group of Independent Smallholders)



Lim Engit Fun



Attachment 2

RSPO INDEPENDENT SMALLHOLDER AUDIT PLAN

1. Objectives

The objectives of the audit are as follows:

(i) To determine Certification Unit conformance against the relevant certification standards (RSPO Independent Smallholder Standard, Nov 2019).
(ii) To verify the effective implementation of corrective actions arising from the findings of last audit.
(iii) To make appropriate recommendations based on the audit findings.

2. Date of assessment : 29 – 31 January 2024

3. Site of assessment : **LKM Trading (group of independent smallholders)**

1. **CHUA SOON LEE @ LIEW SOON LEE and CHUA SOON NYEE**
2. **CHUA SOON DEE @ LIEW SOON DEE and CHUA SOON YEE @ LIEW SOON YEE**
3. **LIM ENGIT FUN (eligibility-year 2)**

4. Reference Standard:

a. ~~MYNI 2019 of RSPO P&C 2018 /~~ RSPO Independent Smallholder Standard, Nov 2019 / ~~RSPO Management System Requirements and Guidance for Group Certification of FFB Production, March 2018~~
b. RSPO Certification System Documents
c. Company's audit criteria including Company's Manual/Procedures

5. Assessment Team

Lead Auditor	:	Mohd Zulfakar Kamaruzaman
Auditor	:	1) Rozaimee Ab Rahman
		2) Khairul Najwan Ahmad Jahari
Observer	:	-.

If there is any objection to the proposed audit team, the organization is required to inform the Lead Auditor/RSPO Section Manager.

7. Audit Method

Site audits or field checks including observation of practices, interviews with internal and external stakeholders and interested parties (employees, nearby population, etc.), documentation review and evaluation of records.

8. Audit Findings

Audit findings shall be classified as major. Major non-conformities shall be addressed within 90 days or else the certificate shall be suspended. If the major non-conformities are still not addressed within another 90 days, the certificate shall be terminated.

If there are five or more major non-compliances within one Principle found during the audit, immediate suspension of RSPO certification shall be recommended.

9. Confidentiality Requirements

SIRIM QAS International shall not disclose any information concerning the company regarding all matters arising or coming to its attention with the conduct of the programme, which is of confidential in nature other than information, which is in the public domain.

In the event that there be any legal requirements for disclosing any information concerning the organization, SIRIM QAS International shall inform the organization of the information to be disclosed.

10. Working Language : English and Bahasa Malaysia

11. Reporting

a)	Language	:	English
b)	Format	:	Verbal and written
c)	Expected date of issue	:	2 weeks after the closure of the Major NC / or if only minor NC, 30 days from the last day of this audit.

12. Facilities Required

a. Room for discussion
b. Relevant document and record
c. Personnel protective equipment if required
d. Photocopy facilities
e. A guide for each group

13. Assessment Programme Details : As below

Day 1 – 29/1/24

Time	Activities / Areas to be visited			Auditee
9.30am	Opening meeting - Audit team introduction and briefing on assessment objectives, scope, methodology, criteria and programmes by SIRIM QAS Audit Team Leader			Management representative
9:45am	Organization Representative - Briefing on RSPO implementation, significant change on organization activity, structure, certified areas, machinery, FFB, supply bases, time bound plan, actions taken to address previous audit findings. Logistic discussion to the sites to be visited.			
10.00am	To assign each audit team members – site and the P&C requirements			
	MZK	**RAR**	**KN**	
	Documentation review • Complaints and grievances • High conservation value • Good Agriculture Practices • IPM implementation, training and safe use of agro-chemicals • Stakeholder consultation with affected communities surrounding the CU	Documentation review • Laws and regulations • Waste management • Environmental management – witness activities at site • Fertilizer store • Monitoring buffer zones areas • Training and skill development programmes • Occupational safety & health practice – witness activities at site	Documentation review • Land titles, user rights • Facilities at workplace • Social aspects, child labour • Stakeholder consultation with affected communities surrounding the CU	Guide(s) for each auditor
1.00pm	Lunch Break / Zuhur Prayer			All
2.00pm	Continue assessment at Smallholding farm			
4.30 – 5.00 pm	Audit team discussion / Debrief meeting with client on issues (if any) / End of Day 1 audit			All
9.00 – 10.00 pm	Discussion on potential NCRs			Audit team only

Day 2 – 30/1/24

Time	Activities / Areas to be visited			Auditee
8.00am	Overview of current activities at Supply base sites. To assign each audit team members – site and the P&C requirements			Management representative
8:30am	To assign each audit team members – site and the P&C requirements			
	MZK	**RAR**	**KN**	
	Documentation review • Complaints and grievances • High conservation value • Good Agriculture Practices • IPM implementation, training and safe use of agro-chemicals	Documentation review • Laws and regulations • Waste management • Environmental management – witness activities at site • Fertilizer store • Monitoring buffer zones areas	Documentation review • Land titles, user rights • Facilities at workplace • Social aspects, child labour Stakeholder consultation with affected communities surrounding the CU	Guide(s) for each auditor

	Stakeholder consultation with affected communities surrounding the CU	• Training and skill development programmes • Occupational safety & health practice – witness activities at site		
1.00pm	Lunch Break / Zuhur Prayer			All
2.00pm	Continue assessment at Smallholding farm			
4.30 – 5.00 pm	Audit team discussion / Debrief meeting with client on issues (if any) / End of Day 2 audit			All
9.00 – 10.00 pm	Discussion on potential NCRs			Audit team only

Day 3 – 31/1/24

Time	Activities / Areas to be visited			Auditee
9.00am	Continue unfinish assessments			Management representative
9:30am	To assign each audit team members – site and the P&C requirements			
	MZK	**RAR**	**KN**	
	Documentation review • Complaints and grievances • High conservation value • Good Agriculture Practices • IPM implementation, training and safe use of agro-chemicals Stakeholder consultation with affected communities surrounding the CU	Documentation review • Laws and regulations • Waste management • Environmental management – witness activities at site • Fertilizer store • Monitoring buffer zones areas • Training and skill development programmes • Occupational safety & health practice – witness activities at site	Documentation review • Land titles, user rights • Facilities at workplace • Social aspects, child labour Stakeholder consultation with affected communities surrounding the CU	Guide(s) for each auditor
12.00pm	Lunch Break / Jumaat Prayer			All
2.00pm	Continue assessment at Smallholding farm			
3.30 – 4.00 pm	• Verification on outstanding issues for CU • Auditor to inform auditee on the required document / records • Continue Audit Team discussion and preparation of assessment findings.			All
4.00 – 5.00 pm	• Discussion and acceptance on assessment findings with Management Representative. • Closing meeting at CU			Audit team only

Note: Please note that the Audit Plan merely serves as a guide and there may be changes as the audit progresses

Attachment 3

RSPO INDEPENDENT SMALLHOLDER STANDARD AUDIT CHECKLIST AND FINDINGS (RSPO ISH STANDARD NOV 2019)

Independent Smallholder Phased Approach for Certification, Claims and Benefits:

■ **Eligibility (E)** ☐ **Milestone A (MS A)** ■ **Milestone B (MS B)**

(I) Internal Control System Requirements for Smallholder Groups

A – ICS: Group entity and group management requirements

Clause	Indicators	Comply Yes/No	Findings
A1 The group demonstrates that they are legally formed.	**A1.1 E / MS A / MS B** The group has appointed a group manager.	Yes	**Eligibility (E)** The new member of Lim Engit Fun has signed a contract with LKM Trading, clause "witness of Group Representative" dated 27 Jan 2023. Currently in year-2, Eligibility phase. The contract agreement is a management requirement to new member participating in RSPO-ISH. **Milestone B (MS B)** LKM Trading had appointed a Group Manager as the management representative. An organisation structure detailing the positions and responsibilities of all members was made available. Mr. Chua Soon Lee has been appointed as LKM Trading Group Manager by the members (Chua Soon Nyee, Chua Soon Yee, Chua Soon Dee and Lim Engit Fun) based on a letter dated 27 January 2023.
	A1.2 E / MS A / MS B The group manager has evidence of legal identity.	Yes	**Eligibility (E)** The new member of Lim Engit Fun has registered with the MPOB License, valid until March 2028. **Milestone B (MS B)** LKM Trading is a legal entity which is a registered Malaysian company under trading. It provides support and assistance to independent small oil palm producers which consist of smallholders. LKM Trading is a legal entity verified through a Trading license (Lesen Berniaga). Sighted also MPOB Licenses for LKM Trading, which is valid until May 2029.
	A1.3 E / MS A/ MS B The group has membership requirements.	Yes	**Eligibility (E)**

Clause	Indicators	Comply Yes/No	Findings
			The membership requirement, including the new member of Lim Engit Fun is based on the contract 'Undertake to Enter into This Contract Agreement' signed on 27 Jan 2023 as listed below: 1. Obligations of the Group 2. Obligations of the Producer 3. Sanction 4. Term and Termination 5. General 6. Agreement 7. Smallholder Declaration **Milestone B (MS B)** LKM Trading has membership requirements with the members (Chua Soon Nyee, Chua Soon Yee, Chua Soon Dee and Lim Engit Fun) based on the contract 'Undertake to Enter into This Contract Agreement' signed on dated 27 January 2023.
	A1.4 E All members have signed and acknowledged membership requirements.	Yes	The contract between the Group and the Producer, LKM Trading – herein referred to as the Group were verified during the audit. Chua Soon Lee & Chua Soon Nye, Chua Soon Yee & Chua Soon Dee and a new member of Lim Engit Fun, herein referred to as the "Producer". The members signed an agreement with the Group Manager on 07 Sept 2019 and 27jan 2023 and committed to achieving compliance with the RSPO standards and requirements, respectively. Original agreements were kept at the site office, while members kept a copy of the original and the softcopy will be kept at the office. The records were kept for 5 years according to the agreements.
	A1.4 MS A All members can demonstrate understanding of membership requirements.	Yes	The Group Manager has kept evidence that the nature and structure of the group have been communicated to all members of the Group appropriately on 07Jan 2019. Compulsory training was conducted on 25 January 2024 covering all the requirements mentioned for all members, especially on RSPO certification, criteria for group membership, group members' documentation and plantation, agriculture practise, policies, safety and environment training, other obligation and others. The requirement to confirm conditions or corrective actions issued by the certification body was described in the training.

Clause	Indicators	Comply Yes/No	Findings
A2 The group manager is responsible for managing the group for certification.	**A2.1 E** The group manager has planned for the implementation of the ICS.	Yes	LKM Trading had established an SOP and Flow chart for Internal Audit System.
	A2.1 MS A The group manager can demonstrate compliance of the ICS by individual members.	Yes	The internal audit was conducted on 31 Jan 2023 – 3 Feb 23. A management review was conducted on 20 October 2023
	A2.2 E The group manager demonstrates understanding of the RSPO ISH Standard, group certification and related topics and has sufficient resources to manage the group.	Yes	Based on the interview and evidence of implementation collected during a site visit, the audit team has verified that the Group Managers are able to demonstrate competence and knowledge of: ▪ RSPO Independent Smallholder Standard, 2019 ▪ RSPO Supply Chain Certification Standard ▪ Internal audit procedure and policies
	A2.2 MS A The group manager can demonstrate capacity to manage and operate group certification and certification requirements.	Yes	The Group Manager is able to demonstrate sufficient resources and capacity for managing group certification and performance assessment against this standard. Group Manager and mandore were appointed to monitor the performance of the members through field visits, internal audits and risk assessments for members.
	A2.3 E A group annual training plan is available covering the RSPO ISH Standard, group management (which includes group objectives, structure, relevant procedures and the certification process) and other topics as outlined in the ISH Standard.	Yes	Training Plan titled *"*Schedule Monitoring Summary 2024*"* has been established by LKM Trading for the courses aimed at creating awareness and improving knowledge and competency. It covers all aspects of the RSPO ISH Standard, e.g., *Taklimat Polisi Syarikat & RSPO ISH Standard 2019, Taklimat Prosedur Aduan, Taklimat GAP, Taklimat Sisa Buangan Terjadual (SW), HCV Management Training, Safety Training, First Aid Training, Environmental Training* and others.
	A2.3 MS A The group manager implements a phased approach to ensure members have progressively attended training on the ISH Standard, group management and other topics as outlined in the ISH Standard according to the group annual training plan.	Yes	The training was conducted as the Training Plan. A review of *"*Schedule Monitoring Summary 2023" confirmed the conduct of trainings.

Clause	Indicators	Comply Yes/No	Findings
	A2.3 MS B All members attended training and can demonstrate understanding of the ISH Standard, group management and Certification requirements including awareness on BMPs, HCV, Environmental protection, social welfare of workers and business operations.	Yes	The training for all members on ISH Standards, group management and certification requirements including awareness of BMPs, HCV, environmental protection, social welfare of workers and business operations and briefing on RSPO (ISH 2019) was conducted in Jan 2024 to all members of independent smallholders, which is Chua Soon Dee, Chua Soon Nyee, Chua Soon Yee and Chua Soon Lee. A review of "Schedule Monitoring Summary 2023" confirmed the conduct of all said trainings. Environmental Impacts assessment management action plans and continuous improvement plans were established in Jan 2019 and has been reviewed in Nov 2023. However, during site visit at LKM (CHUA SOON LEE @ LIEW SOON LEE) line site area nearby the goat shelter area, domestic waste such as bottles, food waste, etc was not managed accordingly and has been thrown at the back of the areas, Thus, **#Major NCR RAR 01 2023** has been raised.

B – ICS: Policies and management

Clause	Indicators	Comply Yes/No	Findings
B1 The group ICS contains documented policies and procedures for operational management.	**B1.1 E** A group ICS is available for operational management including procedures of expulsion and sanctions for members who fail to comply, and a procedure to conduct internal audits.	Yes	'Flowchart for Internal Audit System for LKM Trading' was established to monitor the performance of the management and controlling the compliance with the RSPO standard. Expulsion and sanctions for members who fail to comply had been stated inside contract by all in Item 3 (3.1 - Sanction, 3.2 - Warning, 3.3 - Suspension and 3.4 – Cancellation) titled 'LKM - Contract' signed on 27/1/2023 by all smallholders (Chua Soon Nyee, Chua Soon Yee, Chua Soon Dee, Chua Soon Lee and Lim Engit Fun).
	B1.1 MS A The ICS is implemented and an internal audit is conducted for at least half of the group members and all audit findings are closed.	Yes	The ICS was implemented to all members. An internal audit was conducted from 31 Jan 2023 to 3 Feb 2023. A management review was conducted on 20 October 2023 as verified from the internal audit checklist titled 'RSPO ISH 2019 Checklist For Documentation'. The latest internal audit has raised 2 findings against RSPO ISH 2019 standard. Root cause, correction and corrective action plan were addressed by the management. All audit findings were closed in February 2023.
	B1.1 MS B The ICS is implemented and an annual internal audit of the group is conducted for all group members and all audit findings are resolved.	Yes	As mentioned above (B1.1 MS A), the internal audit for LKM Trading was conducted annually. The internal audit for year 2022 was conducted by representative from Hap Seng Plantations Holdings Berhad. Sighted that the internal audit findings were recorded and adequately closed.

Clause	Indicators	Comply Yes/No	Findings
	B1.2 E Basic information, farm information, production data, legal documentation of group members and signed Smallholder Declarations are available to the group manager.	Yes	Basic information, farm information, production data, legal documentation of group members and signed Smallholder Declarations are available and reviewed during the conduct of audit.

C – ICS: Group business planning

Clause	Indicators	Comply Yes/No	Findings
C1 The group has a business plan prepared with the participation and contributions of all group members.	**C1.1 E** An annual group business plan is available, which includes: • production and income forecasting based on historical records • plans for expansion.	Yes	LKM Trading had a documented Business Plan with projections until the financial year 2027. The budget provisions covered Revenue and Expenditure on Production Cost, Field upkeep and General Charges. The production costs covered among others the following; a) Harvesting, b) Internal Transport, c) External Transport, d) Collection and Loading. Similarly, the field upkeep and maintenance comprise of the below expenditure among others: a) Manuring (Labour, transport and material) b) Agronomy Visit / laboratory fees c) Pests & Diseases/ Census d) Roads & Bridges (Internal & External) e) Drains (Internal) f) Supplying / upkeep Boundary g) Bunds & Gates h) Weeding/Pruning i) Vehicles maintenance The Business Plan for new member Lim Engit Fun (E phase) was available with attention focusing on the following among others to monitor the performance of the farm. a) Yield potential, trend and projection b) cost of production, cost per FFB mt and per hectare The cost of production was reviewed and compared against expenditure each year with projections in place for the forthcoming years.

<table>
<tr><th>Clause</th><th>Indicators</th><th>Comply Yes/No</th><th>Findings</th></tr>
<tr><td></td><td>C1.1 MS A
The group business plan is implemented and reviewed at least annually.</td><td>Yes</td><td>No member at this milestone A phase.</td></tr>
<tr><td></td><td>C1.1 MS B
The group demonstrates financial stability and growth and is able to support itself financially.</td><td>Yes</td><td>LKM Trading had a documented Business Plan with projections until the financial year 2027. The budget provisions covered Revenue and Expenditure on Production Cost, Field upkeep and General Charges.</td></tr>
<tr><td>C2
The ICS of the group is integrated with the group’s management plan.</td><td>C.2.1 E
A group management plan is available, which includes:
• training/capacity building plans to Improve productivity of group members
• an approach to strengthen links within the supply chain
• plan for continuous improvement projects (i.e. on waste, soil, etc.), if any.</td><td>Yes</td><td>New member Lim Engit Fun Management Plan 2023/24 was established and described in the Continuous Improvement Plan and training programed. The document was compiled by HSP Sustainability Executive, Group Manager and LKM clerk. LKM Trading was committed to implement best agricultural practices to improve productivity and performance of the farm, strengthen links within the supply chain.</td></tr>
<tr><td></td><td>C2.1 MS A
The group management plan is implemented and reviewed at least annually.</td><td>Yes</td><td>No member at this milestone A phase.</td></tr>
<tr><td></td><td>C2.1 MS B
The group manager demonstrates the group’s compliance with this ISH Standard.</td><td>Yes</td><td>LKM Trading Management Plan 2023/24 was established and described in the Continuous Improvement Plan. The document was compiled by HSP Sustainability Executive, Group Manager and LKM clerk. LKM Trading was committed to implementing best agricultural practices to improve productivity and performance of the farm, strengthen links within the supply chain. The continuous improvement initiative among others comprises the following activities/operations.
<table>
<tr><th>No</th><th>Activities</th><th>Continuous Improvement Plan / status</th></tr>
<tr><td>1</td><td>Fertilizer application</td><td>timely and proper fertilizer storage / application
reduce surface run off water to prevent leaching of fertilisers</td></tr>
<tr><td>2</td><td>Triple rinsing - empty bags</td><td>Implement construction of concrete / bunds 03/9/2019</td></tr>
<tr><td>3</td><td>Housing Area</td><td>New Housing Complex on 17/3/2019.</td></tr>
<tr><td>4</td><td>Domestic Store / Disposal</td><td>Scheduled collection/disposal in Lahad Datu.
Proper rubbish bins at complex</td></tr>
<tr><td>5</td><td>River Water</td><td>Scheduled sampling and analysis.</td></tr>
</table></td></tr>
</table>

Clause	Indicators	Comply Yes/No	Findings
			6 | FFB supply / deliveries | Strengthen links supply chain via assistance from Hap Seng Plantations as the FFB being sent to Bukit Mas and Jeroco II Palm Oil Mill with continuous communication with the receiver on matters related to RSPO. In addition, LKM Trading also maintained efforts to improve continuously on the environmental impacts. The relevant plans and measures among others were: • reduction of diesel usage / GHG emission. • maintain water quality • reduce soil erosion • reduce land contamination • improve soil fertility • reduce waste

D – ICS: Group trading system for certified volumes

Clause	Indicators	Comply Yes/No	Findings
D1 The group has a procedure and system in place for the tracking of FFB.	**D1.1 E** Record sheets to track the annual production and sales of certified volumes, covering traceability of producers and/or traders are available.	Yes	New member Lim Engit Fun has maintained the yearly accounting system to Record sheets to track the annual production and sales of FFB volumes, covering traceability of producers and deliveries FFB. Record titled as *"Records of Delivery and Sales of FFB at Jeroco 2 POM and Tomanggong POM".*
	D1.1 MS A Group manager maintains annual production records and sales of certified volumes.	Yes	No member at this milestone A phase.
	D1.1 MS B Group manager maintains annual production records and sales of certified volumes of all FFB sources.	Yes	LKM Trading has maintained the yearly accounting system to Record sheets to track the annual production and sales of certified volumes, covering traceability of producers and/or traders RSPO certified and deliveries FFB. Record titled as *"Records of Delivery and Sales of FFB at Jeroco/Bukit Mas".* LKM also has maintained all their receipts of FFB sales in the file name LKM Trading Weighbridge ticket.
D2	**D2.1 E** NA.	NA	NA

Clause	Indicators	Comply Yes/No	Findings
The group documents and implements a system for the tracking of FFB.	**D2.1 MS A** The group manager maintains annual production data and sales of certified volumes through Book and Claim for the group based on actual receipts for and sales by all members.	Yes	No member at this milestone A phase.
	D2.1 MS B The group manager maintains annual production data and sales of certified volumes through physical or Book and Claim for the group based on actual receipts and sales for all members and 100% of all certified volumes.	Yes	LKM Trading has maintained the yearly accounting system to Record sheets to track the annual production and sales of certified volumes, covering traceability of producers and/or traders RSPO certified and deliveries FFB. Record titled as *"Records of Delivery and Sales of FFB at Jeroco/Bukit Mas".* LKM also has maintained all their receipts of FFB sales in the file name LKM Trading Weighbridge ticket and it can be confirmed is all 100% certified volume. FFB Statement Account for January to December 2023 and daily records FFB Record sold to BPOM and JPOM were made available during the audit.
D3 The group has a procedure and system for premium distribution.	**D3.1 E** The group and group manager have agreed on how the premiums should be used and the agreement is recorded and communicated to the group members. Prices, premiums, and timing of premium payment are clearly communicated and transparent to all group members. Premiums disbursed to members at all stages are recorded and the premiums are paid in a timely and convenient manner.	Yes	The group (Chua Soon Yee, Chua Soon Dee, Chua Soon Nyee, Lim Engit Fun) and group manager Mr. Chua Soon Lee have agreed on how the premiums should be used which is to cover the cost of RSPO Certification and the agreement is recorded in the contract between all of the members and communicated to the group members during the signing of contract in March 2019 and Jan 2023. Prices, premiums, and timing of premium payment are clearly communicated and transparent to all Group Member as evidence during interview through phone call due to all siblings of Group Manager currently in Singapore. Premium is disbursed to members at all stages are recorded and the premiums are paid in a timely and convenient manner, However, all of Groups Member are decided to use back Premium for RSPO Certification. The disbursement received by the LKM Trading from Hap Seng Bukit Mas POM are already recorded in the Letter FFB Statement of Account. For Group Member Premium is disbursed to members at all stages are recorded and the premiums are paid in a timely and convenient manner. However, all of Group Member are decided to use back Premium for RSPO Certification as per evidence in letter dated January 2021.
	D3.1 MS A The disbursement of premiums, including price and timing of the disbursement to group members is clearly recorded.	Yes	No member at this milestone A phase.
	D3.1 MS B **N/A**	NA	NA

(II) RSPO ISH STANDARD 2019

Principle 1: Optimise productivity, efficiency, positive impacts and resilience

Implement professional and transparent operations to secure sustainable livelihood improvements.

Clause	Indicators	Comply Yes/No	Findings
1.1 Smallholders establish a legal entity that has the organisational capacity to comply with the RSPO ISH Standard.	**1.1 E** Legally registered entities have documented evidence to include: 1. Legal formation (as per country requirements) 2. Fair and transparent decision making and governance. 3. Additional documents per requirements for Group Formation and Management. 4. Signed or thumb printed Smallholder Declaration from all smallholder Declaration from all smallholder members (Reference Annex 2).	Yes	LKM Trading is a legal entity which is a registered Malaysian company under trading as per required by law. It provides support and assistance to independent small oil palm producers which consists of smallholders. Verified the contract between the Group and the Producer. LKM Trading – herein referred to as the Group. Chua Soon Yee & Chua Soon Dee, Chua Soon Yee & Chua Soon Dee & new members Lim Engit Fun– herein referred to as the Producer. The members signed an agreement with the Group Manager in Sept 2019 and for new members Lim Engit Fun (new members) in Jan 2023 committing to achieve compliance with the RSPO standards and requirements. Original agreements were kept at the site office, while members kept the copy of original and the softcopy will keep at the office. The records were kept for 5 years according to the agreements.
	1.1 MS A Group manager and group members have an Internal Control System (ICS) that meets all the ICS Eligibility and MS A requirements (section 3.2 below) and complete training on oil palm pricing mechanisms, financial management, and best practices for smallholder organisations.	Yes	No members at MSA phase. LKM Trading had prepared and maintained the rules of the group. A contract agreement between members are available. LKM Trading had established a SOP and Flow chart for Internal Audit System. Audit scope as per below: • No 1 – RSPO & MSPO documentation • No 2 – RSPO & MSPO traceability • No 3 – RSPO & MSPO safety & health • No 4 - RSPO & MSPO GAP activities. • No 5 – RSPO & MSPO Social & environment The internal audit was conducted on 31/1/2023 – 3/2/23 by Hap Seng Plantation sustainability team to cover all the principle of ISH. Employment procedures were established (recruitment, selection, hiring, termination, retirement, and promotion of workers (local & foreign), implemented and record are maintained at LKM trading.

Clause	Indicators	Comply Yes/No	Findings
	1.1 MS B Smallholder groups are operating in accordance to best management practices for groups, including: • Fair and transparent decision-making and governance • Sustainable financial management.	Yes	LKM Trading are operating accordance to best management practices for groups all decision making is based on fair and transparent. LKM Trading also had sustainable financial management since this Group is siblings' group all decisions making are through siblings meeting and no issue regarding the fair and transparent. The Group Manager (Chua Soon Lee) is responsible to ensures that the group meet the requirements of RSPO standard for Group Certification.
1.2 Smallholders have the capacity to effectively manage their farm.	**1.2 E** NA.	NA	-
	1.2 MS A Smallholders complete training on farm business operations, monitoring and planning. The training includes capacity building on record keeping for production, including inputs and yields, transactions, and variety.	Yes	No members at MSA phase. Based on interview and evidence of implementation collected during site visit, audit team has verified that the Group Manager, mandore, and workers are able to demonstrate competence and knowledge of: ▪ Internal audit procedure and policies ▪ ISH Standard 2019 ▪ Safety & environment ▪ Good agriculture practices Compulsory training was conducted covering all the requirement mentioned for all members especially on RSPO certification, business operations, monitoring and planning criteria for group membership, group members' documentation and plantation, agriculture practise, policies, safety and environment training, other obligation and others. Records on the training conducted were made available during the conduct of audit.
	1.2 MS B Smallholders are managing their farms effectively and maintain records of production and transaction data of all FFB sales.	Yes	LKM Trading has maintained the yearly accounting system to Record sheets to track the annual production and sales of certified volumes, covering traceability of producers and/or traders RSPO certified and deliveries FFB. Record titled as *"Records of Delivery and Sales of FFB 2023" at Jeroco POM 2 (JPOM2) and Bukit Mas POM (BPOM)".* LKM also has maintained all their receipts of FFB sales in the file name LKM Trading Weighbridge ticket.
1.3 Smallholders implement good agricultural practices (GAP) on their farms.	**1.3 E** Smallholders commit to implementing good agricultural practices on their farms. (reference Smallholder Declaration, 1.1 E, Annex 2).	Yes	Lim Engit Fun committed to implementing good agricultural practices on his farms. new member (E phase) has signed the Smallholder Declaration, in Jan 2023 to assert that: they will commit to the following: • Continue to progress along the standard and meet the required milestones for progress • Participate in trainings as required and actively participate in the group • Ensure no forced labour on farm operations and end any existing forced labour.

			• Pay national level minimum wage • Respect the rights of workers to file a complaint • Provide safe working conditions and facilities • No discrimination, harassment or abuse on the farm • Ensure no child labour on farm operations and end any existing child labour • Not clearing or acquiring land from indigenous peoples, local communities, or other users without their free, prior and informed consent (FPIC), based on a simplified FPIC approach • Resolve any existing disputes\ • No new planting or no expansion of existing farms in primary forests, HCV areas, HCS forests, in riparian areas, or on steep slopes (more than 25 degrees or as in National Interpretation) • Protect HCVs and HCS forests through the precautionary practices approach • No new planting on peat and replanting on peat only in areas with low risk of flooding and saline intrusion • Use of best management practices for oil palm on peat • No burning for preparing land or pest control • Minimise and control erosion.
	1.3 MS A Smallholders complete training on GAP.	Yes	No members at MSA phase. LKM Trading training program for year 2023 and 20204 covered all aspects of the RSPO ISH 2019. Regular assessments of training needs were presented to auditors by the LKM Trading Training Plan was established in January 2023 and January 2024. A training needs identification matrix has been established with target dates for the training to be conducted. The training program includes: a) ESH Legal & Other requirements b) Safe handling of Electrical Equipment c) Use & Standard Exposure of Chemical Hazardous to Health (USECHH) 2000 d) Accident Investigation Techniques e) Emergency Respond Plan Training (e.g., oil spill, poisoning, fire) f) First Aid Training g) Scheduled waste management h) Safe Work Procedure for All Stations. i) Policy Training j) Upkeep /maintenance / general work
	1.3 MS B Smallholders have adopted GAP on their farms and are tracking productivity through, but not limited to, records of FFB sales.	Yes	LKM Trading have adopted GAP for the estate operations; a) Evidence verified that pesticides had not been used to control weeds or pests. b) There was no pest attacks and only manual weeding was carried out to control weeds. There was no record to show purchased of pesticides.

			c) The LKM adopted planting of beneficial plants mainly *Tunera subulata, Cassia cobanensis* and *Antigonon leptopus* and continue to monitor pest through Early Warning System. d) *Neprolephis biserata* was maintained and propagated to be planted to suppress growth of noxious weeds and thus reduce the use of pesticides for selective weeding. LKM Trading practiced the maintenance of long-term soil fertility by annual application of fertilizer based on periodic foliar analysis, soil analysis and biomass retention (pruned fronds left to decompose in the fields). GAP assessment was done in March 2023. The assessment report titled 'Agronomic Report for FY2022 and Fertiliser Recommendations for FY2024'. On GAP activities free consultancy was provided by Hap Seng Plantation Holdings Berhad from Agronomy Department. The assessment carried out and reported for data as per below: • Rainfall and yield • Palm condition and related agronomy • Palm nutrition • Fertilizer recommendation (detail as per below:) Implementation of these procedures included: a) Regular briefing on the SOP and related documents. b) workers were frequently reminded on SOP during the morning muster and at site through supervision c) relevant SOP, sometimes an abridged version, were displayed at estate office notice board. The mechanism among others as adopted by LKM Trading were fertilizer application monitoring sheets, program sheets for weeding, and road maintenance. Visits to check on implementations were also assisted by an Agronomist from Hap Seng Plantations Holdings Berhad. During site visit at Block 02,03,06 was sighted good agriculture practices has been applied as per below: • good pruning • soft grasses were maintained using motorized grass cutter and no chemical has been used to control the weeds. • Frond were stacking according to SOP and were left decomposed as additional nutrient to palms. • FFB ripeness standard were followed – no evidence of unripe FFB.

Principle 2: Ensure legality, respect for land rights and community wellbeing.
Comply with the law and respect communities' rights.

Clause	Indicators	Comply Yes/No	Findings
2.1 Smallholders have legal or customary rights to use the land in accordance with national and local laws, and customary practices.	**2.1 E** Smallholders provide the coordinates or maps of their plots and evidence of ownership, or rights to use the land. (reference Indicator 1.1 E, Annex 2).	Yes	**Eligibility (E)** The new member of Lim Engit Fun has the legal right to use the land in accordance with national and local laws, and customary practices. The coordinates or maps of their plots as with latitude 5°23'14.293" N and Longitude 118°42'37.431"E. The evidence of ownership, or rights to use the land was verified accordingly.
	2.1 MS A Smallholders can demonstrate legal ownership or native and/or customary rights to use the land or demonstrate that they are in the process of legalisation of that right.	Yes	Smallholders have demonstrated legal ownership or native and/or customary rights to use the land or demonstrate that they are in the process of legalisation of that right. As reported in 2.1 E of this checklist, it has been verified that the land has now been legitimately owned by LKM Trading since 1999. The audit team had confirmed that there were no land issues related to previous owners. The audit team has also interviewed relevant stakeholders such as the Kg Litang Head, and Hap Seng Representative during the last surveillance 2 audit (2022). From the interviews, it concluded that there was no evidence of any land dispute at LKM Trading.
	2.1 MS B Smallholders plots are clearly and visibly demarcated and maintained, and the smallholders are operating only within these boundaries.	Yes	Field verification during the audit of LKM Trading observed the boundary stones with number 951/845 were maintained between the other smallholding farm and the neighbouring private oil palm estates of Hap Seng Sungai Segama Estate and neighbouring smallholders. Red-white painted pole with a number has been seen available along LKM Trading boundaries.
2.2 Smallholders have not acquired lands from indigenous peoples, local communities or other users without their free, prior and informed consent (FPIC), based on a simplified FPIC approach.	**2.2 E / MS A / MS B** For existing plots, smallholders can demonstrate that they have not acquired land without FPIC of indigenous peoples, local communities or other users (reference Indicator 1.1 E, Annex 2).	Yes	**Eligibility (E)** The new members of Smallholders have acquired lands from indigenous peoples "Native Land" with their free, prior and informed consent (FPIC), based on a simplified FPIC approach. Currently, the letter form Lands and Surveys Department (ref no: LS. 922.3.3/18 [RK/rk]) dated 17 Nov 2009 has been approved with a statement of *"Kebenaran Untuk Membuat Sublease Tanah NTs of 093127621, 0932127658, 093127658, 093127667, 093127676 kepada Lim Engit Fun".* The land and survey department has recommended doing a sublease or *"pajak semula"* to each of the owners of Native Lands. **Milestone B (MS B)** There was no land dispute recorded at LKM Trading. This was verified through stakeholders' consultation. Furthermore, as reported in 2.1 E of this checklist, LKM Trading has been developed since 1999, after it was bought from the previous landowner, villagers, and Sabah Land Development. All the related documentation regarding the land acquisition was kept in the LKM Trading Office, Lahad Datu and was verified by the auditor. There were no issues regarding land with villagers, the local community, and the neighboring estate. The audit

Clause	Indicators	Comply Yes/No	Findings
			team also confirmed this by interviewing relevant stakeholders such as the Ketua Kampung of Kg. Litang and Hap Seng Representative. Based on the audit findings, copies of negotiated agreements on FPIC and other evidence required by these indicators were not applicable.
2.3 The right to use the land is not disputed by indigenous peoples, local communities, or other users.	**2.3 E** Smallholders declare any existing disputes on the land, commit to resolving said disputes and provide information on the current status of those disputes (if any). (Reference Indicators 1.1 E, Annex 2).	Yes	The right to use the native land is not disputed by indigenous peoples, as stated in the sublease registered in Dec 2010. There was no land dispute recorded at the current smallholders of LKM Trading. This was verified through stakeholders' consultation. Furthermore, as reported in 2.1 E of this checklist, LKM Trading has been developed since 1999, after it was bought from the previous landowner, villagers, and Sabah Land Development. All the related documentation regarding the land acquisition was kept in the LKM Trading Office, Lahad Datu and was verified by the auditor. There were no issues regarding land with villagers, the local community, and the neighbouring estate. The audit team also confirmed this by interviewing relevant stakeholders such as the Ketua Kampung of Kg. Litang and Hap Seng Representative during last surveillance audit 2 (2022). Based on the audit findings, copies of negotiated agreements on FPIC and other evidence required by these indicators were not applicable.
	2.3 MS A / MS B There is an absence of disputes among indigenous peoples, local communities or other users, regarding land, resource-use and access rights; or where there is a dispute, dispute resolution processes are implemented and the process is accepted by all parties involved.	Yes	
2.4 Smallholder plots are located outside of areas classified as national parks or protected areas, as defined by national, regional or local law, or as specified in National Interpretations.	**2.4 E / MS A / MS B** Smallholder plots are located outside of areas classified as national parks or protected areas as defined by national, regional or local law, or as specified in National Interpretations (Reference 1.1 E, Annex 2).	Yes	**<u>Eligibility (E)</u>** The new members of Smallholder plots are located outside of areas classified as national parks or protected areas as defined by national, regional or local law, or as specified in National Interpretations. This was verified and confirmed through coordinate 5°23'14.293" N, 118°42'37.431"E, using Satellite Image of Sentinel in Jan 2023. **<u>Milestone B (MS B)</u>** Site visit and document review of HCV area and Biodiversity assessment report with revision date in Dec 2023, observed smallholder plots are located outside of areas classified as national parks or protected areas as defined by national, regional, or local law, or as specified in National Interpretations.

Clause	Indicators	Comply Yes/No	Findings
2.5 For new planting, smallholders do not clear or acquire any land without obtaining FPIC of indigenous peoples and/or local communities and/or other users, based on a simplified FPIC approach. *Do any smallholders within the group have plans for new planting of oil palm? If none, SKIP.	**2.5 E** For new oil palm planting, smallholders commit not to clear or acquire land from indigenous peoples, local communities, or other users without their FPIC, based on a simplified FPIC approach (reference 1.1 E, Annex 2).	Yes	**<u>Eligibility (E)</u>** A review of the "Area Statement & Planted Hectares" of a new member, it was found that 5 blocks were planted after Nov 2005. The new members of Smallholders have acquired lands from indigenous peoples "Native Land" with their free, prior and informed consent (FPIC), based on a simplified FPIC approach. Reviewed the approval letter from the Lands and Surveys Department in Nov 2009 - *"Kebenaran Untuk Membuat Sublease Tanah NTs of 093127621, 0932127658, 093127658, 093127667, 093127676 kepada Lim Engit Fun".* The Land and Survey Department has recommended doing a sublease or *"pajak semula"* to each of the owners of Native Lands. Each sublease was reviewed by the auditor who found that each owner of the native land had given consent in the sublease agreement in Clause 2. There was no new planting in current members of LKM Trading. The current members planted the oil palm in the year 2004.
	2.5 MS A Smallholders complete training on how to conduct a simplified FPIC approach. *Do any smallholders within the group have plans for new planting of oil palm? If none, SKIP.	NA	There was no new planting in current members of LKM Trading. The current members planted the oil palm in the year 2004. Therefore, this indicator is not applicable
	2.5 MS B Based on a simplified FPIC approach, smallholders jointly agree on a plan with the affected indigenous peoples and/or local communities and/or other rights holders, including vulnerable groups, for new oil palm developments, if these involve land-use change. *Do any smallholders within the group have plans for new planting of oil palm? If none, SKIP	NA	

Principle 3: Respects human rights, including workers' rights and conditions.

Safeguard human rights and protect workers' rights, ensuring safe and decent working conditions.

Clause	Indicators	Comply Yes/No	Findings
3.1 There is no use of forced labour.	**3.1 E** Smallholders commit to no use of forced labour and ensure that any use of forced labour on the farm is terminated at Eligibility. They provide information on the source of labour, including family members, working on the farm and hired labour including contract workers (reference 1.1 E, Annex 2).	Yes	Social policy for employment of migrant workers has addressed commitment to no use of forced labour and ensures that any use of forced labour on the farm is terminated at Eligibility. They provide information on the source of labour, including family members, working on the farm and hired labour including contract workers. The policy remained unchanged up to the surveillance audit 4 (2024). There was no forced labour used as verified from legal documents such as passports, contract agreements and work permit for all local and migrant workers (6 Philippines, 1 Indonesian and 2 local). The auditor has confirmed the practice was in line with legal requirements based on interviews with two (2) workers at the visited premises. These migrant workers are directly hired. No third party for the recruitment of all workers as verified with the Group Manager and during interview sessions with workers. The sampled workers have been working under the Group Manager since the year 1999.
	3.1 MS A Smallholders complete training on free and fair labour and implement measures to ensure that all work is voluntary, and the following practices are prohibited: • Retention of identity documents including but not limited to passports; • Payment of recruitment fees by workers; • Contract substitution; • Involuntary overtime; • Lack of freedom of workers to resign; • Penalty for termination of employment; • Debt bondage; • Withholding of wages.	Yes	Verified the training records on RSPO (ISH 2019) standard requirements to all independent smallholders that covered the following practices: • Retention of identity documents including but not limited to passports; • Payment of recruitment fees by workers; • Contract substitution; • Involuntary overtime; • Lack of freedom for workers to resign; • Penalty for termination of employment; • Debt bondage; • Withholding of wages. The refreshment training was conducted in Jan 2023 for Chua Soon Dee, Chua Soon Nyee, Chua Soon Yee, Chua Soon Lee and Lim Engit Fun.
	3.1 MS B Workers on the farm, including their families, have unrestricted access to their identity documents, have freedom of movement and can declare that their employment is freely chosen.	Yes	There are no families of workers staying on the farm. The workers kept their identity documents (passport and work permit). The workers also have freedom of movement and declare that their employment is freely chosen.

Clause	Indicators	Comply Yes/No	Findings
3.2 Children are not employed or exploited. Work by Children is acceptable on family farms, under adult supervision and when not interfering with education programmes. Children are not exposed to hazardous working conditions.	**3.2 E** Smallholders are aware of what defines child labour and ensure that any child labour in farm operations is terminated at Eligibility. Awareness of child labour and commitment to no child labour includes: 1. Compliance with the minimum age of workers and as defined by local, state, or national law, or international law in the absence of local, state or national laws. 2. Not exposing children to hazardous work. 3. Providing adult supervision of children and/or young people working on the farm. 4. Ensuring the practice of children's right to education is unrestricted and respected (reference 1.1 E, Annex 2).	Yes	*"Polisi Buruh Kanak-Kanak"* was publicly available at the visited smallholding farm. The policy statements emphasized children under 18 years old must not be employed to work in hazardous areas. This policy was posted on notice boards in the smallholding farm office.
	3.2 MS A / MS B Group managers and smallholders implement measures to protect children as follows: 1. There are no workers on smallholder farms under the age of 15 or under the minimum age defined by local, state or national law, whichever is higher. 2. Children are only permitted to help on family farms and are not permitted to perform dangerous, hazardous or heavy work. 3. If young workers are employed, their work is not mentally or physically harmful and does not interfere with their schooling, if applicable.	Yes	The audit team has verified the Employment Agreement (e.g., workers CSY1 [mandor], CSL1 [harvester]) and copies of passports of 5 out of 9 workers (3 Philippines, 1 Indonesian and 1 local worker). List of Workers (updated Dec 2023), and observation during the site visit found all sampled workers are above eighteen years old. No workers on smallholder farms under the age of 18 as defined by national law.

Clause	Indicators	Comply Yes/No	Findings
3.3 Workers' pay complies with minimum legal requirements, mandatory industry standards as defined by national law or collective bargaining, whichever takes priority in local regulations. *Are there workers on the farm? If no, SKIP	**3.3 E** Smallholders commit to pay workers according to minimum legal requirements or mandatory industry standards (reference 1.1 E, Annex 2).	Yes	All workers were paid according to the minimum legal requirements Sabah Labour Ordinance [Section 108 (1)] and Minimum Wage Order 2022. There was no late payment of wages where wages were paid before the 7th of the month for the year 2023.
	3.3 MS A Workers receive payments as expected and agreed in accordance with at least the legal minimum wage rate (excluding overtime premiums) and without discrimination against vulnerable groups, including women.	Yes	Pay and conditions are documented and made available during the audit. These are contained in the workers' pay slips and employment contracts. The employment contracts specify the latest minimum wage of RM1,500 (ranging from RM1,500 to RM2,900) per month payable to all workers with effect from 1st May 2022. Pay slips were sighted and are provided to workers on a monthly basis as confirmed during worker interviews. Pay slips for smallholding farm field workers show a breakdown of all work done such as allowances received, deductions, no. of days worked. It was also verified that workers are being paid in accordance with the requirements stipulated under the Minimum Wages Order 2022 and the Sabah Labour Ordinance.
	3.3 MS B Workers receive payments as expected and agreed in accordance with at least the legal minimum wage rate (excluding overtime premiums) and without discrimination against vulnerable groups, including women.	Yes	The smallholders are aware of the rights of workers as verified by the Smallholder Declaration inside the Contract between smallholders that states 'respect the rights of workers to file a complaint'. LKM Trading has established a procedure in order to comply with the requirement and it describes the procedures and mechanism to be taken should any stakeholders (either external or internal) wish to communicate with the company on any issues concerning their interest: i) Consultation Procedure ii) *Carta Aliran Membuat Aduan Kepada Pihak Pengurusan* iii) *Carta Aliran Membuat Aduan Masalah* iv) *Carta Airan Aduan ke Pihak Atasan* v) *Carta Aliran Aduan* (Grievance Procedure) vi) External Communications Procedure
3.4 Workers understand their rights and freedom to file a complaint/grievance to group manager or	**3.4 E** Smallholders commit to respect the rights of workers to file a complaint/grievance (reference 1.1 E, Annex 2).	Yes	Interviews with workers found they understand their rights and freedom to file a complaint/grievance to the group manager or relevant third parties, including RSPO. However, no complaints were reported by the workers, as confirmed during interviews with them. The small size of the worker group suggests that there are minimal issues on the farm.

Clause	Indicators	Comply Yes/No	Findings
relevant third parties, including RSPO. *Are there workers on the farm? If no, SKIP	**3.4 MS A** Smallholders complete training on workers' rights to file a complaint/ grievance and communicate to workers the means to file a complaint/grievance.	Yes	The specific grievance mechanism titled *'Prosedur Aduan',* was available. The LKM Trading has a clear flow chart on how to handle complaints and grievances from internal and external. The mechanism has been communicated to all levels of the workforce as verified by the auditor during interviews. Refreshment training on grievances mechanism for mandore and workers dated in Feb 2023 was made available.
	3.4 MS B Workers are aware of and have access to an effective means for filing a complaint/ grievance.	Yes	Workers have access to the established procedure titled *'Prosedur Aduan'* and effective means for filing a complaint/grievance. The workers are aware of and have access to filing a complaint/grievance. Noted that no complaints were reported by the workers in the year 2023, as confirmed during interviews with them.
3.5 Working conditions and facilities are safe and meet minimum legal requirements.	**3.5 E** Smallholders commit to providing safe working conditions and facilities (reference 1.1 E, Annex 2).	Yes	LKM Trading has shown commitment and provided safe working conditions and facilities to the workers. The OSH Policy signed by the Group Manager, dated in July 2018 was available. The policy was displayed on the notice board of the office and main entrance gate. Based on the interviews, the smallholder members are aware of the health and safety requirements. Furthermore, LKM Trading has established an OSH Plan that describes significant farm activities to ensure work practices for all workers are safe.
	3.5 MS A Smallholders, workers, and family members complete training and aware of health and safety risks associated with farm work, (including that of pesticide use) and how to mitigate them.	Yes	The OSH Policy has been communicated to all workers via morning muster. During the interview with workers at the harvesting area, they were aware of and understood the safe working conditions and safety commitment as per established policy. Interviews with workers revealed the training has been implemented and the necessary record has been maintained. Overall performance and understanding of smallholders, workers, and family members was satisfactory condition. The training records, including the attendance list, confirm that all workers attended the training.

Clause	Indicators	Comply Yes/No	Findings
	3.5 MS B Workers, including smallholder family members, have access to safe working conditions and amenities that include: • Safe and adequate housing, where applicable; • Access to basic first aid supplies; • Health and safety equipment, including minimum personal protective equipment (PPE) if appropriate for the type of work; • Adequate drinking water; • Access to toilets.	Yes	Workers have access to safe working conditions and amenities. LKM Trading continues to provide free housing, water supply, free medical services and free electricity. The conditions of all four (4) units of workers' houses at LKM Trading were safe and good condition with one bedroom, toilet, living hall and wet kitchen. The compounds were well-kept and clean. LKM Trading workers use water from water rain harvesting for baths and washing clothes. Meanwhile, for drinking consumption, the management provided free drinking water to all workers. The Log Book for free drinking water distribution was sighted. Workers interviewed confirmed that the houses and amenities provided are adequate, comfortable and requests for repairs were attended to in a timely manner. Site inspection at the harvesting operation and fertilizers store noted on evidence that a first aid kit was available at all workplaces with complete contents and no medication with an expired date. The stock of the first aid boxes is regularly checked and refilled, when necessary, via an outside pharmacy. The latest first aid training was conducted in Jan 2023. All workers such as harvesters and upkeep workers were continuously trained in safe working practices including SOP for PPE related to their job function and random interviews conducted showed that they had understood the hazards involved and the usage and handling of chemicals in a safe manner. Appropriate PPE (e.g., safety helmets) were given free of charge to employees of the smallholding farm visited. Sighted PPE issuance to all workers was recorded in the "PPE Personal Record". Site inspection at harvesting operation, it was observed that all harvesters wearing the appropriate PPE according to HIRARC and SOP.
3.6 There is no discrimination, harassment, or abuse on the farm. *Are there workers on the farm? If no, SKIP	**3.6 E** Smallholders commit to no discrimination, harassment or abuse on the farm (reference 1.1 E, Annex 2).	Yes	The equal opportunities policy *"Polisi Kesamarataan Hak"* dated 20 July 2018 states that the group manager provides equal opportunity to all and does not practice discrimination based on race, caste, national, origin, disability, gender, sexual orientation, union membership, political affiliation, or age were made available. The smallholders commit to no discrimination, harassment or abuse on the farm as verified from the Smallholder Declaration inside the Contract between smallholders that stated 'no discrimination, harassment or abuse on the farm'.
	3.6 MS A Smallholders complete training on workplace discrimination, harassment and abuse and are aware of the need for a safe workspace.	Yes	During the surveillance audit 4 (2024), found that a briefing on RSPO (ISH 2019) standard requirement, workplace discrimination, harassment and abuse and awareness of the need for a safe workspace was conducted to all independent smallholders in Jan 2023.

Clause	Indicators	Comply Yes/No	Findings
	3.6 MS B Workers freely express that they are working in a place that is free from discrimination, harassment, or abuse.	Yes	Workers have access to the established procedure titled *'Prosedur Aduan'* and effective means for filing a complaint/grievance. The workers are aware of and have access to filing a complaint/grievance. Records of complaints from LKM Trading workers have been reviewed and found that no grievance was recorded on discrimination, harassment or abuse. The audit found there was no evidence of discrimination, harassment or abuse as verified by the interview session with the workers.

Principle 4: Protect, conserve and enhance ecosystems and the environment

Protect the environment, conserve biodiversity, enhance ecosystems and ensure sustainable management natural resources.

Clause	Indicators	Comply Yes/No	Findings
4.1 High Conservation Values (HCVs) on the smallholder plot or within the managed area and High Carbon Stock (HCS) forests identified after November 2019 using the simplified combined HCV-HCS approach, are managed to ensure that they are maintained and/or enhanced.	**4.1 E** Smallholders commit to protect HCVs and HCS forests through the precautionary practices approach (reference 1.1 E, Annex 2).	Yes	**Milestone B (MS B)** LKM Trading has committed to protecting HCVs and HCS forests through the precautionary practice approach as stated in the "Smallholder Declaration", in Clause 7, Subclause contract agreement dated 24 May 2021 which has been signed by all independent smallholders. **Eligibility (E)** The new member signed the same contract agreement on 27 Jan 2023
	4.1 MS A Smallholders complete training on and are aware of: • the importance of maintaining and conserving HCVs and HCS forests • human-wildlife conflict and mitigation efforts • RTE species and important ecosystems.	Yes	Smallholders complete training on and are aware of the importance of maintaining and conserving HCVs and HCS forests, human-wildlife conflict and mitigation efforts and RTE species and important ecosystems.
	4.1 MS B Smallholders implement Precautionary practices and manage and maintain RTE species, HCVs and HCS forests, where applicable.	Yes	LKM Trading continued to protect the water courses, including maintaining and restoring appropriate riparian buffer zones along all natural waterways. During site visits, it was observed that the boundaries of these riparian belts along through in or flowing nearby Sg. Litang Kecil where most of the small rivers were linked to Sg. Segama was demarcated with red paint around the palm trunk. Natural vegetation has colonized these riparian buffer belts as no weeding or fertilizer application was allowed. This buffer belt was also shown in the maps of the estates conserved. LKM Trading had adopted a water management plan

Clause	Indicators	Comply Yes/No	Findings
			to reserve 1 or 2 palms near the river as 5m by restricting agrochemicals application and is left undeveloped during replanting.
4.2 Where the existing smallholder plot has been planted and cleared after November 2005 or is on an area identified as HCS forest after November 2019 up to the eligibility period, a RaCP process appropriate for smallholders based on Land Use Change Analysis (LUCA) will be applicable (reference preamble).	**4.2 E** Smallholders provide information on all smallholder plots converted and planted with oil palm after 2005, through use of the simplified combined HCV-HCS approach for Smallholders (reference 1.1 E, Annex 2).	Yes	Smallholders provided the information on all plots converted and planted with oil palm accordingly. A review of "Area Statement & Planted Hectares" of a new member of Lim Engit Fun, it was found 5 Blocks of his estates, were planted after Nov 2005. Thus, these areas are applicable for the eligibility period, process appropriate for smallholders based on Land Use Change Analysis (LUCA) is applicable.
	4.2 MS A Group members develop a plan to identify the maximum area for on-site remediation of HCVs lost since 2005 and HCS forests lost since November 2019, through a participatory process and the plan is submitted to RSPO.	Yes	The current members of LKM Trading cleared the area in the year 2004. Therefore, this indicator is not applicable.
	4.2 MS B An RSPO approved plan to remediate HCVs lost since 2005 and HCS forests lost since November 2019 is implemented.	Yes	The LKM Trading cleared the land in 2004, and planting activities in March 2005 as stated in the "Area Statement".
4.3 New planting of Independent smallholders, since November 2019: • Do not replace any HCVs • Do not replace any HCS forests as defined by the simplified combined HCV-HCS approach • Are not on steep slopes (more than 25 degrees or as in the National Interpretation)	**4.3 E** Smallholders provide information on all planned new planting and commit to no new planting are on HCVs or HCS forests, on steep slopes (more than 25 degrees or as in the National Interpretation) or on peat (reference 1.1 E, Annex 2).	Yes	The current members of LKM Trading cleared the area in the year 2004. Therefore, this indicator is not applicable.
	4.3 MS A Before any land preparation commences, group members develop an integrated management plan through a participatory approach to maintain or enhance HCVs as well as HCS forests identified after November 2019, as identified by the simplified combined HCV-HCS approach, before any land preparation commences.	Yes	Auditors have verified through checking www.globalforestwatch.com, Sattelite Sentinel-2 L2A dated 23 Dec 2023 and also through a site visit to the LKM Trading. Based on the audit findings, it was confirmed that there were no new planting or new development of areas at LKM Trading. Hence, there was no need for planned new planting and commit to no new planting on HCVs or HCS forests, on steep slopes (more than 25 degrees or as in the National Interpretation) or peat (reference 1.1 E, Annex 2).

Clause	Indicators	Comply Yes/No	Findings
• Are not on peat areas of any depth. *Do any smallholders within the group have plans for new planting of oil palm? If none, SKIP.	*Do any smallholders within the group have plans for new planting of oil palm?		
	4.3 MS B Smallholders have an RSPO approved Integrated management plan for their planned new planting and share a notice of this plan with those involved in the participatory mapping before any land preparation commences. *Do any smallholders within the group have plans for new planting of oil palm?	Yes	Auditors have verified through checking the www.globalforestwatch.com, Google Maps and also through a site visit to the LKM Trading. Based on the audit, it was confirmed that there were no new planting or new development of areas at LKM Trading. Hence, there was no need for RSPO approved Integrated management plan for their planned new planting and share notice of this plan with those involved in the participatory mapping before any land preparation commences. All palms were 2004 year of planting and the next replanting at the earliest in only 2029.
4.4 Where smallholder plots exist on peat, subsidence and degradation of peat soils are minimised by use of best management practices. *Do any smallholders within the group have existing plots on peat? If no, SKIP	**4.4 E** Group manager confirms presence of peat on existing plots within the group and smallholders on peat commit to using best management practices (BMPs), and minimising subsidence and degradation of peat soils (reference 1.1 E, Annex 2).	Yes	There were no peat soils as per declaration made by new members and soil map of Lim Engit Fun. There were 2 types of soil as per below: • Dagat Soil • Kinabatangan soil New Smallholder Lim Engit Fun has committed to using best management practices (BMP). Lim Engit Fun (E phase) have signed the Smallholder Declaration, commit to the following: • Continue to progress along the standard and meet the required milestones for progress • Participate in trainings as required and actively participate in the group • Ensure no forced labour on farm operations and end any existing forced labour. • Pay national level minimum wage • Respect the rights of workers to file a complaint • Provide safe working conditions and facilities • No discrimination, harassment or abuse on the farm • Ensure no child labour on farm operations and end any existing child labour • Not clearing or acquiring land from indigenous peoples, local communities, or other users without their free, prior and informed consent (FPIC), based on a simplified FPIC approach • Resolve any existing disputes\ • No new planting or no expansion of existing farms in primary forests, HCV areas, HCS forests, in riparian areas, or on steep slopes (more than 25 degrees or as in National Interpretation) • Protect HCVs and HCS forests through the precautionary practices approach

<table>
<tr><th>Clause</th><th>Indicators</th><th>Comply Yes/No</th><th>Findings</th></tr>
<tr><td></td><td></td><td></td><td>No new planting on peat and replanting on peat only in areas with low risk of flooding and saline intrusion
Use of best management practices for oil palm on peat
No burning for preparing land or pest control</td></tr>
<tr><td></td><td>4.4 MS A
Smallholders complete training on best management practices (BMPs) for peat. The group has an action plan to minimise risk of fire, to apply BMPs for planting on peat and manage water systems in the certification unit.</td><td>Yes</td><td>No members at MS A phase.</td></tr>
<tr><td></td><td>4.4 MS B
Smallholders implement the group’s action plan based on BMPs, including fire and water management, and monitoring of subsidence rate for existing planting on peat.</td><td>Yes</td><td>Review on the soil map extracted from “The Soils of Sabah” produced by the Agronomy Department of Hap Seng Plantations Berhad confirmed that there are no peat soil in LKM Trading. This was also confirmed during the field visit. The property is made up of Kinabatangan and Kretam soil series.</td></tr>
<tr><td rowspan="2">4.5
Plots on peat are replanted only on areas with low risk of flooding or saline intrusion as demonstrated by a risk assessment.

*Do any smallholders within the group have plans for replanting plots that are located on peat? If no, SKIP.</td><td>4.5 E
Smallholders commit to provide information on all plans for replanting and commit that replanting will only be in areas with low risk of flooding or saline intrusion (reference 1.1 E, Annex 2).</td><td>Yes</td><td>Review on the soil map extracted from “The Soils of Sabah” and produced by the Agronomy Department of Hap Seng Plantations Berhad confirmed that there is no peat soil in Lim Engit Fun. The property is made up of Kinabatangan and Dagat soil series.

There was no peat soil at all members farms. Details of soils series of members as per below:
<table>
<tr><th>LKM</th><th>Lim Engit Fun</th></tr>
<tr><td>Kinabatangan series
Kretam Series</td><td>Dagat Soil
Kinabatangan soil</td></tr>
</table></td></tr>
<tr><td>4.5 MS A
Smallholders with plots on peat complete training on identification of future risks of flooding or saline intrusion, and alternate land development strategies.</td><td>Yes</td><td>No members at MSA phase.</td></tr>
</table>

Clause	Indicators	Comply Yes/No	Findings
	4.5 MS B Prior to replanting on peat, smallholders complete a risk assessment related to flooding or saline intrusion and, where there is high risk, present a plan that includes alternate land development strategies, preferencing alternative livelihood planning.	Yes	Review on the soil map extracted from "The Soils of Sabah" kept by the Agronomy Department of Hap Seng Plantations Berhad confirmed that there are no peat soil in LKM Trading. This was also confirmed during the field visit. The property is made up of Kinabatangan and Kretam soil series. During the site visit (Block 02) at LKM at low laying area all planting palm were using mounding and platform to prevent palms from submerged in the low-lying area.
4.6 Fire is not used on the oil palm plot for preparing land or for pest control, nor open fire for waste management on the farm.	**4.6 E** Smallholders commit to no burning for preparing land or for pest control, nor open fire for waste management. Group manager records evidence of prior burning of members joining the group (reference 1.1 E, Annex 2).	Yes	Lim Engit Fun has committed to no burning for preparing land or for pest control, nor open fire for waste management. Lim Engit Fun (E phase) have signed the Smallholder Declaration, which include the commitment as in the requirement.
	4.6 MS A There is no physical evidence of new burning (after eligibility) for land preparation for oil palm by smallholders. Smallholders complete training on and are aware of: • alternatives to fire for land preparation and farm waste management (where appropriate and possible) • alternatives to fire for pest control • fire prevention and how to respond to and manage fires in their community and village.	Yes	No members at MSA phase. The Group Manager as at current has no plan to include new members. He will make a necessary assessment to record any evidence of prior burning incidences committed by members prior to joining the Group.
	4.6 MS B Smallholders do not use fire or practice burning for land preparation, waste management or pest control on the farm. For pest control, fire may be used only in exceptional circumstances i.e. where no other effective measures exist and with prior approval of relevant authority.	Yes	At LKM, all palms were 2004 year of planting and the next replanting at the earliest in only 2030. In addition, LKM Trading had established and documented a Zero Burning Policy in its Sustainable Agriculture Policy. The policy dated July 2018 and signed by the Group Manager stated "A strict Zero Burning Policy is practiced in relation to all new plantings, replanting or other developments. This includes no open fire for waste management and pest control.

Clause	Indicators	Comply Yes/No	Findings
4.7 Riparian buffer zones are identified and managed to ensure they are maintained and/or enhanced**.**	**4.7 E** Group manager identifies riparian buffer zones within the group and smallholders commit to no new planting in riparian zones (reference 1.1 E, Annex 2).	Yes	**Eligibility (E)** The Group manager identifies riparian buffer zones within the group and smallholders commit to no new planting in riparian zones as in the membership requirement, including the new member of Lim Engit Fun is based on the contract 'Undertake to Enter into This Contract Agreement' signed on 27 Jan 2023, in Clause D, subclause 11.
	4.7 MS A Smallholders complete training on and are aware of riparian buffer zone management, and the group has an action plan to maintain and/or enhance riparian buffer zones.	Yes	No members on this phase Workers already completed training on buffer zone awareness on 02/03/2023. Interviewed the workers, and noted that all are aware of riparian buffer zone management. The LKM Trading had adopted the "HCV Area and Biodiversity Assessment Report" dated in Dec 2023 as an action plan to maintain and enhance riparian buffer zones by reserving 1 or 2 palms near the river as 5m by restricting agrochemicals application and is left undeveloped during replanting.
	4.7 MS B Smallholders maintain and/or enhance riparian buffer zone areas.	Yes	LKM Trading continued to protect the water courses, including maintaining and restoring appropriate riparian buffer zones along all natural waterways within the managed vicinity. There is a waterway Sg. Litang Kecil is within the area of Block 2 and is managed as a riparian zone. a) Natural vegetation has colonized these riparian buffer belts as no weeding or fertilizer application was allowed. b) This buffer belt was also shown in the maps of the estate and is being conserved. c) There was no construction of bunds/weirs/dams across the rivers of waterways passing through the estate.
4.8 Pesticides are used in ways that do not endanger the health of workers, family, communities, or the environment	**4.8 E** Smallholders commit to phase out paraquat and pesticides categorised as WHO Class 1A or 1B and those listed by the Stockholm or Rotterdam Conventions by: • immediately stop purchasing these pesticides • phasing out use of remaining stock by MS A • providing information for the group manager to keep record of pesticide purchase and use (reference 1.1 E, Annex 2).	Yes	New Smallholder Lim Engit Fun has committed to phase out paraquat and pesticides categorised as WHO Class 1A or 1B and those listed by the Stockholm or Rotterdam Conventions. Lim Engit Fun (E phase) have signed the Smallholder Declaration, committing to the requirement.

Clause	Indicators	Comply Yes/No	Findings
	4.8 MS A Smallholders complete training on BMPs for pesticides including pesticide usage, awareness on risks for pregnant and breastfeeding women and young workers; storage and disposal; paraquat and pesticides listed by WHO Class 1A or 1B, the Stockholm or Rotterdam Conventions (and in compliance with 3.5).	Yes	No members at MSA phase. Pesticides had not been used in LKM Trading for the entire weeding and upkeep operations. a) There was no evidence to show that LKM Trading had used pesticides to control weeds or pests. b) There had been no pest attacks and only manual weeding was practiced managing weeds/field upkeep c) There was no record to show that pesticides have been purchased for the estate operations. This indicator is therefore not applicable to LKM Trading practices and operations.
	4.8 MS B Smallholders implement BMPS for all pesticide use, including prohibiting use of pesticides by pregnant and breastfeeding women and young workers, and exclusion of paraquat and pesticides that are categorised as WHO Class 1A or 1B, or those listed by the Stockholm or Rotterdam Conventions, unless when authorised by relevant authorities for pest outbreaks.	Yes	Pesticides had not been used in LKM Trading for the entire weeding and upkeep operations. a) There was no evidence to show that LKM Trading had used pesticides to control weeds or pests. b) There had been no pest attacks and only manual weeding was practiced managing weeds/field upkeep c) There was no record to show that pesticides have been purchased for the estate operations. d) Current group members used grass cutting to control weeds This indicator is therefore not applicable to LKM Trading practices and operations.
4.9 The group and smallholders manage pests, diseases, weeds and invasive introduced species using appropriate techniques, including but not limited to Integrated Pest Management (IPM) techniques.	**4.9 E** NA.	NA	-
	4.9 MS A Smallholders complete training on and are aware of BMPs, including, but not limited to safe chemical use, IPM, weed and invasive species management.	Yes	No members at MSA phase.
	4.9 MS B The group and smallholders maximise use of IPM approaches to minimise use of pesticides and herbicides on their farm.	Yes	LKM Trading had a documented integrated pest management (IPM) system. The IPM technique includes the planting of beneficial plants i.e., as *Cassia cobanensis, Antigonan leptopus and Turnera sublate.* The establishment beneficial plant planting was sighted during the field visit such as soft grasses and nephrolepis biseratta were maintained in the field. The progression to meet the recommended ratio is continuing. There was also cultivation on the poly bags prior to the field transfer.

Attachment 4

Details of Non-conformities and Corrective Actions Taken

ISH Indicator	Specification *Major only*	Detail Non-conformances	Corrective actions	Verification Statement by Auditors
Indicator A2.3 MS B	Major RAR 01 2024	Requirement: A2.3 MS B All members attended training and can demonstrate understanding of the ISH Standard, group management and Certification requirements including awareness on BMPs, HCV, Environmental protection, social welfare of workers and business operations. **Finding:** implementation of environmental protection was not demonstrated as per Environmental impacts assessment management action plans and continuous improvement plans and BMPs. **Objective evidence:** during site visit at LKM (CHUA SOON LEE @ LIEW SOON LEE) line site area nearby the goat shelter areas was found domestic waste such as bottles, food waste, etc. was not managed accordingly and has been throw at the back of the areas.	**The root cause:** **-** Even though the management of LKM Trading has conduct a training related to environment to workers once a year, the management did not monitor the waste management practices on-site, as there is no PIC appointed to conduct the inspection and monitor this activity in regular basis. Correction: - The management informed the workers to do the cleaning process and the waste was collected and has been thrown into the trash bin in Lahad Datu town (MDLD). Corrective action: - Conduct waste management training again and strengthen the supervision mechanisms to ensure that waste management procedures are consistently followed and implemented, via regular inspections by the Manager. Completion Date : 20th April 2024	The root cause is accepted. When there is no mechanism applied to monitor the implementation effectiveness, the practices tend to deviate even though trainings were provided. Auditor has verified the evidence of the area (through picture updates), which has been clean by management LKM and sighted latest refresher training which has been conducted by the management on 27/02/2024. The management has also developed a Monitoring checklist inspection housing to monitor the waste at Housing Area. The appointed PIC was the Manager. Status : Closed.

Attachment 5

Details of Previous Non-conformities and Verification

ISH Indicator	Specification *Major only*	Detail Non-conformances	*Root Cause & Corrective Action* Taken by the CU	Verification Statement by Auditors
NA				

Attachment 6

The smallholder listing:

ISH ID No.	Group member (Name of registered ISH as per land title)	Site location address	GPS Location	Total certified area (ha)	Date joined	FFB production (MT/yr)	Year of planting
1	CHUA SOON LEE @ LIEW SOON LEE and CHUA SOON NYEE	Sungai Segama, Jalan Jeroco, 91109 Lahad Datu, Sabah.	Latitude: 5° 18'31.891''N Longitude: 118°29'53.514''E	30.39	2019	1,100	2004
2	CHUA SOON DEE @ LIEW SOON DEE and CHUA SOON YEE @ LIEW SOON YEE	Sungai Segama, Jalan Jeroco, 91109 Lahad Datu, Sabah.	Latitude: 5° 18'31.891''N Longitude: 118°29'53.514''E	30.39	2019		2004
3	LIM ENGIT FUN	Sungai Segama, Jalan Jeroco, 91109 Lahad Datu, Sabah.	Latitude: 5°23'14.293" N Longitude: 118°42'37.431"E	29.101	2023 (Eligibility)	620	2004, 2007, 2011
Total				**89.881**			