

MY 05187 Dynawood Plantation (Sematan) Sdn. Bhd. Audit Summary Report

Organization:	Dynawood Plantation (Sematan) Sdn. Bhd.		
Address:	<u>Head office</u> BJ 203, 1 st Floor, Batu Kawah Newtownship, Jalan Batu Kawa 93250, Kuching Sarawak. Contact Person: Mr Lee Kuok Ann (Managing Director) Tel: 082-573598, Fax: 082-576589 <u>Estate Office Address</u> Tanah NCR, 11KM Sungai Serayan, Jalan Lundu - Sematan, Lundu 94500 Kuching, Sarawak.		
Standard(s):	MS2530-3 : Part 3 : General principles for Oil Palm Plantations and Organized Small Holders	Accreditation Body(s): Department Standards Malaysia (DSM)	
Representative:	Mr. Lee Ka Yeong (Manager) Mr. Lee Ka Cheng (Site Supervisor)		
Site(s) audited: Planted area	1. Dynawood Plantation (Sematan) Sdn. Bhd. (120 ha) 513423002000 (1.07.2018 – 30.06.2019) 2. Dynawood Plantation (Sematan) Enterprise (39.19 ha) 518702-101000 (8.04.2014- 31.03.2019)	Date(s) of audit(s):	23 rd November 2018
Next Proposed audit date:	September 2019		
Visit Type:	MSPO Audit Stage 2	Type of certification assessment	Main Audit
Lead auditor: (LA)	Dickens Mambu (DM) (LA)	Additional team member(s): Audit Member (AM)	Abdul Khalik (AK) (AM)
Trainee Lead Auditor: (TLA)	Jeffrey Ridu (JR)(TLA)	Trainee Auditor: (TA)	Siti Baizurah Binti Abdul Aziz (SBAA)
This report is confidential and distribution is limited to the audit team, client representative and the SGS office.			

1. Audit objectives

The objectives of this audit were:

- to confirm that the management system conforms with all the requirements of the audit standard;
- to confirm that the organization has effectively implemented the planned management system;
- to confirm that the management system is capable of achieving the organization's policy objectives.

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2. Scope of certification

The audit covered one site performing certification scope:

Production of Fresh Fruit Bunches (FFB) for Plantations in compliance to the MSPO Certification Standard MS2530-3:2013 Part 3 : General Principles For Oil Palm Plantations And Organized Smallholders

The audit covered the MS 2530:2013 requirements particularly MSPO Certification Standard **MS2530-3:2013 Part 3** for production and service provision

Has this scope been amended as a result of this audit? ☐ Yes ☒ No

This is a multi-site audit and an Appendix listing all relevant sites and/or remote locations has been established (attached) and agreed with the client ☒ Yes ☐ No

3. Current audit findings and conclusions

The audit team conducted a process-based audit focusing on significant aspects/risks/objectives required by the standard(s). The audit methods used were interviews, observation of activities and review of documentation and records.

The structure of the audit was in accordance with the audit plan and audit planning matrix included as annexes to this summary report.

The audit team concludes that the organization ☒ has ☐ has not established and maintained its Management system in line with the requirements of the standard and demonstrated the ability of the system to systematically achieve agreed requirements for products or services within the scope and the organization's policy and objectives.

Number of nonconformities identified: 1 Major 1 Minor

Therefore the audit team recommends that, based on the results of this audit and the system's demonstrated state of development and maturity, management system certification be:

☒ Granted / ☐ Continued / ☐ Withheld / ☐ Suspended until satisfactory corrective action is completed.

4. Previous Audit Results

The results of the last audit of this system have been reviewed, in particular to assure appropriate correction and corrective action has been implemented to address any nonconformity identified. This review has concluded that:

- ☐ Any nonconformity identified during previous audits has been corrected and the corrective action continues to be effective.
- ☐ The management system has not adequately addressed nonconformity identified during previous audit activities and the specific issue has been re-defined in the nonconformity section of this report.

5. Audit Findings

The audit team conducted a process-based audit focusing on significant aspects/risks/objectives. The audit methods used were interviews, observation of activities and review of documentation and records.

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The management system documentation demonstrated conformity with the requirements of the audit standard and provided sufficient structure to support implementation and maintenance of the management system. ☒ Yes ☐ No

The organization has demonstrated effective implementation and maintenance / improvement of its management system. ☒ Yes ☐ No

The organization has demonstrated the establishment and tracking of appropriate key performance objectives and targets and monitored progress towards their achievement. ☒ Yes ☐ No

The internal audit program has been fully implemented and demonstrates effectiveness as a tool for maintaining and improving the management system. ☒ Yes ☐ No

The management review process demonstrated capability to ensure the continuing suitability, adequacy and effectiveness of the management system. ☒ Yes ☐ No

Throughout the audit process, the management system demonstrated overall conformance with the requirements of the audit standard. ☒ Yes ☐ No

Certification claims are accurate and in accordance with SGS guidance ☒ N/A ☐ Yes ☐ No

6. Significant Audit Trails Followed

The specific processes, activities and functions reviewed are detailed in the Audit Plan. In performing the audit, various audit trails and linkages were developed, including the following primary audit trails, followed throughout:

Organization:	Dynawood Plantation (Sematan) Sdn. Bhd.		
Address	<u>Head office</u> BJ 203, 1 st Floor, Batu Kawah Newtownship, Jalan Batu Kawa 93250, Kuching Sarawak. Contact Person: Mr Lee Kuok Ann (Managing Director) Tel: 082-573598, Fax: 082-576589 <u>Estate Office Address</u> 11 km Sg. Serayan, Jalan Lundu Sematan, Lundu, Sarawak.		
MPOB License No.:	1.Dynawood Plantation (Sematan) Sdn. Bhd. (120 ha) 513423002000 2.Dynawood Plantation (Sematan) Enterprises (39.19 ha) 518702-101000	Expiry date:	(1.07.2018 – 30.06.2019) (8.04.2014-31.03.2019)
Scope of Activity:	Menjual dan Mengalih FFB	Hectare :	159.19 ha
Visit Number:	02 (Stage 2)	Actual Visit Date:	23 rd November 2018
Visit Due by Date:	Nil	For auditor information only	
Lead Auditor :	Dickens Mambu (DM)		

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Audit Member	Abdul Khalik Arbi (AK)
Additional Attendees and Roles	Jeffrey Ridu (JR)(Trainee Lead Auditor) Siti Baizurah Binti Abdul Aziz (SBAA)(Trainee Auditor)
Standard(s):	MSPO 2530:3: General principles for Oil Palm Plantations and Organized Small Holders
Audit Language:	English & Malay
Audit Scope:	1.The audit covered One (1) site performing the following scope: Operations, comprising of management systems, production of Fresh Fruit bunches (FFB), documentation and site assessment. 2.The audit covered all the MSPO 2530 Part 3 requirements with no permissible exclusion of clause in compliance to the standard document

Date	Time	Auditor	Organizational and Functional Units/ Processes and activities	Key Contact
23 rd Nov 2018	6.00 a.m	DM, AKA, JR, FA, SBAA	Depart to estate	Estate Personnel
	8.00 a.m		Arrived at estate	
	8.00 a.m		Opening Meeting Audit Process (Site Visit) - Principal 1: Management commitment and responsibility - Principal 2: Transparency - Principal 3: Compliance to legal requirements - Principal 4: Social responsibility, health, safety and employment condition - Principal 5: Environment, natural resources, biodiversity and ecosystem services - Principal 6: Best Practice - Principal 7: Development of New Plantings	Estate Personnel
	12.30pm		Lunch	
	1.00 pm		Continue Audit Process (Document review, Policies, local law compliances, deduction and pay slip, Safety and health procedures, environment procedure, minimum wages monitoring, social benefits)	
	4.00 pm		Preparation for closing	
	5.00 pm		Closing Meeting	

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	6.00 pm		Depart to Kuching	
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Location and Maps

The plantation is located approximately 2 km from Sematan.

The GPS locations of the state are shown in Table 1.

Table 1: GPS Location

	Estate	Location Address	Coordinate	Total Hectare (ha)
1	Dynawood Plantation (Sematan) Sdn. Bhd.	Tanah NCR, 11KM, Sungai Serayan, Jalan Lundu – Sematan, Lundu 94500 Kuching, Sarawak	01°45'36.72" N 109°46'20.28" E	120.00
2	Dynawood Plantation (Sematan) Enterprise	Tanah NCR, 11KM, Sungai Serayan, Jalan Lundu – Sematan, Lundu 94500 Kuching, Sarawak	01°45'33.681" N 109°46'39.5142" E	39.19
			Total	159.19

Dynawood Plantation (Sematan) Sdn. Bhd. Locality Map

ESTATE LOCALITY MAP FOR DYNAWOOD PLANTATION (SEMATAN) SDN. BHD. (DP)
AND DYNAWOOD PLANTATION (SEMATAN) ENTERPRISE (DE).



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Description of Estate Production

The crop yield from Dynawood Plantation (Sematan) Sdn. Bhd. is mention in **Table 2** below.

Table 2: FFB Production 2018

Estate	FFB Production (MT)	
	Projection	Actual
January	206.83	266.69
February	207.23	297.16
March	169.11	276.78
April	178.89	308.74
May	161.94	262.82
June	151.67	248.35
July	184.68	300.13
August	264.12	313.42
September	322.12	397.97
October	370.89	446.81
November	377.79	-
December	320.92	-
Total FFB	2,916.19	

Area of Statement

The areas of supplying estates for this operating unit are listed in Table 3. Details of production area (mature/immature) are also listed.

Table 3: Area Statement of the Supplying Estates

Name of estate	Title Area (ha)	Plantation area				
		Immature (ha)	Mature/ Production (ha)	Buffer zone / Unplanted (ha)	Land Issue	*Others
Dynawood Plantation (Sematan) Sdn. Bhd.	120ha	-	120	-	-	-
Dynawood Plantation (Sematan) Enterprises	39.19 ha	-	39.19	-	-	-
*Others : Transmission tower, Quarry, Roads, line site, rives, water catchment area, office building ,etc						

Stakeholder Consultation and List of Stakeholders Contacted

A public announcement was made 30 days prior to the audit.

Stakeholder consultation took place in the form of meetings and interviews. Due to this is the main assessment, meetings with stakeholders were held in the respected estate office. Detail can be referred to **Appendix 1:**

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Comment on MS2530-3 Compliance Status:

Comment on Principle 1	<u>Policy on Implementation of MSPO –</u> It was observed the policy of MSPO was implemented, which sign by Mr. Lee Kuok Ann, Managing Director, dated 15th August 2018. The applicable policy was listed as below: a) Policy Statement for Zero Burning b) Occupational Safety and Health Policy c) Respecting Human Rights Policy d) Policy Statement for No Child Labour e) Environmental & Biodiversity Policy <u>Internal Audit-</u> The internal audit was conducted on 3rd September 2018. It was observed the MSPO internal audit procedures was available during audit conduct. As results there was 12 findings was indicated and close accordingly. The findings was on schedule waste management, documentation and implementation of safety & health. From the audit report, the root causes was highlighted and corrective action has been done as per corrective action report dated 30th September 2018. <u>Management Review –</u> The internal audit was conducted on 3rd of September 2018 and available during management review which included corrective action plan Management review meeting was conducted on 10 September 2018 Supported documents: • Attendance • Minutes of meeting • Internal audit findings and corrective action <u>Continual Improvement -</u> The continual improvement component for Dynawood Plantation consists of training plan which cover environment, safety & health and social component). It was observed the training Plan for Year 2018 was available for Dynawood Plantation. The participants involved mostly local workers. The latest training was conduct on August 2018. HIRARC is present during audit.
Comment on Principle 2	<u>Transparency of documents relevant to MSPO requirements –</u> The grievance and complaints form was applicable at the storage area. Currently no complaint issue. The communication practice for Dynawood Plantation with its stakeholders was sighted in term of meetings, social function and fundraising.

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	<u>Transparent method of communication and consultation –</u> It was observed the SOP was applicable in Dynawood Plantation (Sematan) Sdn. Bhd. The communication between stakeholders and the management can done by a) Stakeholders meeting (latest on 8 October 2018) b) Complaint and grievance form <u>Traceability</u> Procedures for traceability is available during audit conduct. Records of production is made available. In 2018 Jan-June 2018 Total Production: 1660.54 tonnes Letter of appointment for personnel in charge of traceability is to Mr. Lee Ka Cheng dated 15 August 2018. Records of sales were up to date on monthly basis. Hard and soft copy are both available. Records are maintained monthly. Total sales October 2018 : RM 168,952.32 September 2018 : RM161,488.
Comment on Principle 3	<u>Regulatory requirements –</u> It was observed the estate comply with applicable local, state, national and ratified international laws and regulations, an example: <u>Malaysian Palm Oil Board</u> Registration of Dynawood Plantation (Sematan) Sdn. Bhd. with AKTA LEMBAGA MINYAK SAWIT MALAYSIA 1998 (MPOB), with license Registration No.:513423002000 with activities “<i>MENJUAL dan MENGALIH FFB</i> “. In period one year start from 1 July 2018 to 30 Jun 2019. Registration of Dynawood Plantation (Sematan) Enterprise Sdn. Bhd. with AKTA LEMBAGA MINYAK SAWIT MALAYSIA 1998 (MPOB), with license Registration No.:518702-101000 with activities “<i>MENJUAL dan MENGALIH FFB</i> “. In period one year start from 8 April 2018 to 31 March 2019. <u>Akta Syarikat 1965</u> Dynawood Plantation (Sematan) Sdn. Bhd. Borang 9 Akta Syarikat 1965 “Perakuan Pemernbadanan Syarikat Sendirian” start from 19 April 2006. Company No. 730743 Dynawood Plantation (Sematan) Sdn. Bhd. The businesses, professions and trading licensing ordinance, Borang I were available start from, 12 April 2018 to 24 April 2019

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	Dynawood Plantation (Sematan) Enterprise Sdn. Bhd. The businesses, professions and trading licensing ordinance, Borang I were available start from, 6 July 2018 to 1 July 2019 <u>Land use rights –</u> There was agreement between Dynawood Plantation and En. Edwin Anak Batu of Kpg Serayan to develop this area consist of 159.19 hectares over on 30 June 2007. Land lease document for Dynawood Plantation was sighted. The lease agreement is between Dynawood and landowners. <u>Customary rights –</u> There was agreement between Dynawood Plantation and En. Edwin Anak Batu of Kpg Serayan to develop this area consist of 159.19 hectares over on 30 June 2007.
Comment on Principle 4	<u>Social Impact Assessment –</u> It was observed the socio impact assessment was made available during the audit, it done by estate personnel itself Mr. Lee Ka Cheang. The list of stakeholders shown as below: 1) Brimark Enterprises Sdn Bhd 2) Edwin Ak. Batu 3) Catholic Roboc Ak Limpu 4) Jas Ak. Kion 5) Inam ak Kion 6) Asui ak. Kion Major 1 However, list of government agencies was not included. Stakeholder list mainly covered direct or indirect involvement with the bisnes. By that, the government agencies and supplier should be include in the stakeholder list. Based on interview with Mr Lee kang Cheang there was no complaint or issue regarding the estate plantation. Most of the workers in the estate is locals, which give benefits to people surrounding of the estate. The estate management able to show contribution to locals such as: i. Provide locals in burial ceremony by providing backhore. ii. Derma kilat“ for pass away locals (27.10.2018) iii. Sponser cash and drink for aniversary of Kpg Serayan Baru (July 2018). iv. Sponser hamper during Gawai Festival (01.06.2018) <u>Complaints and grievances –</u> The Grievance and Complaint form was made available at the front of estate office and storage store. It was observed the Standard Operation Procedures (SOP) was available on site.

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	Major 2 However, timely manage to resolve the complaints not states in the SOP. Record of stakeholder's communication was sighted. The minutes of stakeholders agenda consists of presentation of complaints procedure. <u>Commitment to contribute to local sustainable development</u> The estate management able to show contribution to locals such as: i. Provide locals in burial ceremony by providing backhore. ii. <i>Derma kilat</i> for pass away locals (27.10.2018) iii. Sponser cash and drink for aniversary of Kpg Serayan Baru (July 2018). iv. Sponser hamper during Gawai Festival (01.06.2018) <u>Employees safety and health</u> It was observed the safety and health policy was made available on site. It was endorsed by top management, namely Mr Lee Kuok Ann (Manging Director) dated 15.08.2018. The communication of the safety and health policy was communicated by display at the chemical store area. It was observed the yearly training programmed for 2018 was made available in file Dynawood Plantation (Sematan) Sdn. Bhd. The training was involved the workers and harvesters only. The training involved list as below: i. Harvesting, venue at estate field (June 2018). ii. Personnel Protective Equipment (PPE) at estate field (August and June 2018). iii. MSPO awareness at Palm Beach Resort (June 2018). iv. Fire extinguisher at Palm Beach Resort (August 2018) v. Safety and health Training at Palm Beach Resort (August 2018). <u>Employment Conditions</u> Employment policy available, signed by top management and displayed at office. Employment policy include not supporting discriminatory practices and provide equal opportunity treatment to all workers. <u>Training and Competency</u> It was observed the training was conducted at the palm beach resort on 28th June 2018, time 9.00 am to 11.00 am. It was attended by 4 persons. The training focused on MSPO requirements and awareness.
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	The individual training for 2018 was made available in the Dynawood Plantation (Sematan) Sdn. Bhd. Supporting Document File. The training covered best practices, environment and safety								
Comment on Principle 5	<u>Environmental management programme</u> – An environmental & biodiversity policy and management plan was available during site visit and was signed by Mr Lee Kuok Ann, Managing Director on 15/8/2018. <u>Efficiency of energy use and use of renewal energy</u> – The diesel usage was recorded for Dynawood Plantation (Sematan) Sdn. Bhd. machineries usage. The usage records were only for 3 units of double cab pickup trucks as below: <table><tr><th rowspan="2">Year of Record</th><th colspan="2">Diesel (Liter)</th></tr><tr><th>Actual</th><th>Budget</th></tr><tr><td>2018</td><td>7,023.90 (Jan-Oct 2018)</td><td>Nil</td></tr></table> No record for tractors or lorries as collection & transport of crop were done by contractor. There being no labour line as workers. <u>Water management and disposal</u>- No issue on domestic waste as they do not have any labour line. The office is at the shoplot at MJC, Batu Kawah, Kuching. The procedure on scheduled waste is available in the Waste Management procedure (Document control no. WM/DP/2018). <u>Reduction of pollution and emission</u> – Not Applicable <u>Natural water resources</u> – Not Aapplicable since this area is small and have not much problem. <u>Status of rare, threatened or endangered species and high biodiversity value area</u> – Not Applicable <u>Zero burning practices</u> - It was observed the policy on zero burning was made available, signed by Mr Lee Kuok Ann (Managing Director) on 15th August 2018.	Year of Record	Diesel (Liter)		Actual	Budget	2018	7,023.90 (Jan-Oct 2018)	Nil
Year of Record	Diesel (Liter)								
	Actual	Budget							
2018	7,023.90 (Jan-Oct 2018)	Nil							
Comment on Principle 6	<u>Site management</u> – SOP on best practices for Dynawood Plantation (Sematan) Sdn. Bhd. is available. Records on Good Agricultural Practices Training conducted for the workers : 1. General safety.								

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	2. Environment and biodiversity. 3. Malaysian Sustainable Palm Oil (MSPO) awareness. <u>Economic and financial viability plan</u> – Budget for 2018 and 2019 available. <u>Transparent and fair pricing dealing</u> – The monthly FFB statement from the mill shows the total tonnage and amount received. This is evident in the Sales File. For October 2018, The tonnage is 446.81 MT and amount received is RM 98,090.09 <u>Contractor-</u> Contractor for transporting FFB is Dynawood Transport Services Company. They have contract agreement with them as well as the clause on MSPO Terms and Conditions for Contractor dated 1/11/2018.
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7. Nonconformities

MS2530-3:2013 Part 3

Nonconformity	N° 1 of 2		Minor 1	
	Date Recorded>	23.11.2018	Due Date>	23.01.2019
			Date Closed>	15.01.2019
Department / Function:	Administrative		Standard Ref.: Indicator	MSPO 2350-Part 3 4.4.1.1
Document Ref.:	Criterion 4: Social Impact Assessment (SIA)		Issue / Rev. Status:	
Details of Nonconformity:	List of stakeholders was not identified accordingly.			
Objective Evidence:	It was observed list of government agencies and supplier was not included in the stakeholders list.			
Close-out evidence:	The estate management had included list of government agencies and supplier in the stakeholders list, refer Appendix 1			

Nonconformity	N° 2 of 2		Major 2	
	Date Recorded>	23.11.2018	Due Date>	23.01.2018
			Date Closed>	15.01.2019
Department / Function:	Administrative		Standard Ref.: Indicator	MSPO 2350-Part 3 4.4.2.2
Document Ref.:	Criteria 2: Complaints and grievances		Issue / Rev. Status:	Open
Details of Nonconformity:	Timeliness requirement in solving the complaints was not mentioned clearly.			
Objective Evidence:	Standard Operation Procedures (SOP) was available on-site document name: Dynawood Plantation (Sematan) Sdn. Bhd., Principle 4. However, it was observed time to resolve any complaints or issues was not available.			

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Nonconformities detailed here shall be addressed through the organization's corrective action process, in accordance with the relevant corrective action requirements of the audit standard, including actions to analyse the cause of the nonconformity and prevent recurrence, and complete records maintained.

- ☐ Corrective actions to address identified major nonconformities shall be carried out immediately and SGS notified of the actions taken within 30 days. An SGS auditor will perform a **follow up visit** within 60 days to confirm the actions taken, evaluate their effectiveness, and determine whether certification can be granted or continued.
- ☒ Corrective actions to address identified major nonconformities shall be carried out immediately and **records with supporting evidence sent to the SGS auditor** for close-out within 60 days.
- ☐ Corrective Actions to address identified minor non conformities shall be documented on an action plan and sent by the client to the auditor within 60 days for review. If the actions are deemed to be satisfactory they will be followed up at the next scheduled visit
- ☒ Corrective Actions to address identified minor non-conformities have been detailed on an action plan and the intended action reviewed by the Auditor, deemed to be satisfactory and will be followed up at the next scheduled visit.
- ☒ Appropriate immediate action taken in response to each non-conformance as required

Note:- Initial, Re-certification and Extension audits – recommendation for certification cannot be made unless check box 4 is completed. For re-certification audits the time scales indicated may need to be reduced in order to ensure re-certification prior to expiry of current certification.

Note: At the next scheduled audit visit, the SGS audit team will follow up on *all* identified nonconformities to confirm the effectiveness of the corrective actions taken.

Close-out evidence:	The client had submit revised SOP which include timeframe for complaints resolution, document name Standard Operation Procedures (SOP) Revised version 2.

8. General Observations & Opportunities for Improvement

Positive Observations:

- The support from Dynawood Plantation (Sematan) Sdn. Bhd. personnel, especially the ground staff contribute to the smoothness and successfulness of the audit process.
- The spirit of unity and enthusiasm of the personnel towards achieving MSPO certification is impressive.
- The unit has dedicated staffs who are assets to the company. Their cooperativeness, knowledgeable and hospitality are commendable.
- Organised documentation & highly commitment towards certification

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Important Observations and Opportunities for Improvements:

- Safety and health should be implemented accordingly.
- The management should carry out waste management plan inline to reduce pollution onto surrounding area.

Appendix 1: List of Stakeholders Interviewed

Stakeholder	Type of Stakeholder	Issues raised	Comments/ Action Taken
Catholic Robos Ak Limpu Kampung Serayan	External Land Owner	No issue raised by the stakeholders	NIL
Jas Ak Dubi Brimark Enterprises Sdn Bhd	External Manager	No issue raised by the stakeholders	NIL
Edwin Ak Batu Kampung Serayan Baru	External Land Owner	No issue raised	NIL

Signed on behalf of Dynawood Plantation (Sematan) Sdn. Bhd.	Signed on behalf of SGS Malaysia Sdn Bhd
 Mr. Lee Kuok Ann Managing Director	 Mr Dickens Mambu Regional Head Certification (Sarawak) Manager, Palm Oil Base (East Malaysia)

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