

## MY 04994 Palmgroup Holdings Sdn Bhd Audit Summary Report

Organization:	Palmgroup Holdings Sdn Bhd		
Address:	<u>Headquarters</u> Palmgroup Holdings Sdn Bhd, Level 25.1-25.2, Wisma Sanyan, No 1 Jalan Sanyan, Sibu Sarawak.		
	<u>Estate</u> Spapa Oya Sungai Tabau, Stapang Oya Selangau 96000 Sibu, Sarawak.		
Standard(s):	MS2530-3 : Part 3 : General principles for Oil Palm Plantations and Organized Small Holders	Accreditation Body(s): STANDARDS MALAYSIA	
Representative:	Mr Hii Jung Mee (General Manager Agronomist) Tel: 019-4565146 Mr Raymond Nyian (Sustainability Manager ) Tel:012-8810052		
Site(s) audited:	Palmraya Pelita Spapa Oya Plantation Sdn Bhd	Date(s) of audit(s):	2 <sup>nd</sup> May 2018
Visit Type:	MSPO Stage 2 Audit	Types of certification assessment:	Main Audit
Lead auditor:	Dickens Mambu (DM)(LA)	Additional team member(s): Audit Member (AM) Trainee Auditor (TA)	Abdul Khalik Bin Arbi (AK)(AM) Afiq Othman (AO)(TA) Jeffery Ridu (JR)(TA)
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.

### 2. Scope of certification

**Production of Fresh Fruit Bunch (FFB) for Plantations in compliance to the MSPO Certification Standard MS2530-3:2013 Part 3.**

The audit covered the MS 2530:2013 requirements particularly MSPO Certification Standard **MS2530-3:2013 Part 3**.

Validation of processes for production and service provision

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>	Document:	GP 7003A	Issue n°:	10	Page n°:	1 of 21	

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: 3 Major 0 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.

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

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>		Document:	GP 7003A	Issue n°:	10	Page n°:	2 of 21

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:	Palmgroup Holdings Sdn Bhd		
Address:	Contact person : Mr Hii Jung Mee General Manager, Agronomy and Sustainability Palmgroup Holdings Sdn Bhd, Level 25.1-25.2, wisma Sanyan, No 1 Jalan Sanyan Tel :084-353155 , 019-4565164		
MPOB License No.:	575364002000	Expiry date:	31 <sup>th</sup> July 2018
Scope of Activity:	Menjual dan <i>Mengalih</i> FFB		
Date of certificate issued and validity		Nil (New Application)	
Other Sustainability Certification		Nil	
Proposed Date of Next Surveillance Audit		May 2019	
Visit Number:	02 (Stage 2)	Actual Visit Date:	2 <sup>th</sup> -4 <sup>th</sup> May 2018
Visit Due by Date:	Nil	For auditor information only	
Lead Auditor:	Dickens Mambu (DM) Tel :0168604545		
Team Member(s):	Abdul Khalik Bin Arbi (Audit Member)		
Additional Attendees and Roles	Mohd Afiq (Training Auditor) Jeffery Ridu (Training Auditor)		
Standard(s):	MSPO MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders		
Audit Language:	English & Malay		

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>	Document:	GP 7003A	Issue n°:	10	Page n°:	3 of 21	

<b>Audit Scope:</b>	<p>1.The audit covered Three (3) site performing the following scope: Operations, comprising of plantation management systems, production of Fresh Fruit bunches (FFB), documentation and field assessment.</p> <p>2.The audit covered all the MS2530-3:2013 Part 3 requirements with no permissible exclusion of clause in compliance to the MSPO Certification Standard</p>
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Date	Time	Auditor	Organisational and Functional Units/ Processes and Activities	Key Contact
2 <sup>nd</sup> May 2018	AM	DM	Flight Kuching- Sibu MH3690 (6.15am-7.00am)	
2 <sup>nd</sup> May 2018	6.30 am 7.30 8.30 8.40 9.00   12.30pm 1,00 pm   4.00pm  6.00 pm	AK & DM	<p><b><u>Palmraya Pelita Spapa Oya</u></b> MS 2530-3-2013 Part 3</p> <p>Breakfast Depart to Spapa Oya Arrive Spapa Oya Opening Meeting Audit Process (Site visit)</p> <ul style="list-style-type: none"> <li>• Principle 1: Management commitment and responsibility</li> <li>• Principle 2: Transparency</li> <li>• Principle 3: Compliance to legal requirements</li> <li>• Principle 4: Social responsibility, health, safety and employment condition</li> <li>• Principle 5: Environment, natural resources, biodiversity and ecosystem services</li> <li>• Principle 6: Best practices</li> </ul> <p><b>Lunch</b> Continue Audit Process (Document review, Policies, local law compliances,deduction and pay slip, Safety and health procedures, environment procedure, minimum wages monitoring, social benefits)</p> <p>Closing Meeting</p> <p><b>End of day 1</b> <b>Back to RH Hotel and Dinner</b></p>	Estate Personnel

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>		Document:	GP 7003A	Issue n°:	10	Page n°:	4 of 21

3 <sup>rd</sup> May 2018	6.30 am 7.00 8.30 8.40 9.00	AK & DM	<b><u>Palmraya Pelita Meruan</u></b> MS 2530-3-2013 Part 3  Breakfast Depart to Meruan, Dijih Arrive Meruan Opening Meeting Audit Process (Site visit)  <ul style="list-style-type: none"> <li>• Principle 1: Management commitment and responsibility</li> <li>• Principle 2: Transparency</li> <li>• Principle 3: Compliance to legal requirements</li> <li>• Principle 4: Social responsibility, health, safety and employment condition</li> <li>• Principle 5: Environment, natural resources, biodiversity and ecosystem services</li> <li>• Principle 6: Best practices</li> </ul>	Estate Personnel
	12.30pm 1.00pm  4.00pm  6.00pm			
4 <sup>th</sup> May 2018	7.00 am 8.00 am 8.15 am	AK & DM	<b><u>Rosebay Entrepriase Estate</u></b> MS 2530-3-2013 Part 3 Breakfast Opening Meeting Audit Process (Site visit)  <ul style="list-style-type: none"> <li>• Principle 1: Management commitment and responsibility</li> <li>• Principle 2: Transparency</li> <li>• Principle 3: Compliance to legal requirements</li> <li>• Principle 4: Social responsibility, health, safety and employment condition</li> </ul>	Estate Personnel

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>		Document:	GP 7003A	Issue n°:	10	Page n°:	5 of 21

		12.00 pm 12.30 pm 3.00 pm 4.00pm 6.00pm	<ul style="list-style-type: none"> <li>• Principle 5: Environment, natural resources, biodiversity and ecosystem services</li> <li>• Principle 6: Best practices</li> </ul> <p>Document review, Policies, local law compliances, deduction and pay slip, Safety and health procedures, environment procedure, minimum wages monitoring, social benefits)</p> <p><b>Lunch</b></p> <p>Continue Audit Process</p> <p>Auditor discussion and Preparation for Closing Meeting</p> <p>Closing Meeting</p> <p><b>End of MSPO Audit</b> <b>Depart to RH Hotel and Dinner</b></p> <p><b>End of Day 3</b></p>	Estate Personell (Spapa, Meruan & Rosebay)
4 <sup>th</sup> May 2018		DM	<b>Sibu-Kuching</b> <b>Flight: MAS</b> <b>(9.15pm-10.pm)</b>	

### Location and Maps

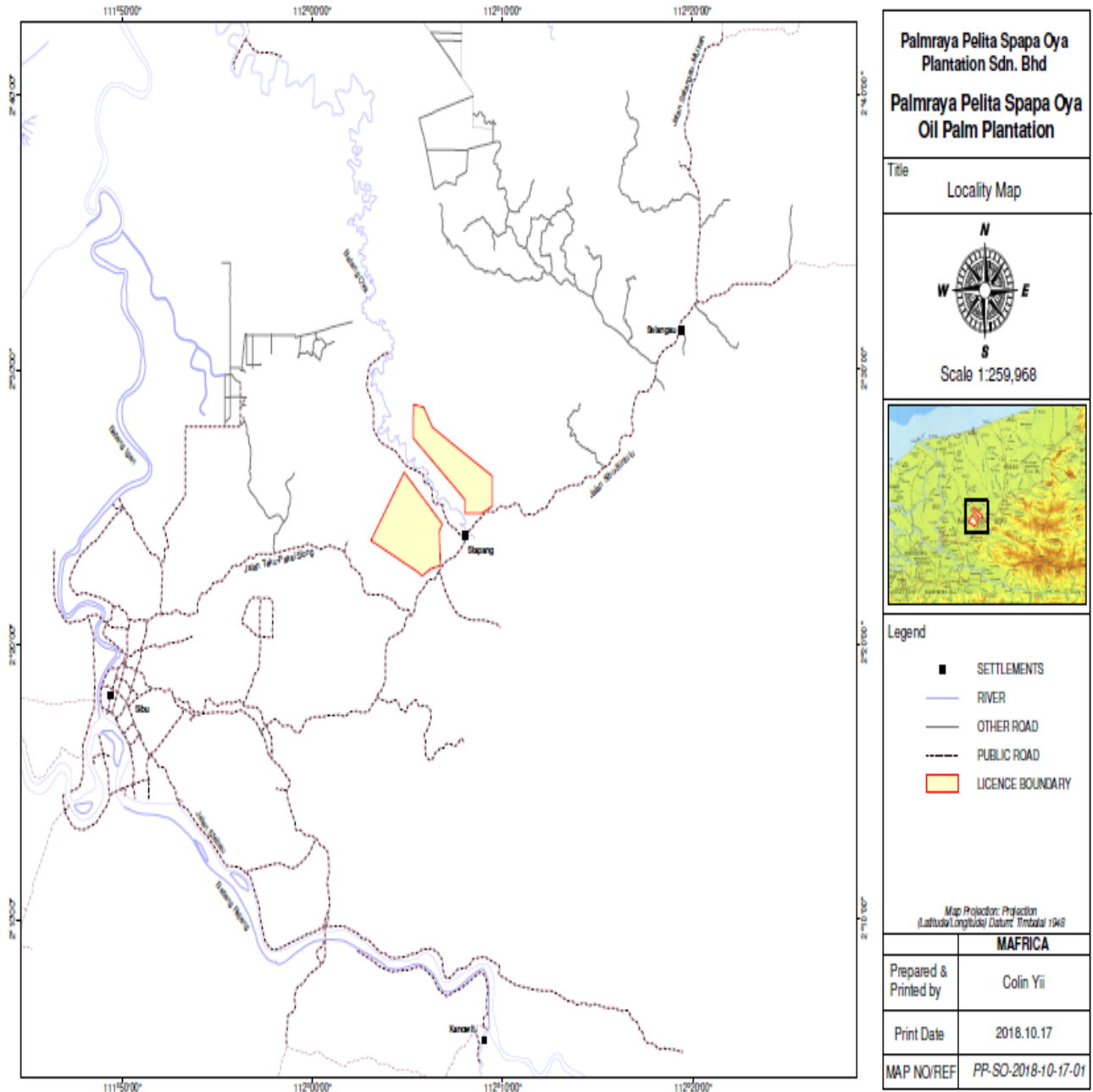
Palmraya Pelita Spapa Oya project is located in the Ulu Oya area immediately northwest of Stapang in the Sibu Division, on the other side of the Sibu- Bintulu Road. The main access to the project area are Sibu- Bintulu Road and Stapang- Ng Tamin Road. The GPS locations of the estate is shown in **Table 1**.

**Table 1: Palmraya Pelita Spapa Oya GPS Location**

	Estate	Latitude and Longitude
1	Palmraya Pelita Spapa Oya	N 02°25'28.4" E 112°08'10.6"

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>		Document:	GP 7003A	Issue n°:	10	Page n°:	6 of 21

## Palmraya Pelita Spapa Oya Locality Map



Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A	Issue n°:	10	Page n°:	7 of 21

### Description of Estate Production Capacity

The FFB are sourced from the estate which are directly managed by Palmgroup Holdings Sdn Bhd thru its subsidiaries company which is Palmraya Pelita Spapa Oya Plantation Sdn Bhd. The crop yield from the estate as mention in **Table 2** below.

**Table 2: FFB Production (Mt)**

Estate	FFB Production (MT)	
	Jan2017-Dec2017 (Actual)	Jan2018-Dec2018 (Projection)
Palmraya Pelita Spapa Oya Plantation Sdn Bhd	7,478.43	11,090.30

### Area of Statement

The 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 (ha)					
		Immature	Production	Conservation	Land Issue	*Others	Undeveloped Area
Palmraya Pelita Spapa Oya	Title: 5,440 Planted: 1,585.96	305.25	1280.71	Buffer : 6.50 ha	91.80 ha	243.20	3,512.54
*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,

<https://www.sgs.com/en/certified-clients-and-products/fcm/malaysia/palmraya-pelita-spapa-oya-plantation-sdn-bhd>

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 estate office.

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>		Document:	GP 7003A	Issue n°:	10	Page n°:	8 of 21



Comment on MS2530-3 Compliance Status:

<p>Comment on Principle 1</p>	<p><u>Policy on Implementation of MSPO –</u>  Palmgroup Holdings Sdn Bhd has established a policy on sustainable palm oil production.</p> <p>The policy has been signed by Mr. Tiong Chiong Hee, Managing Director of Palmgroup Holdings Sdn Bhd on 20 April 2016.</p> <p><u>Internal Audit –</u>  Internal Audit Procedure as shown on page 7 of the MSPO Management Policy and Procedure dated April 2016 under section 7.2.  Flow chart as shown on page 13 in the procedure.  Internal audit procedure document No : PGHSB/SOPP/014/2016  Date issue : 20 April 2016</p> <p>The internal audit team is headed by the Internal Auditor for the group, Mr Tony Yik Tiew Guan.  They carried out 2 internal pre-assessment on 5-8 December 2017 and 23-25 January 2018.  Evidence seen in the Internal Audit Assessment Report.</p> <p>For the both internal audit done, the root cause for the issue findings was not available. This also been identified in the estate management review done on 12<sup>th</sup> March 2018 which also not mentioning root cause from Internal audit (8.12.17), internal audit 2 (23-25 January 2018) and Stage 1 by CB on 7<sup>th</sup> February 2018.</p> <p><u>Management Review –</u>  The Estate TQM Team Meeting was held twice on 23/2/2018 and 12/3/2018.  Minutes of meeting dated 12/3/2018 showed management review, internal audit report and corrective action plans.</p> <p><u>Continual Improvement -</u>  The estate has established action plan for continual improvement on social, safety and health and environmental impact of the company.  Action plan evidence during the audit is as below:</p> <ol style="list-style-type: none"> <li>a. Social Mitigation Plan dated 2/2/2018. <ul style="list-style-type: none"> <li>- Social risk</li> <li>- Action required</li> <li>- Indicator to monitor</li> <li>- Monitoring point</li> <li>- Timeline</li> <li>- Responsible person</li> </ul> </li> <li>b. HIRARC dated 2/4/2018 <ul style="list-style-type: none"> <li>- Introduction</li> </ul> </li> </ol>
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Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>		Document:	GP 7003A	Issue n°:	10	Page n°:	9 of 21

	<ul style="list-style-type: none"> <li>- Risk assessment</li> <li>- Control Measures</li> <li>- Review to be done every 6 months. Expected to review in October 2018.</li> </ul> <p>c. Environmental Monitoring Plan dated 31/3/2018</p> <ul style="list-style-type: none"> <li>- Impact</li> <li>- Parameter to monitor</li> <li>- Monitoring point</li> <li>- Frequency</li> </ul> <p><b><u>Major 1</u></b>  <b><u>Indicator 4.1.2.2</u></b>  For both the internal audit to be done, the root cause for the issue findings was not available.</p> <p>This was identified in the internal audit / management discussion report review done on 12<sup>th</sup> March 2018 did not discussed the root cause of the issue found from Internal audit (8.12.17), internal audit 2 (23-25 January 2018) and Stage 1 audit by CB on 7<sup>th</sup> February 2018.</p>
Comment on Principle 2	<p><b><u>Transparency of documents relevant to MSPO requirements –</u></b>  The estate management will communicate all information requested by relevant stakeholders as per memo: Maklumat untuk tatapan umum dated 15/5/2017 such as:</p> <ol style="list-style-type: none"> <li>1. Safety &amp; health plans</li> <li>2. Plans &amp; impact assessments relating to environment and social impacts</li> <li>3. Pollution prevention and reduction plans</li> <li>4. Details of complaints and grievances</li> <li>5. Negotiation procedures</li> <li>6. Continual improvement plans</li> </ol> <p><b><u>Transparent method of communication and consultation –</u></b>  The company has established a procedure for consultation and communication with the relevant stakeholders as evident in the Communication and Consultation Procedures dates 21 December 2015 and approved by the Managing Director, Mr Tiong Chiong Hee.</p> <p><b><u>Traceability –</u></b>  The estate will deliver to RH Selangau POM. When this mill breaks down, the estate will then be deliver to Palmgroup POM. The traceability platform will start implementing at estate level and continue to the mill.</p> <p>Delivery of FFB from estate will be accompanied with FFB Delivery Chit which includes information of:</p> <ol style="list-style-type: none"> <li>a. Field No.- Phase, Block</li> <li>b. Total Bunches Quantity</li> <li>c. Weight of FFB</li> <li>d. Drivers Name</li> <li>e. Any deductions</li> </ol>

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>	Document:	GP 7003A	Issue n°:	10	Page n°:	10 of 21	

	<p>Guidelines on Traceability Procedures as per document ref no. PGHSB/SOPP/001/2017 as prepared by General Manger, Mr Chew Tee Lim.</p> <p>Responsibilities for personnel at Mill and Estates are stated on page 2 &amp; 3.</p> <p>Flowchart of mass balance supply chain procedure (mill) in Appendix 2.</p>
Comment on Principle 3	<p><u>Regulatory requirements –</u></p> <p>All activities in the estate are in compliance with all applicable local, state and national laws. Example of available licenses/permits in the estate are:</p> <ul style="list-style-type: none"> <li>a. MPOB Licence: 575364002000 (Valid until 31<sup>th</sup> July 2018)</li> <li>b. Trading Licence: No.A553262 valid until 25/6/2018</li> <li>c. Certificate of registration(Levi) for buah Kelapa Sawit No: 002658, Kod Tarif: 1207992090</li> </ul> <p>The estate has compiled all applicable laws in Law, Regulations and Guidelines. The following folders has include among others:</p> <ul style="list-style-type: none"> <li>a. Sarawak Labour Ordinance</li> <li>b. Sarawak Land Code</li> <li>c. Safety &amp; Health- OSHA 1994</li> <li>d. Sarawak Wild life Protection Ordinance 1998</li> <li>e. Employment (Restriction) Act 1968 (Act 353)</li> <li>f. Factories &amp; Machinery Act 1967 (Act 139)</li> <li>g. Minimum Wages Order 2016</li> <li>h. Scheduled wasted regulation 2005.</li> </ul> <p>The list has been updated in October 2017 by Ms. Bibiana Jimmy (Admin Officer).</p> <p><u>Legal land use rights –</u></p> <p>Palmraya Pelita Spapa Oya Plantation Sdn. Bhd Joint Venture Agreement commenced in the year 2006 and will expire in 2066. As at 7<sup>th</sup> February 2018:</p> <p>Total Participants: 361 consist of (2,399.68 Ha)</p> <p>Gross PL area: 5440 Ha</p> <p>Undeveloped area: 3040.32 Ha</p> <p><u>Customary rights –</u></p> <p>There are 91.80 Ha land dispute or customary rights issues in the estates. However, the remaining area have not been developed. Records of land disputes by both parties have been kept by Estate Liaison cum Survey Manager (ELCS department).</p>
Comment on Principle 4	<p><u>Social Impact Assessment –</u></p> <p>SIA document yet to be done. The management has appointed a consultant to prepare the document (Wild Asia).</p>

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>	Document:	GP 7003A	Issue n°:	10	Page n°:	11 of 21	

	<p>The SIA targeted to be completed : June 2018</p> <p>Draft report for Social Impact Assessment (SIA) for Palmgroup Holdings Sdn Bhd was submitted to the management on 13<sup>th</sup> March 2018.</p> <p>Significant social impacts were sighted as a result of estate production activities. These will need to be addressed through a phased approach to ensure continuity in improvement and efforts towards minimising these impacts.</p> <p>A list of 5 significant risk area were identified and assessed. These have been group into 6 categories of impact:</p> <ul style="list-style-type: none"> <li>➤ Hiring of waters in relation to legal and national legislation compliance</li> <li>➤ Work conditions covering human rights issued and national legislation compliance</li> <li>➤ Housing or workers in relation to legal and national legislation compliance</li> <li>➤ Health and safety with regards to workers and women groups</li> <li>➤ Workforce suppliers in relation to legal and national legislation compliance</li> <li>➤ External stakeholder engagement</li> </ul> <p>In most area, there have been steps taken to address these key issues however proper documentation, communication and assessment of worker understanding needs to be emphasized. A summary of how the company has performed and recommendations to improve on these significant risk areas have been provided.</p> <p><u>Complaints and grievances –</u></p> <p>A system for dealing with complaints and grievance is available in Complaint &amp; Grievance Procedures Guidelines (PGHSB/SOPP/002/2015) which was signed by the Managing Director Mr Tiong Cheong Hee on 5<sup>th</sup> May 2015.</p> <p><u>Commitment to contribute to local sustainable developments –</u></p> <p>The estate management is committed to the contribution towards local development. Example of contribution activities conducted are as follows:</p> <ol style="list-style-type: none"> <li>a. Road shared by community (Longhouse- Rh Untam)</li> <li>b. Local workers (Stapang area) have been employed. 4 from total 7 estate staff is Setapang origin.</li> </ol> <p>Incentive RM 60 /ha/quarter to the participant of the NCR project. Total participant of NCR now is 361 with total area surrendered 2399.68 ha</p> <p><u>Employees health and safety –</u></p> <p>PHSB was documented the “Safe Operating Procedures in Plantation – V03 dated on May 2014” that consist of safety and health guidelines in</p>
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Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>		Document:	GP 7003A	Issue n°:	10	Page n°:	12 of 21

	<p>plantation based on the OSH Act 1994 and Factory and Machinery Act 1967 (Act 139).</p> <p>An environmental , Occupational Safety and Health Policy signed by Mr. Tiong Chong Hee (Managing Director) on 5th January 2010</p> <p><u>Employment conditions –</u> The policy on good social practices has been indicated in the “Human Right Policy” established by the Palmgroup Holdings Sdn Bhd management dated 5<sup>th</sup> May 2017.</p> <p>The policy stated that are committed to conduct our business in a manner that respects, support and uphold the human rights practice in Malaysia, and in compliance with the relevant legal requirements and etc.</p> <p><u>Training and competency –</u> Training Plan was made available in “Internal Training Calendar 2018”. Observed for several training was and will be conducted according to the plan as below:</p> <ol style="list-style-type: none"> <li>1. Tatacara penyemburan racun rumpai yang betul/ selamat (2.03.2018) (Done)</li> <li>2. Latihan pembajaan yang betul dan selamat (14.05.2018)</li> <li>3. Latihan menumbak BTS, Pruning, Ablation (13.08.2018)</li> <li>4. Latihan cara pengendalian mesin (Genset, chainsaw, air compressor, grass cutting, mini crawler. (15.10.2018)</li> </ol> <p>All training record filed in the training file.</p> <p><b><u>Major 2</u></b> <b><u>Indicator 4.4.4.2</u></b> Safety and Health Practices not implemented accordingly. During the site visit on the ground it was observed the BMP and Policies was not followed.</p> <ol style="list-style-type: none"> <li>1) Lack evidence that Sign board is placed to notify others that the place has been sprayed or in the progress of spraying.</li> <li>2) Evidence on cigarette butt found near the diesel pump and diesel tank</li> <li>3) Electric Generator store bund for containment of oil leakage was improperly modified for wiring purpose</li> </ol>
Comment on Principle 5	<p><u>Environmental management programme –</u> An environmental policy and management plan is available during site visit and was signed by MR TIONG CHIONG HEE (MANAGER DIRECTOR), Dated 21<sup>st</sup> November 2016</p> <p>NREB EIA Approval Ref No.: (13) NREB/6-1/2d/38 Dated 4<sup>th</sup> July 2006, The reference number was quote from “Environmental Monitoring Report</p>

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>	Document:	GP 7003A	Issue n°:	10	Page n°:	13 of 21	

	<p>(EMR) for The Palmraya Pelita Spapa Oya Oil Palm Plantation Selangau District, Sibul Division, Sarawak. Covering period August to October (3<sup>rd</sup> Quarter 2017)". Prepared by Envisar Sdn Bhd.</p> <p>The environmental policy mention on estate commitment in environmental performance, care for the environment and prevent pollution.</p> <p><u>Efficiency of energy use and use of renewal energy –</u>  The record for usage of fossil fuel is available. Which can refer on file MSPO: 4.5.2.1 indicator 1 with name "Machine and Vehicle Running Record Template ET07. The recording was available starting from June 2013 to June 2017 (5 years record) for all machineries.</p> <p>Diesel consumption Record : Refer 4.5.2.2  Machineries listed :  Hilux Single cab : 4  Farm Tractor : 6  Excavator : 2  Backhoe : 1  Compactor : 1  Moto Grader : 1  Genset : 5  Water pump: 2  Forklift : 1  Lorry (5 Mt) : 1</p> <p><u>Waste management and disposal –</u>  Inventory on scheduled waste are available in the estate office. (latest inventory : 13 March 2018)  The inventory latest update march 2018  1. Battery  2. Tyre  3. Chemical container  4. Fertilizer bags  5. Scarap metal  6. Used Lubricant oil  7. Used Hydraulic Oil  8. Scarap paper</p> <p><u>Reduction of pollution and emission –</u>  The polluting activities recorded was thru diesel consumption was made available.  The estate has provided the baseline for diesel usage three years record (2016-2018 – March to date)  The diesel consumption comparison record was monitored by estate.</p> <p><u>Natural water resources –</u>  It was observed the estate was using rain water as drinking water and gravity feet water as bath, wash cloths and etc.</p>
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Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>		Document:	GP 7003A	Issue n°:	10	Page n°:	14 of 21

	<p>Rain water harvesting through is implemented at every household for domestic use.</p> <p>Natural vegetation is observed along the riparian.</p> <p>No well use in the estate.</p> <p>Within water Monitoring Plan, the impact on water Quality Management was listed.</p> <ol style="list-style-type: none"> <li>1. Water Quality Monitoring</li> <li>2. Buiffer zone Management</li> <li>3. No chemical Application near water body</li> <li>4. Sediment pollution management</li> </ol> <p>Water management Plan: Implementation start 1<sup>st</sup> February 2018 was made available.</p> <p>The component in the plan are</p> <ol style="list-style-type: none"> <li>1. Access to water usage</li> <li>2. Contamination and Prevention</li> </ol> <p><u>Status of rare, threatened or endangered species and high biodiversity value area –</u></p> <p>Referring to the approval Environment Monitoring report (EIA), the area are already developed in 2005 (cleared area).</p> <p>The endangered species as classified in the RITES, IUCN and RED list are not available in the area according to the EIA report.</p> <p>Water catchment area has been established within the estates which supply raw water to the main water tank. The water gravity area was located at Block 5.</p> <p>Other than that, the ecological value within the project site is not deemed significant as it does not contain flora and fauna of protected and endangered species as reported in the EIA report.</p> <p><u>Zero burning practices -</u></p> <p>Zero burning policy is adopted for the Palmgroup Holdings Sdn Bhd as per mention in the estate Environment Policy.</p> <p>In the Spapa Oya Estate EIA, its stated burning should be avoided unless necessary. Prior approval must be obtained from the Sarawak Natural Resources and Environment Board (NREB).</p> <p>Signboards of zero burning observed during onsite audit.</p>
Comment on Principle 6	<p><u>Site management –</u></p> <p>These SOPs were sighted during the audit:</p>

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>		Document:	GP 7003A	Issue n°:	10	Page n°:	15 of 21

N o	SOP Name	Date Issued
1.	Oil Palm Fertilizer Management BMP	14 <sup>th</sup> July 2014
2.	Oil Palm Frond Pruning BMP	20 <sup>th</sup> Sep 2013
3.	Oil Palm Harvesting BMP	27 <sup>th</sup> July 2013
4.	Integrated Pest Management in Oil Palm Agroecological System	14 <sup>th</sup> July 2014
5.	Guideline on New Planting in Areas with History of Oil Palm Diseases	2 <sup>nd</sup> May 2018
6.	Foliar Sampling Procedure for Fertilizer Recommendation	2 <sup>nd</sup> May 2018

Bunch Count Chits for month of April 2018 were sampled dated 13<sup>th</sup> April 2018 for Block Number 1, 2, 3, 4, 5 & 7 Phase 1. Harvesting activity carried out in accordance to Harvesting Internal Chart. However, slight delay occurred due to weather factors.

Economic and financial viability plan –  
Document Palmraya Pelita Spapa Oya Plantation Sdn Bhd Budget for year 2018 & 2019 was sighted during the time of audit.

Transparent and fair pricing dealing –  
Sample of Contract Agreements between estate and FFB transporters were sighted for year 2018.

Sampled contracts:  
1. PAN02-01 – Panting Anak Jimbai  
2. LEN03-01 – Lenggang Anak Takin

Contractor –  
Additional agreements were sighted for both Panting Anak Jimbai & Lenggang Anak covering MSPO Compliance 1st January 2018 issued by the Estate Manager, Mathew Mutu. Both of the agreements have been acknowledged and returned.

**Major 3**  
**Indicator 4.6.1.2**  
Best practices on Slope maintenance not been implemented properly. Noted during site visit, all terraces have been properly maintained and no sign of erosion occurred. The terraces are mainly covered by natural vegetation.

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>		Document:	GP 7003A	Issue n°:	10	Page n°:	16 of 21



	However, it was found that some areas of terraces with evidence of chemical activity (Spraying) found along terraces bank in the field Phase 1 Block 3 Task 24.
Comment on Principle 7	<p><u>High biodiversity value</u> – New Planting for Palmraya Pelita Spapa Oya for 2018 consists of 150 ha. This area is a newly registered for development area in this NCR projects.</p> <p>Referring to the EIA approval NREB /6-1/2D38, there is no high biodiversity value for the proposed area.</p> <p><u>Peat land</u> – Not Applicable as the new proposed development area is located at mineral soil area.</p> <p><u>Social and environmental impact assessment</u> – The newly surrendered area is from community in Rh Tatom, Rh Aping, Rh Jentau and Rh Surang. The total participant are 25 person. Longhouse dialogue has been made in 2016 and the record of the longhouse dialogue is made available.</p> <p><u>Soil survey</u> – Soil Series fo Spapa Oya was available in the plantation EIA.</p> <p><u>Planting on steep terrain and/or on marginal and fragile soils</u> – Within the EIA, no planting on steep area or more than 25 degree slop.</p> <p><u>Customary land</u> - Referring to the management commitment in the documented procedure PGHSB/ SOPP/ OO5/2015, land compensation process guide to be follow as per mention in the free,prior , informed and consent procedure.</p>

## 7. Nonconformities

### MS2530-3:2013 Part 3

NonConformity	N° 1 of 3		Major 1			
	<b>Date Recorded&gt;</b>	2 <sup>nd</sup> May 2018	<b>Due Date&gt;</b>	2 <sup>nd</sup> July 2018	<b>Date Closed&gt;</b>	29 <sup>th</sup> June 2018
Department / Function:	Administrative		Standard Ref.: Indicator		MS2530-Part 3 4.1.2.2	

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>	Document:	GP 7003A	Issue n°:	10	Page n°:	17 of 21	

Document Ref.:	Criterion 1: Malaysian Sustainable Palm Oil (MSPO) Policy	Issue / Rev. Status:	<b>Closed</b>
Details of Nonconformity:	For the both internal audit done, the root cause for the issue findings was not available.		
Objective Evidence:	This was identified in the internal audit / management discussion report review done on 12 <sup>th</sup> March 2018 did not discussed the root cause of the issue found from Internal audit (8.12.17), internal audit 2 (23-25 January 2018) and Stage 1 audit by CB on 7 <sup>th</sup> February 2018.		
Close-out evidence:	<p>The management had provide corrective measures for both internal audit done with the root cause (Please refer for Appendices list below as evidence)</p> <p><b>Appendix 38</b> Meeting Minutes TQM02042018 Spapa Oya 2  <b>Appendix 39</b> Root Cause Analysis 1st Internal Audit_ Spapa Oya  <b>Appendix 40</b> Root Cause Analysis 2nd Internal Audit_ Spapa Oya  <b>Appendix 41</b> Root Cause Analysis MSPO Stage 1 Audit_ Spapa Oya</p>		

NonConformity	N° 2 of 3		Major 2			
	<b>Date Recorded&gt;</b>	2 <sup>nd</sup> May 2018	<b>Due Date&gt;</b>	2 <sup>nd</sup> July 2018	<b>Date Closed&gt;</b>	29 <sup>th</sup> June 2018
Department / Function:	Administrative		Standard Ref.: Indicator		MS2530-Part 3 4.4.4.2	
Document Ref.:	Criterion 4: Employees Safety and Health		Issue / Rev. Status:		<b>Closed</b>	
Details of Nonconformity:	Safety and Health Practices not implemented accordingly.					
Objective Evidence:	During the site visit on the ground it was observed the BMP and Policies was not followed.  1) Lack evidence that Sign board is placed to notify others that the place has been sprayed or in the progress of spraying.  2) Evidence on cigarette butt found near the diesel pump and diesel tank  3) Electric Generator store bund for containment of oil leakage was improperly modified for wiring purpose					
Close-out evidence:	Lack evidence that Sign board is placed to notify others that the place has been sprayed or in the progress of spraying.  The management had taken necessary action to ensure signboard notify spraying activity in progress. Awareness training was provided and attendance was recorded (Please refer <b>Appendix 42</b> and <b>Appendix 43</b> )  <b>Appendix 42</b> Attendance_ Awareness training on spraying activity  <b>Appendix 43</b> Awareness Training on Spraying Activity					

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>	Document:	GP 7003A	Issue n°:	10	Page n°:	18 of 21	

	<p>Evidence on cigarette butt found near the diesel pump and diesel tank.</p> <p>The housekeeping and awareness training on Fire Danger Risk was conducted to ensure this matter occur in future. (refer <b>Appendix 44</b> Attendance Awareness on Fire Danger Risk and <b>Appendix 45</b> Housekeeping &amp; Awareness on Fire Danger Risk)</p> <p>Electric Generator store bund for containment of oil leakage was improperly modified for wiring purpose</p> <p>It was observed, the management had taken necessary action by do workplace inspection (<b>Appendix 47</b> Safety Workplace Inspection at Diesel Tank Area) and construct of bunded to contain any leakage (<b>Appendix 46</b> Generator Bund Containment Leakage)</p>
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NonConformity	N° 3 of 3		Major 3			
	<b>Date Recorded&gt;</b>	2 <sup>nd</sup> May 2018	<b>Due Date&gt;</b>	2 <sup>nd</sup> July 2018	<b>Date Closed&gt;</b>	29 <sup>th</sup> June 2018
Department / Function:	Administrative		Standard Ref.: Indicator		MS2530-Part 3 4.6.1.2	
Document Ref.:	Criterion 6: Site Management		Issue / Rev. Status:		<b>Closed</b>	
Details of Nonconformity:	Best practices on Slope maintenance not been implemented properly					
Objective Evidence:	Noted during site visit, all terraces have been properly maintained and no sign of erosion occurred. The terraces are mainly covered by natural vegetation.  However, it was found some areas of terraces with evidence of chemical activity (Spraying) found along terraces bank in the field Phase 1 Block 3 Task 24					
Close-out evidence:	It was observed the management had taken necessary action to ensure Best Practices Management (BMP) implemented (Please refer <b>Appendix 48</b> and <b>Appendix 49</b> as evidence) Appendix 48 Monitoring Report BMP & Environment Teres Appendix 49 Meeting Minutes BMP19.05.2018 Spapa Oya					

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.

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>	Document:	GP 7003A	Issue n°:	10	Page n°:	19 of 21	

- ☐ 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 a action plan and sent by the client to the auditor within 90 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.

## 8. General Observations & Opportunities for Improvement

### Positive Observations:



- The support from Palmgroup Holdings Sdn Bhd personnel, especially the ground staff contribute to the smoothness and successful 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 cooperative, knowledgeable and hospitality are commendable
- Organised documentation & highly commitment towards certification

## Appendix 1: List of Stakeholders Contacted

Stakeholder	Type of Stakeholder	Issues raised	Comments/Action Taken
Tr Tatom ak Busang	External Stakeholders ADC Chairman	Need more information on MSPO	The audit team has referred to the estate on their upcoming ADC meeting. The future ADC meeting will emphasized more on

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>		Document:	GP 7003A	Issue n°:	10	Page n°:	20 of 21

			MSPO explanation to the ADC member
Tr Untam	External Stakeholders Community Leader	No issue raised. The community so far satisfied with the estate management and incentive payment.	NII
Mr Sigan ak Muna	Local Contractor	NIL	NIL

Signed on behalf of <b>Palmgroup Holdings Sdn Bhd</b>	Signed on behalf of <b>SGS Malaysia Sdn Bhd</b>
 <p><i>Matthew Muttu</i></p> <p>Mr. Matthew Muttu Estate Manager 21<sup>st</sup> September 2018</p>	 <p><i>DICKENS MAMBU</i></p> <p>Mr. Dickens Mambu Regional Head Certification (Sarawak) Manager, Palm Oil Base (East Malaysia) 21<sup>st</sup> September 2018</p>

Job n°:	MY04994	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
<b>CONFIDENTIAL</b>		Document:	GP 7003A	Issue n°:	10	Page n°:	21 of 21