

Summary of MSPO SCCS Pilot Audit

Pilot audit for MSPO Supply Chain Certification Standard (MSPO SCCS) has been conducted to ensure its implementable and auditable for the palm oil downstream facilities, starting from millers, refiners, crushers and biodiesel plants.

Two documents which are *MSPO SCCS Draft 2 dated 19 December 2018* and *MSPO SCCS Guidance Document V.1 dated 18 January 2018* used during the pilot audit to 15 selected palm oil downstream processing facilities.

The pilot audits taken place over a period of seven weeks starting from 25 January to 9 March 2018. There were four certification bodies involved in the exercise namely SGS, SIRIM, Control Union and TUV-Nord.

The outcome of the pilot audit is also used to develop MSPO Scheme documents for Supply Chain Certification Standard.

Standard	1. MSPO SCCS Draft 2 dated 19 December 2018 2. MSPO SCCS Guidance Document V.1 dated 18 January 2018
Processing Sector	1. Mills 2. Crushers 3. Refineries 4. Biodiesel

		Mills	Crushers	Refineries	Biodiesel
No	Items	No. of Findings	No. of Findings	No. of Findings	No. of Findings
5.1	Sustainability Policy	5	4	3	3
5.2	Management Representative	4	1	0	2
5.3	Record Keeping	4	0	0	1
5.4	Procedures	8	2	2	2
5.5	Internal Audit	5	2	1	1
5.6	Management Review	6	2	3	3
6.1	Competency and Training	8	2	0	1
7	Purchase and Sales	13	3	3	3
8.1	Segregation	N/A during the audit	N/A during the audit	2	N/A during the audit
8.2	Mass Balance	5	1	0	1
9	Outsourced Activities	10	2	3	2
10	Claim	1	0	0	2
11	Complaint and Grievances	3	1	0	1
12	IT Platform	N/A during the audit			

1. Mills

Processing Sector	Mills
Processing Facilities / Certification Body	1. Perak Motor Co Sdn Bhd /SGS
	2. Eng Hong Palm Oil Mill Sdn Bhd /SIRIM
	3. Sungei Kahang Palm Oil Sdn Bhd /CU
	4. Havys Oil Mill Sdn Bhd /TUV-Nord
	5. Abedon Oil Mill Sdn Bhd /TUV-Nord
	6. Sabaju Palm Oil Mill /SGS

Summary of findings:

No	Clause	No. of Findings
5.1	Sustainability Policy	5
5.2	Management Representative	4
5.3	Record Keeping	4
5.4	Procedures	8
5.5	Internal Audit	5
5.6	Management Review	6
6.1	Competency and Training	8
7	Purchase and Sales	13
8.1	Segregation	N/A during the audit
8.2	Mass Balance	5
9	Outsourced Activities	10
10	Claim	1
11	Complaint and Grievances	3
12	IT Platform	N/A during the audit

Clause	Audit Findings
<p>5.1 Sustainability Policy</p> <p>A sustainability policy for the implementation of MSPO shall be established by the organisation to demonstrate its commitment towards the production of certified palm oil products. Organisation commitment shall be communicated to the employees, suppliers, outsourced contractors, customers and relevant stakeholders.</p>	<p>Lack evidence that the policy has been informed to all employees of the company as the action is not documented and recorded. Only verbally mentioned.</p> <p>No record available on the communication and any discussion pertaining MSPO requirement.</p> <p>The company has established a sustainability policy. However, the policy has not being fully communicated to relevant stakeholders.</p> <p>Policy not yet signed.</p> <p>Company policies were not signed by top management and not dated.</p>
<p>5.2 Management Representative</p> <p>The organisation shall appoint a member of the management who, irrespective of other responsibilities, shall have overall responsibility and authority for the organisation's MSPO SCCS management.</p>	<p>Appointment letters and job scopes for every responsible persons in charge of sustainability and supply chain components are not available. From mill representatives, it is planning to be distributed within the first quarter of 2018.</p> <p>Flow chart specifically for MSPO SCCS compliances is not available.</p> <p>No appointment letter was made yet.</p> <p>The appointed person for MSPO SCCS shall be reviewed during actual audit.</p>

<p>5.3 Record Keeping</p> <p>The organisation shall maintain accurate and up-to-date records that demonstrate compliance with MSPO SCCS to provide evidence of conformity. The records shall be maintained for a minimum period of three (3) years.</p>	<p>Even though there is an implementation of record kept by the organisation, there is no SOP for record keeping available.</p> <p>No SOP or policy on record keeping but site maintained their data for 3-4 years.</p> <p>SOP related to supply chain certification requirements and records not yet established.</p> <p>Flushing Record (Not available- Mass balance)</p>
<p>5.4 Procedures</p> <p>The organisation shall establish documented procedures for its supply chain to demonstrate compliance with MSPO SCCS as follows:</p> <ol style="list-style-type: none"> a) Description of the material flow within the production process; b) Organisational structure, responsibilities and authorities with respect to MSPO SCCS; c) Procedures on the supply chain models that enables the identification of incoming sustainable material from the suppliers and the distribution to the buyer; d) A documented procedure shall be established to define the responsibilities and requirements for planning and conducting internal audits, management reviews, establishing records and for monitoring and reporting results. 	<p>The organization has established SOP for Mill Best Practices pertaining mill operation. However, within the document, there are several findings:</p> <p>Revision No for the SOP ; N/A Date of next revision : N/A Sop on MSPO SCCS Implementation / material flow : N/A SOP on Sustainable / Non sustainable product : N/A SOP on Supply Chain Models : N/A SOP to conduct Internal Audits / Management review : N/A SOP on monitoring / implementation of MSPO SCCS : N/A SOP on Non confirming product : N/A</p> <p>Procedures reviewed has not covered all element as stated in MSPO Supply Chain Certification Standard.</p> <p>Site have no SOP available.</p>

	<p>Supply chain manual was not established. (5.4a)</p> <p>Organisation structure for MSPO SCCS has yet to be established. (5.4 b)</p> <p>MSPO SCCS SOP is not established. (5.4 c)</p> <p>Management review, internal audit, outsourcing and grievances SOPS not established. Therefore, no records available for review. (5.4 d)</p> <p>The documented procedure did not clearly describe the responsibilities and requirements for planning and conducting internal audits, management reviews, establishing records and for monitoring and reporting results.</p>
<p>5.5 Internal Audit</p> <p>5.5.1 The organisation shall conduct internal audits at planned intervals to determine whether the MSPO SCCS requirements are effectively implemented and maintained.</p> <p>5.5.2 The organisation shall establish corrections and corrective actions for any non-conformity raised.</p>	<p>Internal audit on MSPO SCCS Or any MSPO requirement are not available.</p> <p>The company has yet to conduct MSPO internal audit.</p> <p>There is no procedures for internal audit. Planned to do one in Feb but not included in the activities schedule for year 2018, as per last update 15/1/2018. No SOP established for internal audit yet.</p> <p>Internal audit was not conducted.</p> <p>No internal audit conducted, therefore no correction and corrective action established</p>

<p>5.6 Management Review</p> <p>The management review of the organisation’s MSPO SCCS system shall be conducted at planned intervals to ensure its adequacy and effectiveness, and shall include the following aspects:</p> <ul style="list-style-type: none"> a) Review input <ul style="list-style-type: none"> i) Results of internal and external audits ii) Customer feedback iii) Process performance and product conformity iv) Status of corrections and corrective actions v) Follow-up actions from previous management reviews vi) Changes that could affect the MSPO SCCS system vii) Recommendation for improvement viii) Complaints and grievances b) Review output <ul style="list-style-type: none"> i) Improvement in the effectiveness of the MSPO SCCS system and its processes ii) Resources needed 	<p>Management Review for MSPO SCCS or any issues on sustainability yet to be done.</p> <p>The company has yet to conduct management review in accordance to MSPO SCCS.</p> <p>Management meeting were conducted in September 2017. But it wasn’t documented. This were not available in the Scheduled Activities for year 2018 plan as well.</p> <p>SOPs for management review is not available yet.</p> <p>No internal and external audit conducted. This will be review in actual audit. (5.6 a(i))</p> <p>Management review has not been conducted. This will be review in actual audit. (5.6 b i,ii)</p>
<p>6.1 Competency and Training</p> <p>6.1.1 The organisation shall ensure that all personnel engaged in the implementation and maintenance of the MSPO SCCS are competent with appropriate training, skill and experience.</p> <p>6.1.2 The organisation shall establish an effective training plan according to the roles and responsibilities.</p> <p>6.1.3 The organisation shall keep records of the trainings provided to personnel in relation to the implementation of the MSPO SCCS.</p>	<p>However, there is lack evidence internal training done to all related staff especially those not attending the external training.</p> <p>Findings:</p> <p>Internal training record : N/A</p> <p>Internal training material : N/A</p> <p>Training evaluation Plan : N/A</p> <p>Training matrix / Need Analysis / Plan : N/A</p>

	<p>No defined plan to capture the need for MSPO SCCS related training for personnel engaged in the implementation and maintenance of the system.</p> <p>Training for MSPO were not conducted yet. They plan to conduct station training in April and to train workers on the MSPO standard during this training.</p> <p>But for the sustainability team, no plan for any MSPO training yet.</p> <p>No records of training in relation to MSPO.</p> <p>Training for MSPO SCCS not conducted and will be review in actual audit. (6.1.1)</p> <p>No training plan for MSPO SCCS established. This will be reviewed during actual audit.(6.1.2)</p> <p>Training for MSPO SCCS is not conducted and will be review in actual audit. (6.1.3)</p>
<p>7. Purchase and Sales</p> <p>7.1 The organisation shall ensure that the documents associated with transactions between the customer and supplier of the certified palm oil products shall include at least the following information:</p> <ul style="list-style-type: none"> a) The name and address of the seller/buyer; b) Product(s) identification including the applicable supply chain models (mass balance, segregated); c) The quantity of the product delivered; d) The loading or delivery date; e) Related transportation documentation with a unique identification number; f) MSPO Supply chain certificate number; and g) MSPO Supply chain certificate validity; 	<p>Non- Confirming Product: Based on Mill representatives explanation, there is an action on Non-confirming product practices which is the Control Food Quality Action. There are several components within the action:</p> <ol style="list-style-type: none"> 1. FFB Grading 2. Machineries / equipment productivity 3. Operating practices for oil groom 4. Quality Monitoring process by Mill Lab Executive <p>However, during audit, detailed document procedure on this action plan is not available. (7.2)</p>

<p>7.2 The organisation shall have a mechanism in place for handling non-conforming palm oil products and/or documents.</p>	<p>The purchase and sales documents has not fully capture the minimum standard requirement. (7.1)</p> <p>The organization has not defined the mechanism for handling non-conforming palm oil products and/or documents. (7.2)</p> <p>No mechanism in place yet. (7.2)</p> <p>Sighted FFB intake daily summary. No documents provided by suppliers. Suppliers come and weight the FFB in the mill weighbridge. Mill will come out with ticket. (7.1)</p> <p>The address for FFB supplier should be the estate and not the HQ. (7.1 a)</p> <p>Copy of contract agreements for sales of CPO or purchase of FFB were not available at the mill. (7.1 b)</p> <p>Since there are no contracts sighted, the variance quantity of products delivered cannot be cross-checked for correctness. (7.1 c)</p> <p>The unique identification number for FFB received could not be cross-checked since there is no contract agreement available at site. (7.1 e)</p> <p>This is pilot audit, therefore no MSPO SCC certificate available. (7.1 f,g)</p> <p>SOP for handling on non-conforming palm oil products and documents is not established. (7.2)</p> <p>Presently crop from internal and delivery of sustainable crude palm oil (CPO) and palm kernel (PK) not required a necessary contract agreement between mills and refinery for the purchase of this two products due to from same organization.</p>
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	No mechanism in place for handling non-conforming palm oil products and/or documents.
<p>8.1 Segregation</p> <p>8.1.2.1 The Segregation approach requires that the MSPO certified palm oil products shall be kept separate from non-MSPO certified palm oil products at every stage of production, processing, refining and manufacturing throughout the supply chain. This model allows mixing of any MSPO SG certified palm oil products from various certified sources. Physical certified palm oil products delivered to the end user shall be traceable to MSPO certified sources.</p> <p>8.1.2.2 The site shall assure and verify through clear procedures and record keeping that the MSPO certified oil palm product is kept segregated from non-certified palm oil products including during transport and storage to strive for 100% separation.</p>	
<p>8.2 Mass balance</p> <p>8.2.2.1 The basis of the MSPO SCCS requirements for MB shall consist of reconciliation between the quantity of MSPO certified palm oil products bought and the quantity of MSPO certified palm oil products sold. This includes control of purchases and sales of MSPO certified palm oil products and its derivatives which shall be independently verified. There are no requirements for separate storage, transportation or controls in the production process.</p> <p>8.2.2.2 The organisation shall ensure that the quantity of physical MSPO MB palm oil product inputs and outputs (volume or weight) at the physical site are monitored.</p> <p>8.2.2.3 The organisation shall ensure that the output of MSPO MB palm oil product supplied to customers from the physical site does not exceed the input of MSPO certified palm oil products received at the physical site, using either a continuous accounting system or a fixed inventory period.</p>	<p>No tracing SOP available for the time being.</p> <p>Mass balance model procedure is not yet established.</p> <p>Current practices do not demonstrate certified and uncertified FFBs received and without any reconciliation of certified and uncertified oil.</p> <p>The mass balance report is not established.</p> <p>The mill is not yet certified to MS 2530-4:2013 Part 4. Therefore, no accounting system established for certified and uncertified products.</p>

<p>8.2.3 Continuous accounting system</p> <p>8.2.3.1 Where a continuous accounting system is in operation, the organisation shall ensure that the quantity of physical MSPO MB palm oil product inputs and outputs at the physical site are monitored on a real-time basis.</p> <p>8.2.3.2 Where a continuous accounting system is in operation, the organization shall ensure that the material accounting system is never overdrawn. Only MSPO data which has been recorded in the material accounting system shall be allocated to outputs supplied by the organisation.</p> <p>8.2.4 Fixed inventory periods</p> <p>8.2.4.1 Where a fixed inventory period is in operation, the organization shall ensure that the quantity of MSPO MB palm oil product inputs and outputs (volume or weight) are balanced. The fixed inventory period shall be three (3) months.</p> <p>8.2.4.2 Where a fixed inventory period is in operation, the organization may overdraw data when there is evidence that MSPO MB palm oil product purchases for delivery within the inventory period cover the MSPO output quantity supplied.</p> <p>8.2.4.3 Where a fixed inventory period is in operation, unused credits can be carried over and recorded in the material accounting system for the following inventory period.</p>	
<p>9. Outsourced Activities</p> <p>9.1 The organisation which outsources its activities to independent third party or parties shall ensure that it:</p> <ul style="list-style-type: none"> a) has legal ownership of all input materials during the outsourced activities; b) has a contract covering the outsourced activities with each contractor. This contract shall include a clause reserving the right of the certification body to audit the outsourced contractor; and 	<p>No agreement provided during audit (agreement in drafting process between mill & transporter).</p> <p>Standard Operating Procedure on Out Sourced Activities: N/A (9.2)</p> <p>No contract had been established between company and the outsource contractors.</p>

<p>c) has a documented control system with procedures for the outsourced activities which are shared with the relevant outsourced contractor.</p> <p>9.2 The organisation shall take full responsibility for activities that have been outsourced (as defined in 4.9 <i>Outsourced Contractor</i>).</p>	<p>Contract does not include MSPO elements. No SOP established yet. Therefore, no procedures shared to outsourcers. (9.1)</p> <p>The mill has not established outsourced activity procedure. (9.1 a)</p> <p>Copy of contracts shall be available in the Mill for records keeping. (9.1 b)</p> <p>No outsourcers activity procedure established. (9.2)</p> <p>Part b was not specified in the contract.</p> <p>Part c require procedure was not available for outsource activity.</p> <p>No outsourcing Activities procedure available during pilot audit.</p>
<p>10. Claim</p> <p>The organisation shall only make a claim on the product that it contains MSPO certified material from oil palm planted areas which have been certified for the oil palm management certification standard as being sustainably managed.</p> <p>Reference: <u><i>Issuance of MSPO Logo Usage Licence by MPOCC under the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme</i></u> document.</p>	<p>MSPO logo usage agreement was not established with MPOCC</p> <p>Claims on Supply Chain model not established.</p>
<p>11. Complaints and Grievances</p> <p>The organisation shall have in place and maintain documented procedures for dealing with any substantive and procedural complaints and grievances relating to its stakeholders.</p>	<p>The procedure has not fully outline the process for dealing with any substantive and procedural complaints and grievances relating to its stakeholders.</p> <p>No complaint and grievance procedure established yet.</p> <p>No SOP established for grievance and complaints.</p>

Comments for improvement:

1. In general the draft document is easy to be understood by the auditee. Documents such as records, purchase and sale, contracts etc. are available at site or their respective HQ.
2. Gaps – Practicality of the process is not an issue, but the auditee is more concerned on whether all the supply chain can be MSPO certified or not as presently their mill is 70% depending on outside crop either from dealers or smallholders.
3. The component within the draft document includes necessary requirements within the Supply chain procedure.
4. The organization needs to be more exposed to the MSPO Supply Chain Certification Standard requirements.
5. With the foundation (commitment and knowledge) that currently have although no other management system is being implemented, they can adapt the standard with continuous improvement throughout the organization (the paperwork, the standard operating practice, the right attitude, the sustainable mindset etc).

2. Crushers

Processing Sector	Kernel Crushers
Processing Facilities / Certification Body	1. Felda Kernel Products Sdn Bhd, Kuantan /SGS
	2. Felda Kernel Products Sdn Bhd, Lahad Datu /CU
	3. Sime Darby Austral Sdn Bhd / SIRIM

Summary of findings:

No	Clause	No. of Findings
5.1	Sustainability Policy	4
5.2	Management Representative	1
5.3	Record Keeping	0
5.4	Procedures	2
5.5	Internal Audit	2
5.6	Management Review	2
6.1	Competency and Training	2
7	Purchase and Sales	3
8.1	Segregation	N/A during the audit
8.2	Mass Balance	1
9	Outsourced Activities	2
10	Claim	0
11	Complaint and Grievances	1
12	IT Platform	N/A during the audit

Clause	Audit Findings
<p>5.1 Sustainability Policy</p> <p>A sustainability policy for the implementation of MSPO shall be established by the organisation to demonstrate its commitment towards the production of certified palm oil products. Organisation commitment shall be communicated to the employees, suppliers, outsourced contractors, customers and relevant stakeholders.</p>	<p>Sustainability Policy specifically mentioning on MSPO compliances was not available during the audit.</p> <p>The company has established a sustainability policy. However, the policy has not demonstrated its commitment towards the production and implementation of MSPO SC certified palm oil products.</p> <p>To establish the Sustainability/MSPO Policy which comply with MSPO SCCS (especially Traceability and Supply Chain Model -SG/MB requirement) and policy/procedure should be communicated to relevant stakeholders (outsourced contractor, supplier etc)</p> <p>To identify and establish comprehensive list of an individual or group with a legitimate and demonstrable interest in, or who is directly affected by activities of an organization and consequences of activities (Stakeholders List)</p>
<p>5.2 Management Representative</p> <p>The organisation shall appoint a member of the management who, irrespective of other responsibilities, shall have overall responsibility and authority for the organisation's MSPO SCCS management.</p>	<p>There is no specific clause on the person in charge to have overall responsibility and authority for the organization MSPO SCCS management.</p>
<p>5.3 Record Keeping</p> <p>The organisation shall maintain accurate and up-to-date records that demonstrate compliance with MSPO SCCS to provide evidence of conformity. The records shall be maintained for a minimum period of three (3) years.</p>	

<p>5.4 Procedures</p> <p>The organisation shall establish documented procedures for its supply chain to demonstrate compliance with MSPO SCCS as follows:</p> <ul style="list-style-type: none"> e) Description of the material flow within the production process; f) Organisational structure, responsibilities and authorities with respect to MSPO SCCS; g) Procedures on the supply chain models that enables the identification of incoming sustainable material from the suppliers and the distribution to the buyer; h) A documented procedure shall be established to define the responsibilities and requirements for planning and conducting internal audits, management reviews, establishing records and for monitoring and reporting results. 	<p>Procedure reviewed has not covered all elements as stated in MSPO Supply Chain Certification Standard.</p> <p>All established procedures only limited to handle MB materials and products, not for SG level. E.g. sighted the procedure not specified on segregation handling and storage of certified and non-certified material and products.</p>
<p>5.5 Internal Audit</p> <p>5.5.1 The organisation shall conduct internal audits at planned intervals to determine whether the MSPO SCCS requirements are effectively implemented and maintained.</p> <p>5.5.2 The organisation shall establish corrections and corrective actions for any non-conformity raised.</p>	<p>Findings in the internal SOP on Internal audit, it is found that frequency of the audit to be conducted is not mentioned in the SOP.</p> <p>The company has yet to conduct MSPO internal audit.</p>
<p>5.6 Management Review</p> <p>The management review of the organisation’s MSPO SCCS system shall be conducted at planned intervals to ensure its adequacy and effectiveness, and shall include the following aspects:</p> <ul style="list-style-type: none"> c) Review input <ul style="list-style-type: none"> ix) Results of internal and external audits x) Customer feedback xi) Process performance and product conformity 	<p>The company has yet to conduct management review meeting for MSPO SC certification program.</p> <p>At the moment, management review conducted are not fulfill the following aspect such not included:</p> <ul style="list-style-type: none"> • Result of Internal audit • Customer feedback • Process performance and product conformity

<ul style="list-style-type: none"> xii) Status of corrections and corrective actions xiii) Follow-up actions from previous management reviews xiv) Changes that could affect the MSPO SCCS system xv) Recommendation for improvement xvi) Complaints and grievances <p>d) Review output</p> <ul style="list-style-type: none"> iii) Improvement in the effectiveness of the MSPO SCCS system and its processes iv) Resources needed 	<ul style="list-style-type: none"> • Changes that could affect the MSPO SCCS System
<p>6.1 Competency and Training</p> <p>6.1.1 The organisation shall ensure that all personnel engaged in the implementation and maintenance of the MSPO SCCS are competent with appropriate training, skill and experience.</p> <p>6.1.2 The organisation shall establish an effective training plan according to the roles and responsibilities.</p> <p>6.1.3 The organisation shall keep records of the trainings provided to personnel in relation to the implementation of the MSPO SCCS.</p>	<p>The company has conducted a MSPO training. However, the training was not sufficient in complying with MSPO.</p> <p>No training plan for MSPO has been established.</p>
<p>7. Purchase and Sales</p> <p>7.1 The organisation shall ensure that the documents associated with transactions between the customer and supplier of the certified palm oil products shall include at least the following information:</p> <ul style="list-style-type: none"> h) The name and address of the seller/buyer; i) Product(s) identification including the applicable supply chain models (mass balance, segregated); j) The quantity of the product delivered; k) The loading or delivery date; 	<p>The company have established documented procedure for purchase and sales. However, the procedure has not covered all elements of MSPO SCCS requirements. (7.1)</p> <p>Information not completely included in documentations. (7.1)</p> <p>No procedure explaining to handle non-conforming product related to MB/SG rules either physical handling or documentation. (7.2)</p>

<p>l) Related transportation documentation with a unique identification number;</p> <p>m) MSPO Supply chain certificate number; and</p> <p>n) MSPO Supply chain certificate validity;</p> <p>7.2 The organisation shall have a mechanism in place for handling non-conforming palm oil products and/or documents.</p>	
<p>8.1 Segregation</p> <p>8.1.2.1 The Segregation approach requires that the MSPO certified palm oil products shall be kept separate from non-MSPO certified palm oil products at every stage of production, processing, refining and manufacturing throughout the supply chain. This model allows mixing of any MSPO SG certified palm oil products from various certified sources. Physical certified palm oil products delivered to the end user shall be traceable to MSPO certified sources.</p> <p>8.1.2.2 The site shall assure and verify through clear procedures and record keeping that the MSPO certified oil palm product is kept segregated from non-certified palm oil products including during transport and storage to strive for 100% separation.</p>	
<p>8.2 Mass balance</p> <p>8.2.2.1 The basis of the MSPO SCCS requirements for MB shall consist of reconciliation between the quantity of MSPO certified palm oil products bought and the quantity of MSPO certified palm oil products sold. This includes control of purchases and sales of MSPO certified palm oil products and its derivatives which shall be independently verified. There are no requirements for separate storage, transportation or controls in the production process.</p> <p>8.2.2.2 The organisation shall ensure that the quantity of physical MSPO MB palm oil product inputs and outputs (volume or weight) at the physical site are monitored.</p>	<p>To established fixed inventory which is 3 months accordance to the Mass Balance requirement and to ensure receive material not exceed the sales product volume.</p>

<p>8.2.2.3 The organisation shall ensure that the output of MSPO MB palm oil product supplied to customers from the physical site does not exceed the input of MSPO certified palm oil products received at the physical site, using either a continuous accounting system or a fixed inventory period.</p> <p><u>8.2.3 Continuous accounting system</u></p> <p>8.2.3.1 Where a continuous accounting system is in operation, the organisation shall ensure that the quantity of physical MSPO MB palm oil product inputs and outputs at the physical site are monitored on a real-time basis.</p> <p>8.2.3.2 Where a continuous accounting system is in operation, the organization shall ensure that the material accounting system is never overdrawn. Only MSPO data which has been recorded in the material accounting system shall be allocated to outputs supplied by the organisation.</p> <p><u>8.2.4 Fixed inventory periods</u></p> <p>8.2.4.1 Where a fixed inventory period is in operation, the organization shall ensure that the quantity of MSPO MB palm oil product inputs and outputs (volume or weight) are balanced. The fixed inventory period shall be three (3) months.</p> <p>8.2.4.2 Where a fixed inventory period is in operation, the organization may overdraw data when there is evidence that MSPO MB palm oil product purchases for delivery within the inventory period cover the MSPO output quantity supplied.</p> <p>8.2.4.3 Where a fixed inventory period is in operation, unused credits can be carried over and recorded in the material accounting system for the following inventory period.</p>	
<p>9. Outsourced Activities</p> <p>9.1 The organisation which outsources its activities to independent third party or parties shall ensure that it:</p>	<p>The company have prepared the outsource agreement with their service providers (transporter and storage). However, the agreement</p>

<p>d) has legal ownership of all input materials during the outsourced activities;</p> <p>e) has a contract covering the outsourced activities with each contractor. This contract shall include a clause reserving the right of the certification body to audit the outsourced contractor; and</p> <p>f) has a documented control system with procedures for the outsourced activities which are shared with the relevant outsourced contractor.</p> <p>9.2 The organisation shall take full responsibility for activities that have been outsourced (as defined in 4.9 <i>Outsourced Contractor</i>).</p>	<p>has not included a clause reserving the right of certification body to audit outsourced contractor.</p> <p>To revise the Contract Agreement regard to Outsourcing activities where contract shall include a clause reserving the right of the certification body to audit the outsourced contractor.</p>
<p>10. Claim</p> <p>The organisation shall only make a claim on the product that it contains MSPO certified material from oil palm planted areas which have been certified for the oil palm management certification standard as being sustainably managed.</p> <p>Reference: <u><i>Issuance of MSPO Logo Usage Licence by MPOCC under the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme document.</i></u></p>	
<p>11. Complaints and Grievances</p> <p>The organisation shall have in place and maintain documented procedures for dealing with any substantive and procedural complaints and grievances relating to its stakeholders.</p>	<p>Scope of Complaint and Grievances should be extending where it should covers to any substantive and procedural complaints and grievances relating to its stakeholders</p>

Comments for improvement:

1. In general, the MSPO SCCS draft document is easy to be understand by both auditor and the auditees.
2. The respondents are RSPO certified and overall the team are well prepared for the MSPO SCCS. The draft document is well understanding and the requirement / scope of the supply chain generally covered in the draft document.
3. Audit scope should cover model to be used; Clause 7.1b stated the claim to be used in incoming and outgoing documents. Section 8 gave an option to certificate holder to choose the method to be used. By stating the model to use in the audit scope, auditor can determine clause to be audited and plan the audit accordingly.
4. Clause 5.5 stated the organization shall conduct internal audit as planned intervals to determine whether the MSPO SCCS requirements are effectively implemented and maintained.

Internal audit should be conducted annually. Internal audit conducted to ensure the organization procedures and activities complied with MSPO SCCS requirement since last audit.

5. Clause 5.6 (a) (i) stated result of internal audit. It should be result of MSPO internal audit and external audits.
6. MSPO SCCS should consider including processing/manufacturing in outsourced activities.
7. Multisite certification should be an option.
8. Clause 7.1 requirement not indicated list of information required (item a – g) in single documentation or within range of transaction documents.
9. Clause 9.1 *Outsourced Activities*, a clause reserving the right of the certification body to audit the outsourced contractor, if outsource company refuse to accept this clause auditee has no other option to use other facility for their shipment.

3. Refiners

Processing Sector	Refineries
Processing Facilities / Certification Body	1. Cargill Palm Oil Products Sdn Bhd /TUV- Nord
	2. IOI Edible Oils Sdn Bhd /SIRIM
	3. SOP Edible Oils Sdn Bhd /CU

Summary of findings:

No	Items	No. of Findings
5.1	Sustainability Policy	3
5.2	Management Representative	0
5.3	Record Keeping	0
5.4	Procedures	2
5.5	Internal Audit	1
5.6	Management Review	3
6.1	Competency and Training	0
7	Purchase and Sales	3
8.1	Segregation	2
8.2	Mass Balance	0
9	Outsourced Activities	3
10	Claim	0
11	Complaint and Grievances	0
12	IT Platform	N/A during the audit

Clause	Audit Findings
<p>5.1 Sustainability Policy</p> <p>A sustainability policy for the implementation of MSPO shall be established by the organisation to demonstrate its commitment towards the production of certified palm oil products. Organisation commitment shall be communicated to the employees, suppliers, outsourced contractors, customers and relevant stakeholders.</p>	<p>The policy established is not signed. MSPO policy is not established yet.</p> <p>May consider improving on the policy statement to include environment or social impact that could affect the refinery operations.</p> <p>However, this is not specifically referring to this pledge but in general statement of MSPO implementation in SOP. As sighted letter on 5th May 2016 is before the pledge been endorsed.</p>
<p>5.2 Management Representative</p> <p>The organisation shall appoint a member of the management who, irrespective of other responsibilities, shall have overall responsibility and authority for the organisation's MSPO SCCS management.</p>	
<p>5.3 Record Keeping</p> <p>The organisation shall maintain accurate and up-to-date records that demonstrate compliance with MSPO SCCS to provide evidence of conformity. The records shall be maintained for a minimum period of three (3) years.</p>	
<p>5.4 Procedures</p> <p>The organisation shall establish documented procedures for its supply chain to demonstrate compliance with MSPO SCCS as follows:</p>	<p>The procedure is not updated to reflect qualification for one of the internal auditor. Management review was not mention as part of</p>

<ul style="list-style-type: none"> i) Description of the material flow within the production process; j) Organisational structure, responsibilities and authorities with respect to MSPO SCCS; k) Procedures on the supply chain models that enables the identification of incoming sustainable material from the suppliers and the distribution to the buyer; l) A documented procedure shall be established to define the responsibilities and requirements for planning and conducting internal audits, management reviews, establishing records and for monitoring and reporting results. 	<p>requirements. There was no procedure established for management review. (5.4 d)</p> <p>All these procedures only limited to handle MB materials and products, not for SG level. E.g. sighted the procedure not specified on segregation handling and storage of certified and non-certified material and products.</p>
<p>5.5 Internal Audit</p> <p>5.5.1 The organisation shall conduct internal audits at planned intervals to determine whether the MSPO SCCS requirements are effectively implemented and maintained.</p> <p>5.5.2 The organisation shall establish corrections and corrective actions for any non-conformity raised.</p>	<p>The root caused analysis is not established as what cause the non-conformance. (5.5.2)</p>
<p>5.6 Management Review</p> <p>The management review of the organisation’s MSPO SCCS system shall be conducted at planned intervals to ensure its adequacy and effectiveness, and shall include the following aspects:</p> <ul style="list-style-type: none"> e) Review input <ul style="list-style-type: none"> xvii) Results of internal and external audits xviii) Customer feedback xix) Process performance and product conformity xx) Status of corrections and corrective actions xxi) Follow-up actions from previous management reviews 	<p>The management review of the organization’s MSPO SCCS has yet to be conducted at the planned intervals.</p> <p>Management review conducted are not fulfill the following aspect such not included:</p> <ul style="list-style-type: none"> a) Result of Internal audit b) Customer feedback c) Process performance and product conformity d) Changes that could affect the MSPO SCCS System e) Improvement in the effectiveness of the MSPO SCCS system and its processes f) Resources needed

<ul style="list-style-type: none"> xxii) Changes that could affect the MSPO SCCS system xxiii) Recommendation for improvement xxiv) Complaints and grievances f) Review output <ul style="list-style-type: none"> v) Improvement in the effectiveness of the MSPO SCCS system and its processes vi) Resources needed 	
<p>6.1 Competency and Training</p> <p>6.1.1 The organisation shall ensure that all personnel engaged in the implementation and maintenance of the MSPO SCCS are competent with appropriate training, skill and experience.</p> <p>6.1.2 The organisation shall establish an effective training plan according to the roles and responsibilities.</p> <p>6.1.3 The organisation shall keep records of the trainings provided to personnel in relation to the implementation of the MSPO SCCS.</p>	
<p>7. Purchase and Sales</p> <p>7.1 The organisation shall ensure that the documents associated with transactions between the customer and supplier of the certified palm oil products shall include at least the following information:</p> <ul style="list-style-type: none"> o) The name and address of the seller/buyer; p) Product(s) identification including the applicable supply chain models (mass balance, segregated); q) The quantity of the product delivered; r) The loading or delivery date; s) Related transportation documentation with a unique identification number; t) MSPO Supply chain certificate number; and u) MSPO Supply chain certificate validity; 	<p>The variance of the delivery quantities against the agreement or contract refers to PORLA requirements. The PORLA requirement shall be made available. (7.1 c)</p> <p>During review of weighbridge tickets from one supplier, the supplier was certified with IP module based on the rubber stamp. The module stated in the contract and delivery documents is SG. The supply manual shall has provision to manage document discrepancies. (7.2)</p> <p>No procedure explaining to handle non-conforming product related to MB/SG rules either physical handling or documentation. (7.2)</p> <p>Sample of purchase contract not sighted:</p> <ul style="list-style-type: none"> a) Name of certification system

<p>7.2 The organisation shall have a mechanism in place for handling non-conforming palm oil products and/or documents.</p>	<p>b) Certificate number c) Unique running number g) Type of incoming sustainable raw material SCCS model. h) Country of origin</p>
<p>8.1 Segregation</p> <p>8.1.2.1 The Segregation approach requires that the MSPO certified palm oil products shall be kept separate from non-MSPO certified palm oil products at every stage of production, processing, refining and manufacturing throughout the supply chain. This model allows mixing of any MSPO SG certified palm oil products from various certified sources. Physical certified palm oil products delivered to the end user shall be traceable to MSPO certified sources.</p> <p>8.1.2.2 The site shall assure and verify through clear procedures and record keeping that the MSPO certified oil palm product is kept segregated from non-certified palm oil products including during transport and storage to strive for 100% separation.</p>	<p>No specific procedure yet for SOP to handle SG model. (8.1)</p> <p>No specific procedure or preparation done yet to handle any SG material at the moment. (8.1.2)</p>
<p>8.2 Mass balance</p> <p>8.2.2.1 The basis of the MSPO SCCS requirements for MB shall consist of reconciliation between the quantity of MSPO certified palm oil products bought and the quantity of MSPO certified palm oil products sold. This includes control of purchases and sales of MSPO certified palm oil products and its derivatives which shall be independently verified. There are no requirements for separate storage, transportation or controls in the production process.</p> <p>8.2.2.2 The organisation shall ensure that the quantity of physical MSPO MB palm oil product inputs and outputs (volume or weight) at the physical site are monitored.</p> <p>8.2.2.3 The organisation shall ensure that the output of MSPO MB palm oil product supplied to customers from the physical site does not</p>	

<p>exceed the input of MSPO certified palm oil products received at the physical site, using either a continuous accounting system or a fixed inventory period.</p> <p><u>8.2.3 Continuous accounting system</u></p> <p>8.2.3.1 Where a continuous accounting system is in operation, the organisation shall ensure that the quantity of physical MSPO MB palm oil product inputs and outputs at the physical site are monitored on a real-time basis.</p> <p>8.2.3.2 Where a continuous accounting system is in operation, the organization shall ensure that the material accounting system is never overdrawn. Only MSPO data which has been recorded in the material accounting system shall be allocated to outputs supplied by the organisation.</p> <p><u>8.2.4 Fixed inventory periods</u></p> <p>8.2.4.1 Where a fixed inventory period is in operation, the organization shall ensure that the quantity of MSPO MB palm oil product inputs and outputs (volume or weight) are balanced. The fixed inventory period shall be three (3) months.</p> <p>8.2.4.2 Where a fixed inventory period is in operation, the organization may overdraw data when there is evidence that MSPO MB palm oil product purchases for delivery within the inventory period cover the MSPO output quantity supplied.</p> <p>8.2.4.3 Where a fixed inventory period is in operation, unused credits can be carried over and recorded in the material accounting system for the following inventory period.</p>	
<p>9. Outsourced Activities</p> <p>9.1 The organisation which outsources its activities to independent third party or parties shall ensure that it:</p> <ul style="list-style-type: none"> g) has legal ownership of all input materials during the outsourced activities; h) has a contract covering the outsourced activities with each contractor. This contract shall include a clause reserving the 	<p>No evidence of document control system with procedures has been communicated to the outsource facility.</p> <p>No clause reserving the right of the certification body to audit the outsourced contractor.</p>

<p>right of the certification body to audit the outsourced contractor; and</p> <p>i) has a documented control system with procedures for the outsourced activities which are shared with the relevant outsourced contractor.</p> <p>9.2 The organisation shall take full responsibility for activities that have been outsourced (as defined in 4.9 <i>Outsourced Contractor</i>).</p>	<p>No evidence of document control system with procedures has been communicated to the outsource facility.</p>
<p>10. Claim</p> <p>The organisation shall only make a claim on the product that it contains MSPO certified material from oil palm planted areas which have been certified for the oil palm management certification standard as being sustainably managed.</p> <p>Reference: <u><i>Issuance of MSPO Logo Usage Licence by MPOCC under the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme</i></u> document.</p>	
<p>11. Complaints and Grievances</p> <p>The organisation shall have in place and maintain documented procedures for dealing with any substantive and procedural complaints and grievances relating to its stakeholders.</p>	

4. Biodiesel

Processing Sector	Biodiesel Plant
Processing Facilities / Certification Body	1. ExcelVite Sdn Bhd / SIRIM
	2. Genting Biodiesel Sdn Bhd / CU
	3. SOP Green Energy / TUV-Nord

Summary of findings:

No	Items	No. of Findings
5.1	Sustainability Policy	3
5.2	Management Representative	2
5.3	Record Keeping	1
5.4	Procedures	2
5.5	Internal Audit	1
5.6	Management Review	3
6.1	Competency and Training	1
7	Purchase and Sales	3
8.1	Segregation	N/A during the audit
8.2	Mass Balance	1
9	Outsourced Activities	2
10	Claim	2
11	Complaint and Grievances	1
12	IT Platform	N/A during the audit

Clause	Audit Findings
<p>5.1 Sustainability Policy</p> <p>A sustainability policy for the implementation of MSPO shall be established by the organisation to demonstrate its commitment towards the production of certified palm oil products. Organisation commitment shall be communicated to the employees, suppliers, outsourced contractors, customers and relevant stakeholders.</p>	<p>The organization has yet to fully communicate their commitment to the employees, suppliers, outsourced contractors, customers and relevant stakeholders.</p> <p>List of stakeholders sighted, however the list could be expanded to include all relevant stakeholders within the vicinity.</p> <p>To identify and establish comprehensive list of an individual or group with a legitimate and demonstrable interest in, or who is directly affected by activities of an organization and consequences of activities (Stakeholders List)</p>
<p>5.2 Management Representative</p> <p>The organisation shall appoint a member of the management who, irrespective of other responsibilities, shall have overall responsibility and authority for the organisation’s MSPO SCCS management.</p>	<p>The organization has yet to appoint a member of the management who, irrespective of other responsibilities, shall have overall responsibility and authority for the organization’s MSPO SCCS management.</p> <p>With some of ISO 9001 SOPs are applicable to sustainability, the management could consider has a common QMR to manage both certification documentation</p>
<p>5.3 Record Keeping</p> <p>The organisation shall maintain accurate and up-to-date records that demonstrate compliance with MSPO SCCS to provide evidence of conformity. The records shall be maintained for a minimum period of three (3) years.</p>	<p>Some of the ISO 9001 SOPs are applicable to the biodiesel plant, the management could consider establish a common retention of records lists. However, the retention of records should not be limited to sustainability and ISO 9001 related documents.</p>

<p>5.4 Procedures</p> <p>The organisation shall establish documented procedures for its supply chain to demonstrate compliance with MSPO SCCS as follows:</p> <ul style="list-style-type: none"> m) Description of the material flow within the production process; n) Organisational structure, responsibilities and authorities with respect to MSPO SCCS; o) Procedures on the supply chain models that enables the identification of incoming sustainable material from the suppliers and the distribution to the buyer; p) A documented procedure shall be established to define the responsibilities and requirements for planning and conducting internal audits, management reviews, establishing records and for monitoring and reporting results. 	<p>The chart need to be updated to reflect MSPO SCCS. (5.4b)</p> <p>To update internal procedure to aligned with the MSPO SCCS in order to ensure the comprehensiveness and effectiveness of the system subscribed.</p>
<p>5.5 Internal Audit</p> <p>5.5.1 The organisation shall conduct internal audits at planned intervals to determine whether the MSPO SCCS requirements are effectively implemented and maintained.</p> <p>5.5.2 The organisation shall establish corrections and corrective actions for any non-conformity raised.</p>	<p>The organization has yet to conduct internal audits at the planned intervals. (5.5.1)</p>
<p>5.6 Management Review</p> <p>The management review of the organisation’s MSPO SCCS system shall be conducted at planned intervals to ensure its adequacy and effectiveness, and shall include the following aspects:</p> <ul style="list-style-type: none"> g) Review input <ul style="list-style-type: none"> xxv) Results of internal and external audits xxvi) Customer feedback xxvii) Process performance and product conformity 	<p>The management review of the organization’s MSPO SCCS has yet to be conducted at the planned intervals.</p> <p>There are conflicting statements which relate to their chosen accounting system.</p>

<ul style="list-style-type: none"> xxviii) Status of corrections and corrective actions xxix) Follow-up actions from previous management reviews xxx) Changes that could affect the MSPO SCCS system xxxi) Recommendation for improvement xxxii) Complaints and grievances h) Review output <ul style="list-style-type: none"> vii) Improvement in the effectiveness of the MSPO SCCS system and its processes viii) Resources needed 	<p>External audit results were not discussed in the management review meeting. (5.6 a(i))</p>
<p>6.1 Competency and Training</p> <p>6.1.1 The organisation shall ensure that all personnel engaged in the implementation and maintenance of the MSPO SCCS are competent with appropriate training, skill and experience.</p> <p>6.1.2 The organisation shall establish an effective training plan according to the roles and responsibilities.</p> <p>6.1.3 The organisation shall keep records of the trainings provided to personnel in relation to the implementation of the MSPO SCCS.</p>	<p>Training should be conducted after approved training plan. Training needs assessment should be established before training plans. (6.1.2)</p>
<p>7. Purchase and Sales</p> <p>7.1 The organisation shall ensure that the documents associated with transactions between the customer and supplier of the certified palm oil products shall include at least the following information:</p> <ul style="list-style-type: none"> v) The name and address of the seller/buyer; w) Product(s) identification including the applicable supply chain models (mass balance, segregated); x) The quantity of the product delivered; y) The loading or delivery date; 	<p>The organization has yet to define the mechanism for handling non-conforming palm oil products and/or documents. (7.2)</p> <p>The RPO (refined palm oil) contracts between for transfer of RPO the contract number was not stated in transfer document. (7.1e)</p> <p>A mechanism could be established to monitor suppliers' certificates validity. (7.1g)</p>

<p>z) Related transportation documentation with a unique identification number; aa) MSPO Supply chain certificate number; and bb) MSPO Supply chain certificate validity; 7.2 The organisation shall have a mechanism in place for handling non-conforming palm oil products and/or documents.</p>	
<p>8.1 Segregation</p> <p>8.1.2.1 The Segregation approach requires that the MSPO certified palm oil products shall be kept separate from non-MSPO certified palm oil products at every stage of production, processing, refining and manufacturing throughout the supply chain. This model allows mixing of any MSPO SG certified palm oil products from various certified sources. Physical certified palm oil products delivered to the end user shall be traceable to MSPO certified sources.</p> <p>8.1.2.2 The site shall assure and verify through clear procedures and record keeping that the MSPO certified oil palm product is kept segregated from non-certified palm oil products including during transport and storage to strive for 100% separation.</p>	
<p>8.2 Mass balance</p> <p>8.2.2.1 The basis of the MSPO SCCS requirements for MB shall consist of reconciliation between the quantity of MSPO certified palm oil products bought and the quantity of MSPO certified palm oil products sold. This includes control of purchases and sales of MSPO certified palm oil products and its derivatives which shall be independently verified. There are no requirements for separate storage, transportation or controls in the production process.</p> <p>8.2.2.2 The organisation shall ensure that the quantity of physical MSPO MB palm oil product inputs and outputs (volume or weight) at the physical site are monitored.</p>	<p>Current reporting there is paper stock but physical zero stock. The reporting system could be improved to ensure both physical and paper reported volume are either zero or a positive volume as the end of each quarter. (8.2.4.2)</p>

<p>8.2.2.3 The organisation shall ensure that the output of MSPO MB palm oil product supplied to customers from the physical site does not exceed the input of MSPO certified palm oil products received at the physical site, using either a continuous accounting system or a fixed inventory period.</p> <p><u>8.2.3 Continuous accounting system</u></p> <p>8.2.3.1 Where a continuous accounting system is in operation, the organisation shall ensure that the quantity of physical MSPO MB palm oil product inputs and outputs at the physical site are monitored on a real-time basis.</p> <p>8.2.3.2 Where a continuous accounting system is in operation, the organization shall ensure that the material accounting system is never overdrawn. Only MSPO data which has been recorded in the material accounting system shall be allocated to outputs supplied by the organisation.</p> <p><u>8.2.4 Fixed inventory periods</u></p> <p>8.2.4.1 Where a fixed inventory period is in operation, the organization shall ensure that the quantity of MSPO MB palm oil product inputs and outputs (volume or weight) are balanced. The fixed inventory period shall be three (3) months.</p> <p>8.2.4.2 Where a fixed inventory period is in operation, the organization may overdraw data when there is evidence that MSPO MB palm oil product purchases for delivery within the inventory period cover the MSPO output quantity supplied.</p> <p>8.2.4.3 Where a fixed inventory period is in operation, unused credits can be carried over and recorded in the material accounting system for the following inventory period.</p>	
<p>9. Outsourced Activities</p> <p>9.1 The organisation which outsources its activities to independent third party or parties shall ensure that it:</p> <p>j) has legal ownership of all input materials during the outsourced activities;</p>	<p>No contract being established to cover the outsourced activities (transporter). (9.1b)</p>

<p>k) has a contract covering the outsourced activities with each contractor. This contract shall include a clause reserving the right of the certification body to audit the outsourced contractor; and</p> <p>l) has a documented control system with procedures for the outsourced activities which are shared with the relevant outsourced contractor.</p> <p>9.2 The organisation shall take full responsibility for activities that have been outsourced (as defined in 4.9 <i>Outsourced Contractor</i>).</p>	<p>To revise the Contract Agreement regard to Outsourcing activities where contract shall include a clause reserving the right of the certification body to audit the outsourced contractor.</p>
<p>10. Claim</p> <p>The organisation shall only make a claim on the product that it contains MSPO certified material from oil palm planted areas which have been certified for the oil palm management certification standard as being sustainably managed.</p> <p>Reference: <u><i>Issuance of MSPO Logo Usage Licence by MPOCC under the Malaysian Sustainable Palm Oil (MSPO) Certification Scheme</i></u> document.</p>	<p>The clause has not sufficiently address in the MSPO SCCS Manual.</p> <p>No MSPO agreement with MPOCC for logo usage.</p>
<p>11. Complaints and Grievances</p> <p>The organisation shall have in place and maintain documented procedures for dealing with any substantive and procedural complaints and grievances relating to its stakeholders.</p>	<p>Scope of Complaint and Grievances should be extend where it should covers to any substantive and procedural complaints and grievances relating to its stakeholders.</p>