

Malaysian Sustainable Palm Oil (MSPO) Summary Report

Organization:	Southern Realty (Malaya) Sdn. Bhd. – 3199-A		
Address:	Estate Location Address: Ladang Fermanagh, Sg Pelek, 43950 Sepang, Selangor, Malaysia. Head Office Address: Wisma Southern, 6 th Floor, No. 26-34, Jalan Dato Hamzah, 41000 Klang, Selangor, Malaysia		
MSPO Standard(s) Used:	MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders	Accreditation Body(s):	Department Standards of Malaysia
Representative:	Mr. Ravindran Subramaniam – Plantation Controller ravin@southern.com.my +60 12 637 5746 Mr. Hari Chandran – Estate Manager harichan_2308@yahoo.com +60 19 565 5156 Mr. Ramli bin Sulaiman – Account Supervisor wefinsrasul@gmail.com +60 11 1080 7816		
Telephone:	+603 31411552		
Fax:	+603 31422167		
Site(s) audited:	Fermanagh Estate	Date(s) of audit(s):	2 nd April 2019
Audit Scope:	Production of Oil Palm Fresh Fruit Bunch (FFB) in compliance to the MSPO Certification Standard MS2530-3:2013 Part 3		
Mill Capacity:	Nil	Total Area (Certified):	683.7807 ha
Visit Certification Assessment:	Main Assessment (Stage 2)	Number of Sites:	1 estate
Lead auditor:	Afiq Othman	Additional team member(s):	James S H Ong
Certificate Number:			
Date of Issue:		Date of Expiry	
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 MSPO Certification

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

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 Certification

Currently **Southern Realty (Malaya) Sdn. Bhd. – Fermanagh Estate** is being certified with other certification scheme as below:

Current Certification (Please tick the certification you are currently certified)			
☐	ISO 9001 (only for mill)	☐	HACCP
☐	EMS 14001 (only for mill)	☐	RSPO
☐	OHSAS 18001 (only for mill)	☐	ISCC
☐	ISO 22001	☐	GMP Plus
☐	HALAL	☐	KOSHER
☐	Co-GAP	☐	None / Others:

4. Assessment Process and Audit Programme

4.1. Sampling Method (not applicable)

Sampling Methodology and Rationale
Sampling of the estates to be audited has been conducted in accordance to the Risk Management (MPOB/MSPO/RMP/06) documents as below: $S = r\sqrt{n}$ Risk Factor: Not Applicable Since this is an individual certification. Sampling method is not applicable.

The methodology for objective evidence collection included physical site inspection, observation of tasks and processes, interview with workers, families and stakeholders, documentation review and monitoring data. Detailed audit plan can be referred below.

Job n°:	MY05219	Report date:	27 th April 2019	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL		Document:	GS0304	Issue n°:	10	Page n°:	2 of 26

4.2. Audit Plan

The assessment was conducted in 1 audit day (2 man-days) and involving an estate. The audit covers documentation review, internal procedures, management system, field inspection as well as identification of any significant issues for both environment or social issues.

Date	Time	SGS Team	Organisational and Functional Units/ Processes and Activities	Key Contact
2 nd Apr 2019	A.M	ALL		Audit Team & Estate Management
	0830		Audit Team arrive at Fermanagh Estate	
	0900		Opening Meeting	
			Safety briefing by Fermanagh Estate & brief presentation of Fermanagh Estate introduction	
			Opening slides by SGS Team	
	0900-1200		<u>Site Visit</u> Buffer zone, boundary area, HCV or conservation area, landfill, operation (harvesting/ spraying/ manuring) area, water treatment plant, storage area, workshop and labour quarters	
			Stakeholder Consultation	
	P.M 1200-1300		Lunch Break	
	1300-1600		Continue Audit – Documentation Review	
	1600-1630		Auditor meeting	
	1630-1700		Audit Closing Meeting	
	1730		Depart from Fermanagh Estate	

4.3. Certification Body

Auditor	Role	Qualification, Education, Working Experience.
Afiq 'Aliyyuddin Othman	Lead Auditor	- MSPO Certified Lead Auditor - BSc. (Hons) Marine Technology - A year experience working in Ministry of Natural Resources and Environment - 5 years experiences working for Sime Darby Plantation Berhad as Sustainability and Quality Management. - A year experience working for SGS (M) Sdn. Bhd. as auditor
James S H Ong	Audit Member	- MSPO Certified Lead Auditor - RSPO and ISCC Certified Lead Auditor - Vast experience working as agronomist - Experience more than 10 years working with certification body

4.4. Audit Planning Matrix

		Visits:	MA (Stg 2)	SA1	SA2	SA3	SA4
		Dates:	2/4/2019				
Area / Department / Process / Function	Auditor(s):	1. Afiq Othman 2. James S H Ong					
	Standard						
Fermanagh Estate	MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders	X	O	O	O	O	

*For each completed visit, mark "X" in the box for each department or process covered. For planned visits, indicate with an "O" in the box for each process to be covered.

5. Previous Audit Results (not applicable)

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.

6. Audit Findings Summary and Recommendations

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
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: 0 Major 3 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.		

7. Significant Audit Trails Followed

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

7.1. Details of Certified Entity

Estate/ Mill	Location Address	Geo-Coordinate (GPS)
		Latitude, Longitude
Fermanagh Estate	Ladang Fermanagh, Sg Pelek, 43950 Sepang, Selangor, Malaysia.	N 2°38'56.60", E 101°39'33.86"

Table 1: Address and Coordinates of Fermanagh Estate

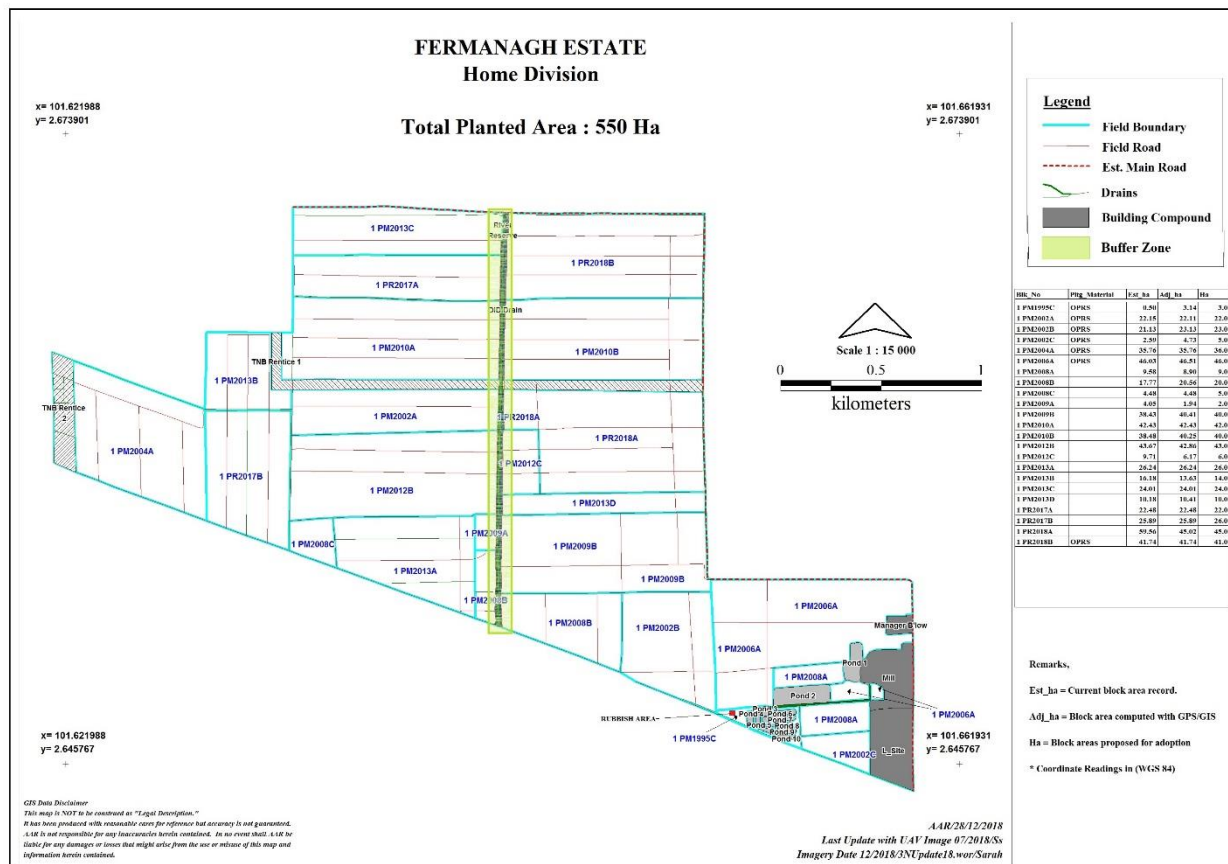


Figure 1: Map of Fermanagh Estate

Description of the supply base

Fermanagh Estate was established in 1956. It belongs to Southern Realty (Malaya) Sdn. Bhd. With a total manpower of 33 workers from local and Indonesia. The management team and workers working for Fermanagh Estate is also managing Sepang Pertiwi Estate (sister estate). The estate located in Sungai Pelek close to Bagan Lalang area. Currently being planted with only oil palm crops. The crops are being supplied to Fermanagh Palm Oil Mill which located next to the estate office.

Estate	FFB Production (MT)	
	Period:	
	Actual FY (2017/2018)	Estimated (FY 2018/2019)
Fermanagh Estate	12964	13875
TOTAL FFB Produced	12964	13875

Table 2: FFB Production (Actual & Estimated)

Job n°:	MY05219	Report date:	27 th April 2019	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL		Document:	GS0304	Issue n°:	10	Page n°:	6 of 26

7.2. Area of Plantations

Certified Area Statement (Ha)						
Estate	Titled Area	Planted (Ha)		Conservation	HCV	Others
		Immature Area	Mature Area			
Fermanagh Estate	683.7807	108.31	513.02	0	0	62.4507
TOTAL	683.7807	108.31	513.02	0	0	62.4507

Table 3: Hectare Statement of Fermanagh Estate

7.3. Stakeholder Consultation and List of Stakeholders Contacted

Stakeholder consultation took place in the form of meetings and interviews. The interviews and meetings were intended to obtain input from the stakeholders followed by an evaluation of the relationship between the stakeholder and the company. See **Appendix 1** for stakeholder's details and comments.

7.4. Comment on MS2530-3 Compliance Status

Comment on Principle 1	Policy on Implementation of MSPO –
	As reported under 4.1.1.1, Fermanagh Estates has established a Sustainability Policy for the implementation of MSPO on sustainable palm oil production. The policy seen established as for the whole group of companies. It linked to the individual policies on environment, social, OSH and labour ethics. The policy has been signed by Dr. Nick Low, Industrial & Plantation Senior Director of on 01/06/2018 <u>Internal Audit –</u> Fermanagh Estates has conducted internal audit on 19/11/18 covering MSPO requirements resulted with 9 major, 4 minor and 15 observations. The audit was conducted by members from other estates from the group whom were trained from 12-13/09/18 by external consultant and sighted the training attendance list. Internal Audit Procedure has been established, PRO-P1C2/IA dated on 01/06/18. The audit is being plan annually that covering all operation falls within the MSPO Certification Scope. <u>Management Review –</u> The management reviewed again on 4/3/19 covers on the findings of internal audit.

Job n°:	MY05219	Report date:	27 th April 2019	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL		Document:	GS0304	Issue n°:	10	Page n°:	7 of 26

	It also includes: 1) Agenda and minutes 2) Attendance 3) Internal audit report 4) Result of the corrective action <u>Continual Improvement -</u> There are 7 CIP been established that focusing on certification of MSPO, 3 for environment, 1 for social, and 2 x mechanization. The CIP (SPE/FME-LST-P1C4/CIA rev 00) has the following to show evidence with the activities, on-going status and PIC for respective CIP established. 1) Description e.g. Green book project 2) Category: Social 3) Purpose: minimize cost of living 4) Target: before Dec 2019 5) PIC: Mr Hari Completion date: on-going
Comment on Principle 2	<u>Transparency of documents relevant to MSPO requirements –</u> Consultation and Communication Procedure has been established by the company with process flow of communication process included in the procedure. Stakeholder meeting done twice in 2018 targeted for neighbouring communities, government bodies and suppliers. The company uses stakeholder meeting as one of the medium to communicate necessary information to relevant stakeholders. Any additional information will be communicated to stakeholder upon request as long as not subjected to private and confidentiality. Noted “peti cadangan” and complaints forms being made available in front of the office. Explained by the management, stakeholders may submit their official request through various mediums such as letter, memo, phone, email or even come by the estate office to extend their intentions. Copies of complaint and grievance form has been provided to stakeholders during the last stakeholder meeting. The workers have been briefed on how to lodge complaints to the estate management <u>Transparent method of communication and consultation –</u> SOP Established Stakeholder Consultation and Communication Procedure Ref No PRO-P2C2/CC Rev R00 dated 1/6/18. Process flow of communication included in the procedure. A social Management Officer was appointed by Estate Manager to be responsible of consultation and communication with relevant stakeholders. Relevant stakeholders have been identified by establishing

Job n°:	MY05219	Report date:	27 th April 2019	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL		Document:	GS0304	Issue n°:	10	Page n°:	8 of 26

	lists of stakeholders categorizing government bodies, suppliers, buyers and internal stakeholders. As of the date of audit, no specific complaint was recorded. However, the estate distributed feedback forms to its stakeholders during stakeholder meetings mentioned above. All communication records such as feedback forms resulted from the stakeholder meetings are being retained appropriately. <u>Traceability –</u> The company has established Traceability. Based on records reviewed, it shows that the estate is implementing traceability system as per established procedure. Personnel was appointed (Estate Staff) by Plantation Controller to ensure that the SOP is being implemented accordingly. The appointed personnel will record all information pertaining traceability in Daily Crop Record as part of continuous monitoring. As the record's name suggested, it is being recorded on daily basis. Noted all records of sales, delivery or transportation are being maintained appropriately.
Comment on Principle 3	<u>Regulatory requirements –</u> It was found that the operation is in compliance with the applicable local, state, national and ratified international laws and regulations based on interview, document review and site visit. The estate is maintaining Legal Register which was created on 1/6/18. Ever since the establishment. The estate has been maintaining and updating the legal register. Noted the new Minimum Wages Order 2018 which had been made effective January 2019 was included into the register. Together with it, the requirement of Employment Insurance System and SOCSO for foreign workers were also included. Sighted MPOB licenses (refer appendix 2 for detail of license). The Group Company has appointed a representative from HQ to take charge on monitoring compliance and to track and update the changes in regulatory requirements. The appointed personnel will inform the estate should there be any changes in the requirements. <u>Legal land use rights –</u> The estate managed to present all land titles for the plantation area. All legality and ownership documents were found to be well maintained. Record of quit rent evident also shown that payment was made in timely manner and no outstanding payment. The estate consists of 24 field blocks with a total of 621.33 ha planted and 683.7807 ha for overall land as per land title. Sighted a boundary marker has been installed. According to boundary marker map sighted, 7 markers were installed. Noted the operations of estate does not diminish other land users right. The estate has clearly demarcated the area by fence and trench. Based on the estate's communication records no issue pertaining land use right was reported.

Job n°:	MY05219	Report date:	27 th April 2019	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL		Document:	GS0304	Issue n°:	10	Page n°:	9 of 26

	<u>Customary rights –</u> Not applicable. There are no issues or encumbered by customary rights in the estates. The estate will respond according the “Inquiry Register Book & Complaints/Grievances Record Book should any cases arise in future. Genting Group (Headquarters) will be referred for any issues of customary rights.
Comment on Principle 4	<u>Social Impact Assessment –</u> SIA conducted internally by Social Management Officer. It was done to identify positive and negative impacts. Every feedback is being recorded and addressed accordingly by the estate management. Noted from the inputs given by engaged stakeholders, no negative impact was highlighted. Social Management Plan – Available. The plan was meant to mitigate negative impacts and to promote positive impacts identified. Since no negative feedbacks given by the stakeholders engaged during the SIA, it was used only to promote positive impacts identified. <u>Complaints and grievances –</u> SOP Established Stakeholder Consultation and Communication Procedure dated 1/6/18. Process flow of communication included in the procedure. Complaint and grievance dealing process is a subset of the SOP mentioned earlier. The procedure specified on suggested period should be taken to resolve any complaint received. The relevant stakeholders have been made aware of the complaints and grievance mechanism. It was communicated during series of stakeholder meetings and briefing with workers. Copies of feedback form were provided during the meetings and briefings done. It also made available at the estate office. Noted all the complaint and feedback forms from Social Impact Assessment and Stakeholder Meetings are being retained accordingly. <u>Commitment to contribute to local sustainable developments –</u> The estate management has been actively helping and contributing to the local communities in vicinity. It has been a norm for the estate to give donation to the nearby temple on yearly basis for the temple annual prayer. It was found that all Corporate Social Responsibility Records are being maintained well by the estate managements. <u>Employees health and safety –</u> Sighted “Polisi Keselamatan dan Kesihatan Pekerjaan” signed by Dr Nick Low dated 1/6/18. The establishment of the policy has been

	communicated through trainings and stakeholder meetings conducted. Each worker was provided with copy of policies established. OSH Plan was sighted during the audit. The plan consists of the requirement of indicator 4.4.4.2 of this standard. HIRARC has been established covering all activities in the estate such as harvesting, spraying, manuring etc. CHRA Report available in the estate as a documented result of the assessment. the assessment was carried out by DOSH licensed assessor. Number of sprayers have been sent for medical surveillance in accordance to the CHRA Report requirement. Based on the results noted that they are fit to work. Training programme 2019 was sighted. Based on sampled training record noted that the training has been conducted as planned. Further assessed during interview session with several workers interviewed admit that they have been given relevant training on safe working procedure. Sighted PPE issuance record is being well maintained in "PPE Issuance Book". Among PPE provided is Safety Helmet, Glove, Safety Shoes, Sickle Cover. During site visit to the activity area observed workers were adequately equipped with PPE. The workers claimed the management provided them with the necessary PPE. Broken or unfit PPE will be replaced for free by the management provided they return the old or broken PPE. Safe Work Manual has been established. The manual covers various activities including operational and non-operational activities. Safety manuals for storage of chemical and empty container, spraying manual, issuance of chemical, rat baiting and chemical mixing were made available during the audit. Sighted committee OSH organisation chart of the estate has been established despite not subjected to the requirement due to low number of workers. The number of management representatives and worker representatives are well balanced. Sampled appointment letters from estate are available among management representatives and worker representatives. OSH meeting is being conducted on quarterly basis since the establishment of the OSH Committee. Last meeting conducted was in March 2019. Sighted ERP for Fire, Injury/ illness, chemical spillage and other chemical related incidents and electrical shock. Personnel in charge of chemical storage was found to be understood on the ERP for chemical spillage. The estate has a competent first aider in the estate which is the Hospital Assistant. Internal First Aid Training was also conducted for the workers. Observed that first aid kit was available at the site during operation activity. No accident recorded in year 2018 and 2019 (as of the day of audit). Current practice, JKPP 8 was submitted through online platform, MYKKP. The submission received by DOSH on 28/1/19.
--	---

Job n°:	MY05219	Report date:	27 th April 2019	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL		Document:	GS0304	Issue n°:	10	Page n°:	11 of 26

	<u>Employment conditions –</u> A policy has been established to ensure the company is operating on good social practices regarding human rights in respect of industrial harmony such as Equality/ no discrimination, No child labour, No sexual harassment and Freedom of Association. Based on observation and interview session noted that no discriminatory practices in the estate. Fermanagh estate has started paying worker according to the new Minimum Wages Order 2018 starting January 2019. Besides ensuring the workers are being paid based according to requirement, the estate also monitors salary payment made by contractors engaged to its workers to ensure they are paid based on legal or industry minimum standards. The management has established records that provide an accurate account of all employees. “Employee Registration Card”. It is being used to entail all required details for all employees and contractors. Noted from sampled employment contracts, the workers have been given fair contracts and have been signed by both parties employee and employer. Working hours were reflected in each employment contracts. Worker’s attendance is being recorded into attendance book. Contract workers attendance is being monitored progressively. Example, Driver work progress will be monitored through weighbridge ticket records, Sprayer work progress will be monitored through actual implementation. OT given to upkeep workers or another daily rate task. None of the workers are union members. However, the estate management has shown their respect towards freedom of association through a memo saying they will not obstruct any desire of association (union). The memo is being displayed in front of the management office which can be seen by the worker No underage worker is being employed in the estate as per company procedure. <u>Training and competency –</u> Sighted training plan for 2019 being developed into several programmes. Training Plan for 2019 has been established. Training needs analysis was established prior to developing training programme. Noted from the training needs, the estate has identified the applicability of each training type against job functions available.
Comment on Principle 5	<u>Environmental management programme –</u> Environmental policy seen established on 01/06/18 and a procedure seen, DOC-P5C1/EMP. Also sighted the EMP for 2018 established with 2 objectives that emphasize on good management practice and mitigation of environmental impacts.

Job n°:	MY05219	Report date:	27 th April 2019	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL		Document:	GS0304	Issue n°:	10	Page n°:	12 of 26

	Evidence of Environmental Management Plan was communicated to all employees as sighted in the 2018 training plan during the months March, June, Sept and December The Environmental Management Plan divided into 2 sections: 1). Good management of IPM – planting of beneficial plants. 2). Mitigation of environmental impacts – review of aspect & impact, cover crop at replanting area and training for sprayers/manurers. The Environmental Aspect impact identification and evaluation Form has identified 81 estate operations <u>Efficiency of energy use and use of renewal energy –</u> As reported under 4.5.2.1, the record for all the fossil fuel, electricity and energy efficiency is available. As for the Greenhouse gas emissions which include the activities such as fertilizer and pesticide usage. <u>Waste management and disposal –</u> As reported in 4.5.3.2, Waste Management Plan Doc. No: DOC-P5C3/WMP available. 1) Purpose 2) Scope 3) References 4) Definitions 5) Responsibility 6) Management of waste 7) Records Sources of waste were identified and categorized in the LST-P5C3/WPS with the relevant mitigation measures. Presently they have identified the waste based on 'Beneficial 'and 'Non-Beneficial ' In the documents the following is recorded: 1) Waste products 2) Sources of Pollution 3) Waste code/ Label 4) Managing waste - Storage and Mode of disposal The estate services their 4 tractors at the mill workshop. Upon service, the mill being the final disposal site will report to the estate in the 'Inventory Buangan Terjadual' the waste generated so that the estate will be able to maintain an inventory list of the scheduled waste generated. The SW410 and the SW305 generated was sighted generated 20/3/19 <u>Reduction of pollution and emission –</u>
--	---

As reported in 4.5.4.1, all polluting activities are documented in the Environmental Management Plan.

The estate has started to identify the sources of GHG emission reported in the 'Assessment of Polluting Activities' namely:

- 1) Diesel
- 2) Petrol
- 3) Pesticide
- 4) Fertiliser
- 5) Electricity
- 6) Replanting

Natural water resources –

As reported under 4.5.5.1 the following:

For the domestic consumption, the estate using water from "Syabas" and the bill accountable by mill. The estate has water usage records for 2017, 2018 and 2019.

	M3	M3/ occupant
2017	18139.70	19.89
2018	19740.10	21.64
2019	2734.74	18

Rainfall monitoring

	mm	Rain days
2017	2390	81
2018	2387	103
2019 (till Feb)	133	5

Rain water harvesting is implemented for chemical premixing only.

The estate maintaining the DID drain water sampling for 3 parameters [BOD, COD, pH] which conducted every 6 months.

The last sampled result in Jan 2019 was sighted. Only the BOD parameter tested was sighted beyond the permissible limit, instead of 50mg/l the analysis resulted in 57, 559,58 mg/l

There are no natural waterways passing through the estate and no evidence of bore well being used.

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

The estate has engaged the 3rd party assessor SRZ Corporate Service Sdn a biodiversity Assessment on 7 Feb 2019 for Fermanagh Estate and the latest draft report was presented during the audit.

The report table of contents are:

- 1) Executive Summary
- 2) List of Acronyms and Terms
- 3) Introduction and background
- 4) Description of Assessment Area
- 5) Biodiversity Assessment Team
- 6) Timeline and Methodology
- 7) Assessment Findings

Job n°:	MY05219	Report date:	27 th April 2019	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL		Document:	GS0304	Issue n°:	10	Page n°:	14 of 26

	8) HBV Management and Monitoring The assessment mainly focusses on the 3 groups of fauna namely mammals, reptiles and birds. Table 3 list the Mammals and reptiles identified (11) and list of birds identified (66). The assessment recorded 3 species mammals, 1 species amphibians and 7 species of reptiles. Out of the 66-bird species, 47 are totally protected, 8 species protected under RTE Wildlife Protection Act 2010 and 11 were not listed under the Act. Under the IUCN, the bird species listed near Threatened (NT) are the murai cegar (chesnut-naped forktail) and lang Kangok (lesser fish eagle) No water catchment area been established. Areas with the religious values such as Hindu temple and mosque are found within the estate However, it is stated under the section 10.2 the following: Management and monitoring Recommendation 10.2.1 Biodiversity Management Plan 10.2.2. Raising Awareness and Engaging Surrounding Estate community 10.2.3 Regular Monitoring & Patrolling 10.2.4 Signages 10.2.5 Reporting Wildlife incident or Human-Wildlife conflict 10.2.6 Good practices for Biodiversity Management 10.2.7 Key Elements in Adaptive Management Approach <u>Zero burning practices –</u> As reported in 4.5.7.1: Zero burning policy is adopted in the Environmental Policy. Sighted the procedure dated 01/11/18 for replanting that emphasize on zero burning. Inspections of replanting area show that old stands of palm had been felled, chipped and retained in windrows as mulch and the use of fire was not evidenced during replanting activities. However, a non-conformity is raised under 4.5.7.1.
Comment on Principle 6	<u>Implementation of standard best practices / Site management –</u> Reported in 4.6.1.1, there are various SOPs established at group level and seen documented at sampled estates. The effectiveness of SOP verified by training, example of training conducted are as below: a. Tractor drivers on SOP for OSH – 21/08/18 b. Harvesting team on OSH – 20/09/18 c. Manuring team on SOP for SDS – 23/11/18 Details of training conducted for each activity has been recorded in the Training attendance list. The report contains information that includes topic covered, the trainer, date and attendees. <u>Economic and financial viability plan –</u> As reported in 4.6.2.1, Monthly Progress Report that used to established annual budget.

Job n°:	MY05219	Report date:	27 th April 2019	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL		Document:	GS0304	Issue n°:	10	Page n°:	15 of 26

	The Estate Operational Budget 2020-2021 is available. It presents a management plan shall be established to demonstrate attention to economic and financial viability through long-term management planning <u>Transparent and fair pricing dealing –</u> As reported in 4.6.3.1, The pricing mechanism is set by Marketing Department. The estate is only delivering 100% FFB to Fermanagh POM. And reported under 4.6.3.2, there is a yearly contract between the estate and mill dated 23/1/19 with the following formula for the FFB Price $(A \times B) + (C \times D) - E = \text{FFB Price per metric Tonne.}$ <u>Subcontractor –</u> As reported under 4.6.4.1, sighted a contract agreement between FFB Harvesting contractor [Tarakishnan] and the estate dated on 01/01/19. The clause 6 has mentioned on the compliance of MSPO requirements And reported under 4.6.4.2, contract validation period is 1 year. The contractor has 3 witnesses for the agreement against 2 from estate management.
Comment on Principle 7	<i>Note: the whole Principle 7 is not applicable for this audit as there is no new planting in the plantations area.</i> <u>High biodiversity value –</u> <u>Peat land –</u> <u>Social and environmental impact assessment –</u> <u>Soil survey –</u> <u>Planting on steep terrain and/or on marginal and fragile soils –</u> <u>Customary land -</u>

8. Nonconformities

8.1. Non-Conformity Statement MS2530-3:2013 Part 3

Non-Conformity	N° 1 of 3	☐ Major	☒ Minor
Department / Function:	Principle 5, Environmental Management Plan	Standard Ref.:	4.5.1.5
Document Ref.:		Issue / Rev. Status:	Open (Due by 1 st February 2020)
Details of Nonconformity:	An awareness and training programme shall be established and implemented to ensure that all employees understand the policy and objectives of the environmental management and improvement plans and are working towards achieving the objectives.		
Objective Evidence:	Training program for Environmental Policy conducted on 15/8/18 however the training to ensure that all employees understand the objectives of the Environmental Management Plan stated in the Environmental Management Plan DOC-P5C1/EMP Section 3 (3.1 – 3.11) has yet to be conducted.		
Root Cause Analysis:	The management has done awareness but overlooked on the objectives.		
Correction & Corrective Action:	Correction: The estate management has conducted the said training including the environmental objectives to all employees and contractors. Corrective Action: Such training has been included into annual training plan and will be carried out accordingly to avoid recurrence of the non-conformance.		

Non-Conformity	N° 2 of 3	☐ Major	☒ Minor
Department / Function:	Principle 5, Zero Burning Practices	Standard Ref.:	4.5.7.1
Document Ref.:		Issue / Rev. Status:	Open (Due by 1 st February 2020)
Details of Nonconformity:	Use of fire for waste disposal and for preparing land for oil palm cultivation or replanting shall be avoided except in specific situations, as identified in regional best practice.		
Objective Evidence:	Zero burning policy is adopted in the Environmental Policy. Sighted the procedure dated 01/11/18 for replanting that emphasize on zero burning. Inspections of replanting area show that old stands of palm had been felled, chipped and retained in windrows as mulch and the use of fire was not evidenced during replanting activities. Training on 'no burning' was conducted, however at the animal kandang where the estate and the mill workers are allocated, there were 2 piles of evidence, one was burnt plastic and the other was plastic waste mixed with goat dropping being burned and it was smoldering during the day of audit.		
Root Cause Analysis:	The management could not identify the person put on the fire during the site visit by auditors.		
Correction & Corrective Action:	Correction: The estate management had conducted a training for all employees and contract workers on zero burning policy. Corrective Action: The estate management has appointed person in charge to ensure that such activity will not happen again. The person in charge will carry out regular visit to the site to avoid any		

Job n°:	MY05219	Report date:	27 th April 2019	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL		Document:	GS0304	Issue n°:	10	Page n°:	17 of 26

	non-compliance. The awareness on zero burning will be included in environment training as planned on annual basis by estate management.
--	---

Non-Conformity	N° 3 of 3	☐ Major	☒ Minor
Department / Function:	Principle 5, Zero Burning Practices	Standard Ref.:	4.5.7.1
Document Ref.:		Issue / Rev. Status:	Open (Due by 1 st February 2020)
Details of Nonconformity:	The management has allowed MSPO approved auditors to verify assessments through a physical inspection if required.		
Objective Evidence:	The estate management has shown evidence that the contractors are auditable. Site inspection to contractors housing was conducted during the Stage 1 and worksite during Stage 2 has been conducted during onsite visit. However, the worksite was found to be wanting as the following were sighted: 1. Poor Waste Management: Domestic waste, scrap iron and Schedule waste material are mixed together in the bin. 2. The adjacent drain has waste material thrown into it 2. Used oil was stored in an open empty chemical container exposed to the elements 3. Empty chemical container with label in the backhoe 4. Used rags on the ground 5. Oil trap lacking		
Root Cause Analysis:	The management has failed to monitor the contractor managing site.		
Correction & Corrective Action:	Correction: Correction was immediately taken. Site visit to the contractors housing was carried out and briefed the contractor and their workers on compliance of environment. Corrective Action: The environmental training will be conducted to the contractors and their workers on regular basis (as per schedule twice a year). The person in charge will be carried out the weekly inspection to avoid any non-compliance.		

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 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

Job n°:	MY05219	Report date:	27 th April 2019	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL		Document:	GS0304	Issue n°:	10	Page n°:	18 of 26

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.

9. General Observations & Opportunities for Improvement

9.1. Observations

OBS #	Indicator	Observation/Opportunity for Improvement					
OBS 1	4.1.2.2.	Date Recorded>	1 Apr 19	Due Date>	-	Date Closed>	-
		Details/Requirements: The internal audit procedures and audit results shall be documented and evaluated, followed by the identification of strengths and root causes of nonconformities, in order to implement the necessary corrective action.					
		Evidence: Internal Audit Procedure has been established, PRO-P1C2/IA dated on 01/06/18. The audit is being plan annually that covering all operation falls within the MSPO Certification Scope. The corrective actions written are seen appropriate to the findings, example NCR 18/01 and NCR 18/03, however the estates have only amended the NCR form raised during the Stage 1 and have yet to amend the other NCRs that has the similar issues e.g. NCR 18/02 (major) Root cause.... The management is aware of it					

OBS #	Indicator	Observation/Opportunity for Improvement					
OBS 2	4.1.3.1	Date Recorded>	1 Apr 19	Due Date>	-	Date Closed>	-
		Details/Requirements: The management shall periodically review the continuous suitability, adequacy and effectiveness of the requirements for effective implementation of MSPO and decide on any changes, improvement and modification.					

OBS #	Indicator	Observation/Opportunity for Improvement
		Evidence: The management reviewed again on 4/3/19 covers on the findings of internal audit. It also includes: 1) Agenda and minutes 2) Attendance 3) Internal audit report 4) Result of the corrective action However, the issue raised during Stage 1 pertaining to issues such as continuous suitability, adequacy and effectiveness of the requirements for effective implementation of MSPO and decide on any changes, improvement and modification seen not discuss nor review by the management.

OBS #	Indicator	Observation/Opportunity for Improvement					
OBS 3	4.4.4.2	Date Recorded>	1 Apr 19	Due Date>	-	Date Closed>	-
		Details/Requirements: (b) The risks of all operations shall be assessed and documented. (j) Records shall be kept of all accidents and be reviewed periodically at quarterly intervals					
		Evidence: b) Based on the current CHRA Report, sprayers are recommended to be sent for annual medical surveillance. All sprayers were sent to Klinik Tengah. 2 workers namely Faridah and Antoniamah dated 9/1/19 have been sent for medical surveillance. Whereas, Jeeva, Pathmavathy and Poongayee were sent on 20/3/19. However, the clinic is yet to return the medical result to the estate at the point of audit. j) Based on the JKPP 8 (2018) submitted through MYKKP, 0 lost working days recorded despite having an accident case in 2018. Explained by the management, the person in charge of the submission have included the accident in the system. However, due to possible system error the accident history does not appear in the JKPP 8. The management may want to liaise with JKPP to resolve this matter.					

OBS #	Indicator	Observation/Opportunity for Improvement					
OBS 4	4.5.3.2	Date Recorded>	1 Apr 19	Due Date>	-	Date Closed>	-

OBS #	Indicator	Observation/Opportunity for Improvement
		Details/Requirements: A waste management plan to avoid or reduce pollution shall be developed and implemented. The waste management plan should include measures for: Identifying and monitoring sources of waste and pollution Improving the efficiency of resource utilization and recycling of potential wastes as nutrients or converting them into value-added by-products Evidence: Waste Management Plan Doc. No: DOC-P5C3/WMP available. 1) Purpose 2) Scope 3) References 4) Definitions 5) Responsibility 6) Management of waste 7) Records Sources of waste were identified and categorized in the LST-P5C3/WPS with the relevant mitigation measures. Presently they have identified the waste based on 'Beneficial' and 'Non-Beneficial' In the documents the following is recorded: 1) Waste products 2) Sources of Pollution 3) Waste code/ Label 4) Managing waste - Storage and Mode of disposal The estate services their 4 tractors at the mill workshop. Upon service, the mill being the final disposal site will report to the estate in the 'Inventory Buangan Terjadual' the waste generated so that the estate will be able to maintain an inventory list of the scheduled waste generated. The SW410 and the SW305 generated was sighted generated 20/3/19 In the waste identification document, LST-P5C3/WPS, the EFB as well as the Boiler Ash disposed within the field were not identified.

OBS #	Indicator	Observation/Opportunity for Improvement					
OBS 5	4.5.4.2	Date Recorded>	1 Apr 19	Due Date>	-	Date Closed>	-

OBS #	Indicator	Observation/Opportunity for Improvement
		Details/Requirements: An action plan to reduce identified significant pollutants and emissions shall be established and implemented.
		Evidence: In the 'Assessment of Polluting Activities' however the quantity of the various contributing activities has not been quantified yet to establish an action plan to reduce identified significant pollutants and emissions.

OBS #	Indicator	Observation/Opportunity for Improvement					
OBS 6	4.5.6.1	Date Recorded>	1 Apr 19	Due Date>	-	Date Closed>	-
		Details/Requirements: Information shall be 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.					

OBS #	Indicator	Observation/Opportunity for Improvement
		Evidence: The estate has engaged the 3rd party assessor SRZ Corporate Service Sdn a biodiversity Assessment on 7 Feb 2019 for both Sepang Pertiwi and Fermanagh Estate and the latest draft report was presented during the audit. The report table of contents are: 1) Executive Summary 2) List of Acronyms and Terms 3) Introduction and background 4) Description of Assessment Area 5) Biodiversity Assessment Team 6) Timeline and Methodology 7) Assessment Findings 8) HBV Management and Monitoring The assessment mainly focusses on the 3 groups of fauna namely mammals, reptiles and birds. Table 3 list the Mammals and reptiles identified (11) and list of birds identified (66). The assessment recorded 3 species mammals, 1 species amphibians and 7 species of reptiles. Out of the 66-bird species, 47 are totally protected, 8 species protected under the Wildlife Protection Act 2010 and 11 were not listed under the Act. Under the IUCN, the bird species listed near Threatened (NT) are the murai cegar (chestnut-naped forktail) and lang Kangok (lesser fish eagle) There was no report on high biodiversity value habitats, such as rare and threatened ecosystems and it was reported that flora was not included in the report No water catchment area been established. Areas with the religious values such as Hindu temple and mosque are found within the estate

OBS #	Indicator	Observation/Opportunity for Improvement					
OBS 7	4.5.6.3	Date Recorded>	1 Apr 19	Due Date>	-	Date Closed>	-
		Details/Requirements: A management plan to comply with Indicator 1 shall be established and effectively implemented, if required.					

OBS #	Indicator	Observation/Opportunity for Improvement
		Evidence: As the estate just receive the biodiversity report one day before the audit, the management plan is not available at this point of time. However, it is stated under the section 10.2 the following: Management and monitoring Recommendation 10.2.1 Biodiversity Management Plan 10.2.2. Raising Awareness and Engaging Surrounding Estate community 10.2.3 Regular Monitoring & Patrolling 10.2.4 Signages 10.2.5 Reporting Wildlife incident or Human-Wildlife conflict 10.2.6 Good practices for Biodiversity Management 10.2.7 Key Elements in Adaptive Management Approach

Appendix 1: List of Stakeholders Contacted (Not applicable during Surveillance Assessment)

Stakeholders Details	Relationship	Stakeholder's Input / Comments	Clients Feedback / Response
Tarakrishnan from Tarathevan Enterprise	Contractor for field works	- The contractor provides workers for various field operations such as harvesting, spraying and manuring. - Apart from dealing with Fermanagh Estate the contractor also deals with other estates from Southern Group such as Jugra Estate, Sepang Pertiwi Estate and Banting Hock Hin Estate. - He claimed that the management had called him for stakeholder meeting and has been briefed regarding the MSPO - Payment made in accordance to piece rate as agreed. Payment made timely manner on every 5th of every month. - PPE provided by the estate management and can be replaced if broken for free. Medical surveillance also being carried for the workers and the cost bare by the estate	Noted by the management

		- Generally, he was pleased with the estate management.	
Kumaran AL Manickam	School teacher from SJK (T) Teluk Merbau	- The estate always lends its assistance to the school such as donations for school functions, black soil for school plants. - The representatives were invited for estate's stakeholder meeting. - Company policies were communicated during the stakeholder meeting. - He used to stay in the estate as his late father was the estate staff once. - He concluded that the relationship of the estate and the school is in good terms.	Noted by the management.

Appendix 2: MPOB License

MPOB License Number (Mill/ Estate)	Scope of Activity	Expiry Date
<u>Fermanagh Estate</u> 501452502000	Menjual dan mengalih FFB	31/1/2020

-End of Report-