

MY 04991 Palmgroup Holdings Sdn Bhd Audit Summary Report

Organization:	Palmgroup Holdings Sdn Bhd		
Address:	<u>Headquarters (HQ)</u> Palmgroup Holdings Sdn Bhd, Level 25.1-25.2, Wisma Sanyan, No 1 Jalan Sanyan, Sibu Sarawak <u>Estate</u> Lot 13, Pelugau Land District, Lot 32 Arip Land District 96000, Sibu 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 Hii Jung Mee (General Manager Agronomist) Tel: 019-456 5146 Mr Raymond Nyian (Sustainability Manager) Tel: 012-8810052		
Site(s) audited:	Rosebay Enterprise Sdn Bhd	Date(s) of audit(s):	3rd May 2018
Visit Type:	MSPO Stage 2 Audit	Type of certification assessment	Main Audit
Lead auditor:	Dickens Mambu (DM) (LA)	Additional team member(s): Audit Member (AM) Trainee Auditor (TA)	Abdul Khalik (AK) (AM) Afiq Othman (AO) (TA) Jeffrey 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 FFB for Plantations 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

Has this scope been amended as a result of this audit?

☐ Yes

☒ No

Job n°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A	Issue n°:	10	Page n°:	1 of 25

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: 4 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.

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°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A	Issue n°:	10	Page n°:	2 of 25

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

Job n°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A	Issue n°:	10	Page n°:	3 of 25

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.:	616366002000	Expiry date:	3 rd March 2019
Scope of Activity:	Menjual dan Mengalih FFB		
Visit Number:	02 (Stage 2)	Actual Visit Date:	2 th -4 th 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		
Audit Scope:	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. 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		

Date	Time	Auditor	Organisational and Functional Units/ Processes and Activities	Key Contact
2 nd May 2018	AM	DM	Flight Kuching- Sibul MH3690 (6.15am-7.00am)	
2 nd May 2018	6.30 am 7.30 8.30 8.40 9.00	AK & DM	<u>Palmraya Pelita Spapa Oya</u> MS 2530-3-2013 Part 3 Breakfast Depart to Spapa Oya Arrive Spapa Oya Opening Meeting Audit Process (Site visit)	Estate Personnel

Job n°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A	Issue n°:	10	Page n°:	4 of 25

	12.30pm 1.00 pm		<ul style="list-style-type: none"> • Principle 1: Management commitment and responsibility • Principle 2: Transparency • Principle 3: Compliance to legal requirements • Principle 4: Social responsibility, health, safety and employment condition • Principle 5: Environment, natural resources, biodiversity and ecosystem services • Principle 6: Best practices <p>Lunch 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>End of day 1 Back to RH Hotel and Dinner</p>	
3 rd May 2018	6.30 am 7.00 8.30 8.40 9.00 12.30pm 1.00pm	AK & DM	<p><u>Palmraya Pelita Meruan</u> MS 2530-3-2013 Part 3</p> <p>Breakfast Depart to Meruan, Dijih Arrive Meruan Opening Meeting Audit Process (Site visit)</p> <ul style="list-style-type: none"> • Principle 1: Management commitment and responsibility • Principle 2: Transparency • Principle 3: Compliance to legal requirements • Principle 4: Social responsibility, health, safety and employment condition • Principle 5: Environment, natural resources, biodiversity and ecosystem services • Principle 6: Best practices <p>Lunch Continue Audit Process (Document review, Policies, local law compliances, deduction and pay slip, Safety and health procedures, environment</p>	Estate Personnel

	4.00pm 6.00pm		procedure, minimum wages monitoring, social benefits) Closing Meeting End of Day 2 Depart to Rosebay Apartment and Dinner	
4 th May 2018	7.00 am 8.00 am 8.15 am	AK & DM	<u>Rosebay Enterprise Estate</u> MS 2530-3-2013 Part 3 Breakfast Opening Meeting Audit Process (Site visit) <ul style="list-style-type: none"> • Principle 1: Management commitment and responsibility • Principle 2: Transparency • Principle 3: Compliance to legal requirements • Principle 4: Social responsibility, health, safety and employment condition • Principle 5: Environment, natural resources, biodiversity and ecosystem services • Principle 6: Best practices Document review, Policies, local law compliances, deduction and pay slip, Safety and health procedures, environment procedure, minimum wages monitoring, social benefits)	Estate Personnel
		12.00 pm 12.30 pm 3.00 pm 4.00pm 6.00pm	Lunch Continue Audit Process Auditor discussion and Preparation for Closing Meeting Closing Meeting End of MSPO Audit Depart to RH Hotel and Dinner End of Day 3	Estate Personnel (Spapa, Meruan & Rosebay)
4 th May 2018		DM	Sibu-Kuching Flight: MAS (9.15pm-10.pm)	

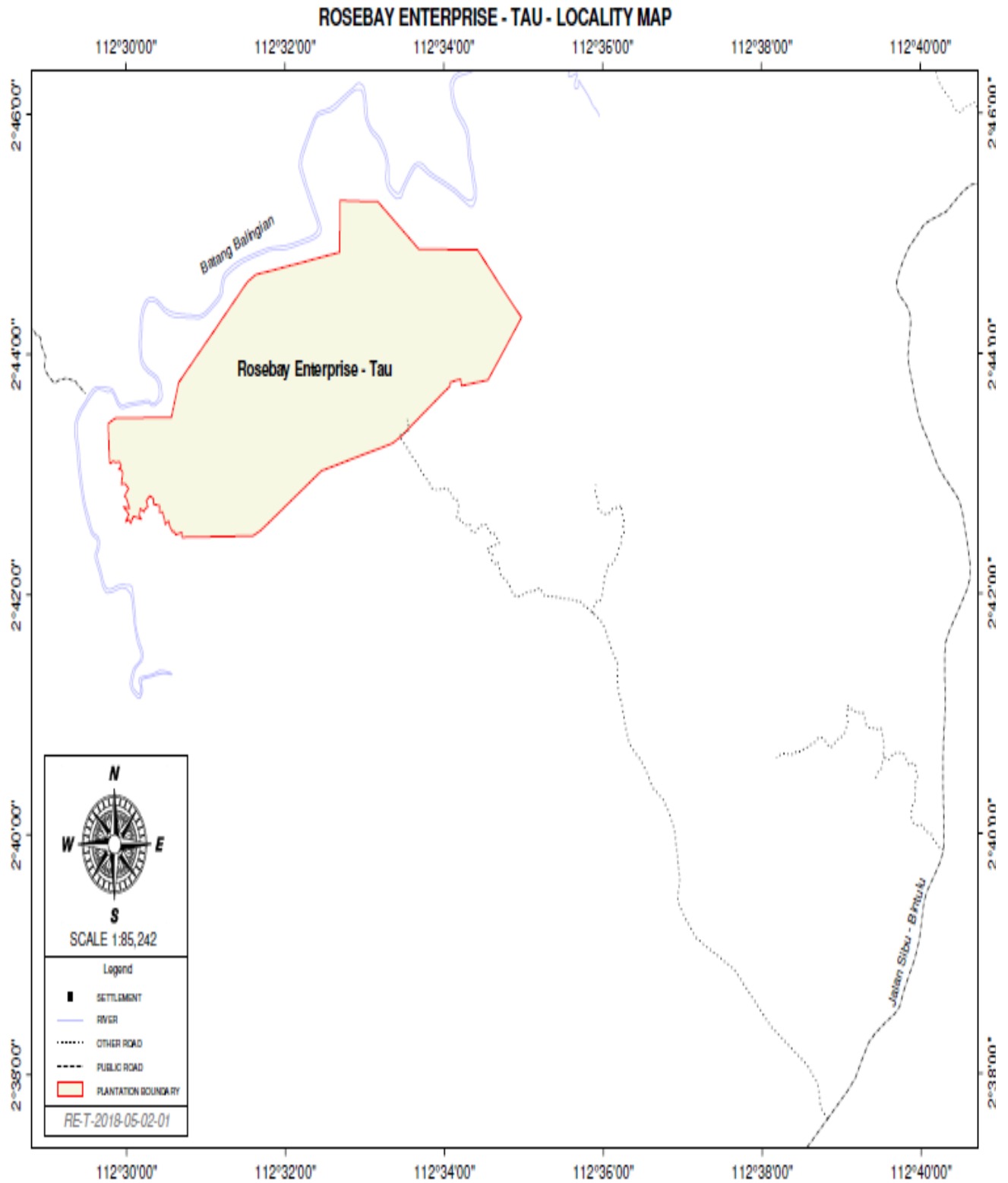
Location and Maps

Rosebay Enterprise Sdn Bhd project located between Btg Balingian and Sg Bawang approximately 20km from Balingian small town. There are two roads leading to the area with the closest road is using Kemena Road which is about 136 km from Sibu town. The site can also be reached by boat via Sg Bawang, a tributary of Batang Balingian. The GPS locations of the state are shown in **Table 1**.

Table 1: GPS Location

No.	Estate	Latitude	Longitude	Ha
1	Rosebay Enterprise Sdn Bhd	02°42'.5"N 02°45'.3"N	112°29.7'E 112°35.1'E	2567.30

Rosebay Enterprise Sdn Bhd Estate Locality Map



Job n°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A	Issue n°:	10	Page n°:	8 of 25

Description of FFB Production and Area Statement of the Supplying Estate

The FFB are sourced from the estate which are directly managed by Palmgroup Holdings Sdn Bhd through its subsidiaries plantation Rosebay Enterprise Sdn Bhd. The crop yield from the estate is mention in **Table 2** below.

Table 2: FFB Production

Estate	FFB Production (MT)	
	Jan2017-Dec2017 (Actual)	Jan2018-Dec2018 (Projection)
Rosebay Enterprise Sdn Bhd	56,483.83	60,000

Area of Estate

The estate detail of production area (mature/immature) are listed in **Table 3**.

Table 3: Area Statement of the Supplying Estates

Name of estate	Title Area (ha)	Plantation area				
		Immature (ha)	Production (ha)	Buffer zone / Unplanted (ha)	Land Issue	*Others
Rosebay Enterprise Sdn Bhd	Title: 2,600.9 Planted: 2,541.57	33.6	2507.97	54.03	NIL	5.3
*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/rosebay-enterprise-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. Detail can be referred to **Appendix 1**:

Stakeholders Contacted and Interview

1. Representatives from Community: Tuai Rumah Jarau anak Layang
2. Local Contractor: Mr Ling Chee Hong & Mr Ching Ting Ho (SYL Ventures PPL) (Maintenance)

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> Noted the Internal Audit Plan for MSPO by Sustainability Unit for the year 2018. The internal audit planned for Rosebay Ent Sdn Bhd was on the 3rd week of January 2018 and 3rd week of April for the follow up visit for the NC closure. The Internal Audit was done in accordance to the plan</p> <p>The internal audit was done in 2 stages 12th – 15th Dec 2017 (1st Internal Pre-Audit) 16th – 19th January 2018 (2nd Internal Audit)</p> <p>Both Internal Audit reports were sighted during the audit. The report was produced by Agronomic and Sustainability Department prior to MSPO stage 1 audit.</p> <p><u>Management Review –</u> Sighted Malaysian Sustainable Palm Oil (MSPO) Management Policy and Procedure issued on 20th April 2016 which emphasized on the frequency of TQM Meeting (Cum Management Review) frequency. The frequency stated in the procedure was monthly for estate level.</p> <p>Also sighted the TQM Meeting Schedule 2018 for Rosebay Ent Sdn Bhd which shows TQM meeting scheduled for every month.</p> <p>Sighted the management had discussed the findings that have been raised during the Stage 1 MSPO Audit during the 2nd meeting.</p>
-------------------------------	---

Job n°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A	Issue n°:	10	Page n°:	10 of 25

	<p><u>Observation 01</u> <u>Indicator 4.1.3.13</u> However, the meeting was not conducted as per procedure and the meeting schedule. It was supposed to be done monthly but the record for month February and April 2018 not available</p> <p>Management review meeting (TQM Committee Meeting) has been done 2 times for the year 2018. Those meeting were conducted on 16th Jan & 20th Mar.</p> <p><u>Continual Improvement -</u> The estate had 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> <ul style="list-style-type: none"> a. Social Mitigation Plan dated 2nd February 2018 prepared by Cornelius Rentap Bayang which covers for: <ul style="list-style-type: none"> - Social risk - Action required - Indicator to monitor - Monitoring point - Timeline - Responsible person b. Occupational Safety & Health Plan for 2018 prepared by Ajan Engkamat on 19th March 2018 <ul style="list-style-type: none"> - Daily Task - Monthly Task - Quarterly Task - Annually Task - Records keeping and filing c. Environmental Management Plan dated 7th March 2018 prepared by Matthew Wong Jing Feng covering for: <ul style="list-style-type: none"> - Impact - Parameter to monitor - Monitoring point <p>- Frequency</p>
<p>Comment on Principle 2</p>	<p><u>Transparency of documents relevant to MSPO requirements –</u> 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"> 1. Safety & health plans 2. Plans & impact assessments relating to environment and social impacts 3. Pollution prevention and reduction plans 4. Details of complaints and grievances 5. Negotiation procedures 6. Continual improvement plans

	<p><u>Transparent method of communication and consultation –</u> 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><u>Traceability –</u> The estate will deliver to RH Selangau POM. When this mill breaks down, then the estate will deliver to Palmgroup POM. The traceability platform can start be implement at estate level and continue to 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"> Field No.- Phase, Block Total Bunches Quantity Weight of FFB Drivers Name Any deductions <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 & 3.</p> <p>Flowchart of mass balance supply chain procedure (mill) in Appendix 2.</p>
Comment on Principle 3	<p><u>Regulatory requirements –</u> 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> <ol style="list-style-type: none"> MPOB Licence: 616366002000 (Valid until 3 March 2019) Trading Licence: No.A 478492 valid until 15th June 2018. <i>Permit Potongan Gaji (Sect 14, Sarawak Labour Ordinance) Permit Number JTKSWK/PG/018/18/(Mukah).</i> Canteen License Serial No. A 22556, LSS001025. Valid until 31st December 2018 <p><u>Legal land use rights –</u> Rosebay Enterprise was established in 2006 developed in state land area with Provisional lease permit</p> <p>Provisional Lease of State Land TRN. 03-LCPLS-045-000-00024</p> <p><u>Customary rights –</u> Rosebay Enterprise Sdn Bhd was established in 2006 developed in state land area with Provisional lease permit</p> <p>Provisional Lease of State Land TRN. 03-LCPLS-045-000-00024</p>

Job n°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A	Issue n°:	10	Page n°:	12 of 25

<p>Comment on Principle 4</p>	<p><u>Social Impact Assessment</u> – SIA document yet to be done. The management has appointed a consultant to prepare the document (Wild Asia). The SIA targeted to be completed : June 2018 Draft report for Social Impact Assessment (SIA) for Palmgroup Holdings Sdn Bhd was submitted to the management on 13th 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 minimizing these impacts.</p> <p>A list of 5 significant risk area were identified and assessed. These have been group into 6 board categories of impact:</p> <ul style="list-style-type: none"> ➤ Hiring of waters in relation to legal and national legislation compliance ➤ Work conditions covering human rights issued and national legislation compliance ➤ Housing or workers in relation to legal and national legislation compliance ➤ Health and safety with regards to workers and women groups ➤ Workforce suppliers in relation to legal and national legislation compliance ➤ External stakeholder engagement <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> – A system for dealing with complaints and grievance is available in Complaint & Grievance Procedures Guidelines (PGHSB/SOPP/002/2015) which was signed by the Managing Director Mr Tiong Cheong Hee on 5th May 2015.</p> <p><u>Commitment to contribute to local sustainable developments</u> – 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"> a. Road shared by community. b. Help in terms of materials for longhouses. c. Local workers (Rosebay area) have been employed. 7 from total 17

Job n°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A	Issue n°:	10	Page n°:	13 of 25

	<p>estate staff is Rosebay origin.</p> <p>Minutes of meeting for Stakeholders was held on 25/01/2018 chaired by the Estate Manager and attended by 8 <i>Tuai Rumah</i> (TR).</p> <p>Interview with TR Jaraw Ak Layang where he informed that he had attended the stakeholders meeting and briefed on awareness to MSPO. He informed on good rapport of villagers with the estate.</p> <p>A maintenance contractor, Mr Lim Chee Hong, owner and Mr Chong Ting Ho, his partner of SYL Ventures PPL dealing on road, draining and field work using excavators were interviewed. They have heard about MSPO and understood MSPO but the estate have not yet officially informed them.</p> <p><u>Employees health and safety –</u></p> <p>Rosebay Enterprise Sdn Bhd has documented the Standard Operating Procedure that consist of safety and health guidelines in 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 Chiong Hee (Managing Director) on 5th January 2010</p> <p><u>Employment conditions –</u></p> <p>The policy on good social practices has been indicated in the “Human Right Policy” established by the Palmgroup Holdings Sdn Bhd management dated 5th 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></p> <p>Training Plan was made available for Rosebay Enterprise Sdn Bhd in Occupational Safety & Health Plan for Year 2018 as prepared by Ajan Ak Engkamat (Safety & Health Coordinator).</p> <p>Below are the training records sampled during the time of audit:</p> <ol style="list-style-type: none"> 1. SOP & Harvesting Training (06.04.2018) 2. Pruning (20.04.2017) 3. SOP & Manuring (06.04.2018) 4. First Aid Training (09.10.2017) <p><u>Major 1</u></p> <p><u>Indicator 4.4.4.2</u></p> <p>Safety and Health Requirement not fully implemented by the estate management.</p> <p>During workshop visit at Rosebay estate, it was observed the estate best practices was not fully implemented.</p> <ol style="list-style-type: none"> 1) No inventory list for item inside the first aid kit at the workshop.
--	--

Job n°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A	Issue n°:	10	Page n°:	14 of 25

	<p>2) Inside the PPE cabinet the PPE were mixed with other items such as tools and spare-part. It show that housekeeping was not taken seriously.</p> <p>3) Warning signage for scheduled waste need to follow Department of Environment (DOE)</p> <p>4) No smoking signage available at the scheduled waste store as this area contain flammable items.</p> <p>5) "Risalah Data Keselamatan" (Safety data Sheet) is not updated for the last 5 years for some chemical SDS.</p> <p>Labelling for the Diesel skid tank as required by Kementerian Perdagangan Dalam Negeri.</p> <p><u>Major 2</u></p> <p><u>Indicator 4.4.5.3</u></p> <p>Workers salary deduction to be monitored not to exceed approval level by JTK approval.</p> <p>During visit to sundry shop (PalmCol Canteen Sdn Bhd), observed pricing of goods was display at the sundry shop.</p> <p>As explained by the estate management, the price was set between Mafrica May Trading (HQ level) and Palmcol Canteen Sdn Bhd.</p> <p>However, no evidence of price monitoring has been done on the estate level and monitoring of wage deduction of workers (to ensure no deduction more than 50% of the monthly wage) This requirement was sighted in the JTK approval on workers salary deduction approval from the agencies.</p>
Comment on Principle 5	<p><u>Environmental management programme –</u></p> <p>An environmental policy and management plan is available during site visit and was signed by MR TIONG CHIONG HEE (MANAGER DIRECTOR), Dated 21st November 2016</p> <p>NREB EIA Approval Ref No.: (15) NREB/6-1/2E/38 Dated 7th February 2006 with title TAHU OIL PALM PLANTATION ON LOT 24, ARIP LAND DISTRICT, SIBU DIVISION, SARAWAK.</p> <p>In EIA approval stated EMR shall be submit quarterly basis (3 months basis), it was based on EIA approval from NREB in item 4(e). However, the latest report for EMR cover half yearly basis via approval letter with ref no.: (24) NREB/6-1/2E/38 dated: 24th June 2008.</p> <p>In line with EIA Report Approval for this Estate mention in item 4 (g) Control of water pollution mention the analysis of water for pesticides/ herbicides shall be carried out at six (6) months interval or half yearly after the proposed project has been implemented or as required by the NREB and it shall include sediment analysis. After cross check with the EMR report for 1st half and 2nd half 2017 there was no parameter indicate for pesticides/ herbicides. However, Rosebay estate will be conduct the pesticides/ herbicides in coming EMR report with prove commitment to be implement via letter ref no: Q/18/P13-1 dated 18th April 2018.</p>

Job n°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A	Issue n°:	10	Page n°:	15 of 25

Efficiency of energy use and use of renewal energy –

Consumption of non-renewable energy (diesel) recorded can be found in the “FIS system”

Waste management and disposal –

All waste generated in the oil palm plantation are categorize as: biomass waste, domestic waste and sewage from human activities, scheduled waste from workshop and chemical store, and the construction waste.

All the key mitigation measures were documented in the Environmental Management Plan, Chapter 4: Waste Management Plan.

Reduction of pollution and emission –

The company has prepared the Environmental Management Plan was available which consider mitigation of negative impacts as well as enhancement of beneficial actions. The impacts discuss as follow:

- a) Water quality Management
- b) Soil erosion, slope and sediment pollution
- c) Domestic waste management
- d) Schedule waste management
- e) Manage hydrocarbon waste properly
- f) Chemical Management
- g) Labour line
- h) Rare, threaten & endanger species
- i) Air quality management

In line to improve and mitigate the negative impacts and to promote the positive ones, Rosebay estate conduct the training awareness list as below:

- 1) Scheduled waste training, conducted by MAFRICA SUSTAINABILITY TEAM on 20th April 2018 attended by 19 heads of staff – with contents of input:
 - Mismanagement of hazardous waste
 - Definition of scheduled waste
 - Principles of scheduled waste management
 - The relevant environmental legislations
 - Handling of scheduled waste
 - Labelling of scheduled waste
 - Storage
 - Selection of container
 - Scheduled wastes of potential incompatibility
 - eSwis
- 2) Briefing on SOP & Awareness training (3R) was conducted on 3rd November 2017 at Camp 22, phase 2B, road 22 attended by 9 heads of workers.

Natural water resources –

Job n°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	16 of 25	

It was observed the estate was using rain water as drinking water and gravity feet water as bath, wash cloths and etc. Rain water harvesting through is implemented at every household for domestic use. Natural vegetation is observed along the riparian area.

Within water Monitoring Plan, the impact on water Quality Management was listed.

1. Water Quality Monitoring
2. Buiffer zone Management
3. No chemical Application near water body
4. Sediment pollution management

Records of Environmental Monitoring (EMR) was conducted every 6 months .

Sampling ID	Location of sampling points
WM1	perimeter drain into Sg Bawang
WM2	perimeter drain into Sg Tahu
WM3	Outlet point into Btg Balingan
WM4	Upstream of Sg Tahu at perimeter drain

The latest report Jul – Dec 2017 was sighted . Ref NREB/6-1/2E/1

The record show that Envisar Sdn Bhd reported that the water quality revealed that the parameters tested for were generally within Class IIB of the NWQS except for TCC at WM3; DO at WM1, WM2 and WM3, pH, COD and TFC at all monitoring points. According to Envisar Sdn Bhd they deduce this could be due to 'natural occurences' and non-point source pollution.

Based on the filling record in file C.4.5.5.1 Indicator 1 Riparian and Rainfall Record the buffer zone was available and marking with signages.

Status of rare, threatened or endangered species and high biodiversity value area –

Information has not been collated that includes both the planted area itself and relevant wider landscape-level considerations (such as wildlife corridors). This information should cover:

- a) Identification of high biodiversity value habitats, such as rare and threatened ecosystems, that could be significantly affected by the grower(s) activities.

Conservation status (e.g. The International Union on Conservation of Nature and Natural Resources (IUCN) status on legal protection, population status and habitat requirements of rare, threatened, or endangered species), that could be significantly affected by the grower(s) activities.

Rosebay has copies of poster of the following from the Sarawak Forestry :

- 1) Totally protected wildlife of Sarawak
- 2) Protected wild life of Sarawak

The estate has a copy of the Sarawak Wildlife Protection Ordinance 1998

They have a copy of the IUCN.

The report for High Conservation Value Scoping Report, draft report for Palmgroup Holdings Sdn Bhd (13th March 2018) was available in file HCV Report by Wildasia

Zero burning practices -

Zero burning policy is adopted for the Palmgroup Plantations Sdn Bhd as per mention in the estate environmental policy.

In the Rosebay Estate EIA, stated burning should be avoided unless necessary. Prior approval must be obtained from the Sarawak NREB. However, it was not practice it mentioned in item 4.5.4.2

Major 3

Indicator 4.5.1.1

Compliance with environmental requirement is not fully implemented.

In line with EIA Report Approval for this Estate mention in item 4 (g) Control of water pollution mention the analysis of water for pesticides/ herbicides shall be carried out at six (6) months interval or half yearly after the proposed project has been implemented or as required by the NREB and it shall include sediment analysis. After cross check with the EMR report for 1st half and 2nd half 2017 there was no parameter indicate for pesticides/ herbicides.

Minor 4

Indicator 4.5.1.4

3R Programme is not being implemented accordingly.

It was observed the recycle programmed had been taken place, however during the implementation there was still need to be improved. Whereas, During site visit it was observed waste segregation centre was in placed, however the implementation need to be improved due to others materials such as plastic can be found in the main collector centre for domestic waste bin at the Kem 22.

Major 5

Indicator 4.5.4.2

Job n°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A	Issue n°:	10	Page n°:	18 of 25

	<p>It was sighted some burning in the estate block. Zero burning policy was available which is signed by Managing Director, Mr Tiong Chiong Hee dated 21st July 2015. However, evidence of open burning was found at the Camp 22. Since this area largely covered with Anderson 3 soil which contain of deep organic matter it can cause fire spread easily and productivity of palm oil fruit can be decrease.</p>
Comment on Principle 6	<p><u>Site management –</u> Rosebay Ent Sdn Bhd. BMP and Policies version 1 Revision 2014 was sighted and reviewed at Palmgroup Holdings Sdn. Bhd. The document has been divided into 7 BMPs and Policies:</p> <ol style="list-style-type: none"> Control of Tirathaba Bunch Moth (PGHSB/BMPP/01/2014) Termite management in Peat Soil (PGHSB/BMPP/02/2014) Oil Palm Nursery Management (PGHSB/BMPP/03/2014) Water Management in Peat Soil (PGHSB/BMPP/04/2014) Weeding (PGHSB/BMPP/05/2014) Oil Palm Fertilizer Management (PGHSB/BMPP/06/2014) Management in oil palm agro ecological system (PGHSB/BMPP/07/2014) <p>However, manual on machineries maintenance was not made available during the audit.</p> <p><u>Economic and financial viability plan –</u></p> <ul style="list-style-type: none"> 'Budget for the Year estates has been established in order to demonstrate attention to economic and financial viability at Rosebay Ent. Sdn. Bhd. Financial Budget for year 2018 / 2019 are made available <p><u>Transparent and fair pricing dealing –</u> The pricing mechanism is set by Marketing Department. The estate is only deliver FFB to RH Palm oil Mill at Selangau and Palmgroup Palm Oil Mill.</p> <p><u>Contractor –</u> The contractor detail are made available and properly filed. Rosebay Ent. Sdn. Bhd. have 22 contractors covering several works such as transportation, maintenance, supplier and scheduled waste disposal.</p> <p>From estate management and document verification, it is available in the contractor job award clause that the contractor understand the requirement towards MSPO.</p>

7. Nonconformities

MS2530-3:2013 Part 3

NonConformity		N° 1 of 5		Major 1			
	Date Recorded>	4 th May 2018	Due Date>	4 th July 2018	Date Closed>	2 th July 2018	
Department / Function:		Administrative		Standard Ref.: Indicator		MS2530-Part 3 4.4.4.2	
Document Ref.:		Criterion 4: Safety and Health		Issue / Rev. Status:		Closed	
Details of Nonconformity:		Safety and Health Requirement is not fully implemented by the estate management.					
Objective Evidence:		During workshop visit at Rosebay estate, it was observed the estate best practices was not fully implemented. 1) No inventory list for item inside the first aid kit at the workshop. 2) Inside the PPE cabinet the PPE were mixed with other items such as tools and spare-part. It show that housekeeping was not taken seriously. 3) Warning signage for scheduled waste need to follow Department of Environment (DOE). 4) No smoking signage available at the scheduled waste store as this area contain flammable items. 5) “Risalah Data Keselamatan” (Safety data Sheet) is not updated for the last 5 years for some chemical SDS. 6) Labelling for the Diesel skid tank as required by Kementerian Perdagangan Dalam Negeri.					
Close-out evidence:		No inventory list for item inside the first aid kit at the workshop. The management had provide first aid inventory list report and also monthly checklist record (Please refer Appendix 14 First Aid Inventory List Report and Appendix 15 Rosebay -First Aid Box Monthly Checklist) Inside the PPE cabinet the PPE were mixed with other items such as tools and spare-part. It show that housekeeping was not taken seriously. The management had taken necessary action to ensure above matter followed. (Please refer Appendix 16 Attendance of Awareness Training on Housekeeping, Appendix 17 Awareness & Training Report [Workshop Housekeeping] and Appendix 18 Report on Housekeeping _Before & After_) Warning signage for scheduled waste need to follow Department of Environment (DOE) Corrective action had been taken by management to ensure warning signage for scheduled waste follow DoE requirement. (Appendix 19 Warning Signage for Schedule Waste Rosebay). No smoking signage available at the scheduled waste store as this area contain flammable items. The management has resolved this issue (Please refer Appendix 20 No smoking Signage at SW Store)					

Job n°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:
CONFIDENTIAL	Document:	GP 7003A		Issue n°:	10	Page n°:

	<p>“Risalah Data Keselamatan” (Safety data Sheet) is not updated for the last 5 years for some chemical SDS.</p> <p>The management had taken necessary action to update the SDS (Please refer Appendix 21 chemical list MSDS at Chemical Store and also Appendix 22 SDS picture report) as evidences.</p> <p>Labelling for the Diesel skid tank as required by Kementerian Perdagangan Dalam Negeri.</p> <p>Labelling for the Diesel skid tank was install (Please refer Appendix 23 Report-Labelling for diesel skid tank required by KPDNKK)</p>
--	---

NonConformity	N° 2 of 5		Major 2			
	Date Recorded>	4 th May 2018	Due Date>	4 th July 2018	Date Closed>	2 th July 2018
Department / Function:	Administrative		Standard Ref.: Indicator		MS2530-Part 3 4.4.5.3	
Document Ref.:	Criterion 4: Employment Conditions		Issue / Rev. Status:		Closed	
Details of Nonconformity:	Workers salary deduction to be monitored not to exceed approval level by JTK approval.					
Objective Evidence:	During visit to sundry shop (PalmCol Canteen Sdn Bhd), observed pricing of goods was display at the sundry shop. As explained by the estate management, the price was set between Mafrica May Trading (HQ level) and Palmcol Canteen Sdn Bhd. However, no evidence of price monitoring has been done on the estate level and monitoring of wage deduction of workers (to ensure no deduction more than 50% of the monthly wage) This requirement was sighted in the JTK approval on workers salary deduction approval from the agencies.					
Close-out evidence:	The mitigating measures had been taken by management list as below: Appendix 33 Estate TQM June Minutes Meeting _Price Mechanism Appendix 34 Report on Briefing Price Mechanism					

NonConformity	N° 3 of 5		Major 3			
	Date Recorded>	4 th May 2018	Due Date>	4 th July 2018	Date Closed>	2 th July 2018
Department / Function:	Administrative		Standard Ref.: Indicator		MS2530-Part 3 4.5.1.1	
Document Ref.:	Criterion 5: Environmental Management Plan		Issue / Rev. Status:		Closed	

Job n°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	21 of 25	

Details of Nonconformity:	Compliance with environmental requirement is not fully implemented.
Objective Evidence:	In line with EIA Report Approval for this Estate mention in item 4 (g) Control of water pollution mention the analysis of water for pesticides/ herbicides shall be carried out at six (6) months interval or half yearly after the proposed project has been implemented or as required by the NREB and it shall include sediment analysis. After cross check with the EMR report for 1 st half and 2 nd half 2017 there was no parameter indicate for pesticides/ herbicides.
Close-out evidence:	<p>The management had taken into account for this issues to ensure this issue not occur in the future. Action taken list by appendices list as below:</p> <p>Appendix 24 EMR Report- Sediment analysis indicate parameter for pesticides herbicides</p> <p>Appendix 25 Envisar - Collect water samples</p> <p>Appendix 26 Envisar - herbicide analysis</p> <p>Appendix 27 Estate TQM June Minutes Meeting _Price Mechanism</p> <p>Appendix 28 Rosebay Water Monitoring Point Map</p>

NonConformity	N° 4 of 5				Minor 4	
	Date Recorded>	4 th May 2018	Due Date>	4 th Feb 2019	Date Closed>	2 th July 2018
Department / Function:	Administrative		Standard Ref.: Indicator		MS2530-Part 3 4.5.1.4	
Document Ref.:	Criterion 5: Environmental Management Plan		Issue / Rev. Status:		Closed	
Details of Nonconformity:	3 R Programme not being implemented accordingly					
Objective Evidence:	It was observed the recycle programmed had been taken place, however during the implementation there was still need to be improved. Whereas, During site visit it was observed waste segregation centre was in placed, however the implementation need to be improved due to others materials such as plastic can be found in the main collector centre for domestic waste bin at the Kem 22. .					
Close-out evidence:	Awareness program was conducted to ensure this issue can be resolved (Please refer Appendix 29 3R ATTENDANCE and also Appendix 30 3R TRAINING REPORT 2018) as evidence.					

NonConformity		N° 5 of 5		Major 5					
		Date Recorded>	4 th May 2018	Due Date>	4 th July 2018	Date Closed>	2 th July 2018		
Department / Function:		Administrative		Standard Ref.:		MS2530-Part 3			
Job n°:	MY 04991	Report date:	24.08.2018			Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A			Issue n°:	10	Page n°:	22 of 25

		Indicator	4.5.4.2
Document Ref.:	Criterion 5: Environmental Management Plan	Issue / Rev. Status:	Closed
Details of Nonconformity:	It was sighted some burning in the estate block.		
Objective Evidence:	Zero burning policy was available which is signed by Managing Director, Mr Tiong Chiong Hee dated 21 st July 2015. However, evidence of open burning was found at the Camp 22. Since this area largely covered with Anderson 3 soil which contain of deep organic matter it can cause fire spread easily and productivity of palm oil fruit can be decrease.		
Close-out evidence:	<p>The management had taken necessary action to ensure this issue not repeated in the future. Action taken was taken list below:</p> <p>Appendix 31 Attendance Zero Burning Awareness</p> <p>Appendix 32 Zero Burning Awareness Report</p>		

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 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.

Job n°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A	Issue n°:	10	Page n°:	23 of 25

8. General Observations & Opportunities for Improvement

OBSERVATIONS: MS2530-3:2013 Part 3

NonConformity	N° 1 of 1		Observation 01			
	Date Recorded>	4 th May 2018	Due Date>	Nil	Date Closed>	Nil
Department / Function:	Administrative		Standard Ref.: Indicator		MS2530-Part 3 4.1.3.13	
Document Ref.:	Criterion 1: Management Commitment and Responsibility		Issue / Rev. Status:		Closed	
Details of Nonconformity:	Total Quality Meeting to be done according to the schdule					
Objective Evidence:	However, the meeting was not conducted as per procedure and the meeting schedule. It was supposed to be done monthly but the record for month February and April 2018 not available.					
Close-out evidence:	Management review meeting (TQM Committee Meeting) has been done 2 times for the year 2018. Those meeting were conducted on 16 th Jan & 20 th Mar. Refer Appendix 35, 36 and 37 as an evidence. Appendix 35 Estate TQM June Minutes Meeting _Price Mechanism Appendix 36 Estate TQM Meeting minutes _April 2018_-NEW Appendix 37 Estate TQM Meeting minutes _May 2018_-NEW					

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

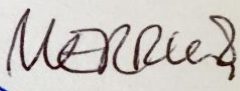

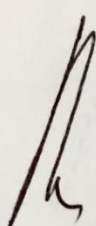

Important Observations and Opportunities for Improvements:

- The estate management should implement safety and health requirement at necessary activities such as usage of Personnel Protective Equipment (PPE), first aid kit, housekeeping and etc.
- Compliance with environmental requirement should be carry out by the plantation estate.
- Workers salary deduction should be monitor and obtain approval from Jabatan Tenaga Kerja (JTK) Sarawak to ensure it meets the requirements.
- The importance of inculcating good 3R (Reduce, Reuse and Recycle) Programme should be implemented accordingly to raise awareness among the workers.
- The management should ensure zero burning policy to be apply consistently in the estate.

Job n°:	MY 04991	Report date:	24.08.2018	Visit Type:	Renewal	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A	Issue n°:	10	Page n°:	24 of 25

Appendix 1: List of Stakeholders Contacted

Stakeholder	Type of Stakeholder	Issues raised	Comments/Action Taken
Tr Jarau ak Layang	External Stakeholders Local Community	In General, the community satisfied with the compensation paid to the community. However, it was requested from community that the goodwill agreement to be given to them as soon as possible.	The audit team has verified such comments and confirmed that the goodwill agreement will be provided to the community within year 2018 as it need some process thru legal requirement.
Mr Ling Chee Hong Mr Chong Ting Ho	Contractor SYL venture (Maintenance)	In general, the contractor request the organization to continuously brief them on MSPO requirement	The estate management has been informed on the contractor requested and will continue do the briefing to the contractor. This will be inserted as an addition in the training plan.

Signed on behalf of Palmgroup Holdings Sdn Bhd	Signed on behalf of SGS Malaysia Sdn Bhd
  <p>Mr. Terry Ling Ka Fung Estate Manager 21st September 2018</p>	  <p>Mr. Dickens Mambu Regional Head Certification (Sarawak) Manager, Palm Oil Base (East Malaysia) 21st September 2018</p>