

Bintulu Lumber Development Sdn Bhd

Audit Summary Report

Organization:	Bintulu Lumber Development Sdn Bhd		
Address:	<u>Headquarters (HQ)</u> Crown Towers, 6th Floor, 88, Jalan Pending, 93450 Kuching, Sarawak. Contact person.: Mr Seng Cheak Chai (Financial Controller) 		

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

The audit covered one site performing certification scope:

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

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

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Validation of processes for production and service provision

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

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

3. Current audit findings and conclusions

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

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

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

Number of nonconformities identified: 4 Major 0 Minor

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

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

4. Previous Audit Results

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

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

5. Audit Findings

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

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

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

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

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

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

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

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

6. Significant Audit Trails Followed

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

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Audit Scope:	1.The audit covered Three (3) site performing the following scope: Operations, comprising of management systems, process of Fresh Fruit bunches (FFB), documentation and site assessment.
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Audit Plan

Date	Time	Auditor	Organizational and Functional Units/ Processes and activities	Key Contact
17 th December 2018 (Day 1)	7.00am 8.00 am	AKA	Flight Kuching to Miri Arrived at Miri Airport	Estate Personnel
	7.25 am 8.20 am	DAT	Flight Kota Kinabalu to Miri Arrived at Miri Airport	
17 th December 2018 (Day 1)	8.20 am	AKA,DAT	Depart to Sawai estate Arrive at Estate Opening Meeting Audit Process (Site Visit) <ul style="list-style-type: none"> Principal 1: Management commitment and responsibility Principle 2: Transparency Principle 3: Compliance to legal requirements Principal 4: Social responsibility, health, safety and employment condition Principal 5: Environment, natural resources, biodiversity and ecosystem services Principal 6: Best Practice Principle 7: Development of New Plantings 	Estate Personnel
	12.30pm		Lunch	
	1.00pm		Continue Audit Process (Document review, Policies, local law compliances, deduction and pay slip, Safety and health procedures, environment procedure, minimum wages monitoring, social benefits)	
	4.00pm		Preparation for closing	
	5.00pm		Closing Meeting	
	6.00pm		Depart to Miri	

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Date	Time	Auditor	Organizational and Functional Units/ Processes and activities	Key Contact
18 th December 2018 (Day 2)	7.00 am	AKA, DAT	Depart to BLD Estate (Continue) Arrive at Estate Audit Process (Site Visit) <ul style="list-style-type: none"> Principal 1: Management commitment and responsibility Principal 2: Transparency Principal 3: Compliance to legal requirements Principal 4: Social responsibility, health, safety and employment condition Principal 5: Environment, natural resources, biodiversity and ecosystem services Principal 6: Best Practice Principal 7: Development of New Plantings 	Estate Personnel
	12.30pm		Lunch	
	1.00pm		Continue Audit Process (Document review, Policies, local law compliances, deduction and pay slip, Safety and health procedures, environment procedure, minimum wages monitoring, social benefits)	
	4.00pm		Preparation for closing	
	5.00pm		Closing Meeting	
	6.00pm		Depart to Sawai Estates Guest House	

Location and Maps

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

Table 1: GPS Location

Supply Base / Estates:	Location Address:	GPS Coordinate(s):	Area Certified(HA):
BLD Sawai Estates	Lot 40, Lot 2 & 3 Block 27, Lot 3 & 5, Block 33 and Lot 4, Block 44, Sawai Land District, Sarawak, Malaysia	03°34'27.9" N 113°49'44.4" E	11,591.947

Description of Estate Production

The FFB are sourced from the estate which are individually managed by BLD Sawai Estates through its parent company Bintulu Lumber Development Group of companies. The crop yield from these estate is mention in **Table 2** below.

Table 1: FFB Production

Month	BLD Sawai Estate	
	2018 (Actual)	2019 (Projection)
January	12,803.72	12,870
February	10,417.73	10,630
March	11,893.14	12,100
April	12,027.11	11,980
May	11,932.39	11,760
June	10,835.99	11,300
July	12,685.01	11,990
August	12,670.39	13,190
September	13,528.08	13,380
October	13,528.31	14,550
November	12,224.46	13,580
December	Nil	12,770
Total	134,546.33	150,100

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/-/media/D6B61CD087A04F7C90B8A2BED8A8A1B6.ashx>

Stakeholder consultation took place in the form of meetings and interviews. Due to this is the main assessment, meetings with stakeholders were held in the respected estate office. Detail can be referred to **Appendix 2:**

Comment on MS2530-3 Compliance Status:

Comment on Principle 1				<p><u>Policy on Implementation of MSPO –</u> An MSPO Policy covering Safety & Health, Good Social Practices, Harassment and, Violence Prevention and; Environmental, Sustainability and Continuous improvement was prepared and signed by the General Operations Manager, Sawai Estates Sdn. Bhd. Mr. Chuo Kuong Ping dated 1st June 2018 which has been communicated to staffs at all level and stake holders.</p> <p>Sustainability and continuous improvement was also included in the above company MSPO Policy.</p> <p><u>Internal Audit</u> MSPO internal audit procedures (Ref.: BLD2-03-TMO1REVO)) viewed was signed and approved by General Operations Manager, Mr. Chuo Kuong Ping on 3rd July 2018 to be conducted at least once a year or whenever deemed necessary by management.</p> <p><u>Management Review –</u> Management Review meeting was conducted on the 7th December 2018 chaired by Ms. Rita Tan (MSPO Main Committee, Member) attended by all MSPO Committee members and invited members with Agendas and minute of the said meeting viewed in file (Ref. BLD2/MRR/18/12/07-01); where the 1st Audit Report was tabled and conformance and non-conformances reported.</p> <p><u>Continual Improvement -</u> Training matrix of all the relevant staffs – Office staffs, Workshop, Driver, Manurer, Harvesters, Mandor, Loose Fruit Collectors and Sprayer was prepared and seen by auditor.</p> <p>Adoption of New Technologies and Techniques: use of drones for perimeter survey and auditing and palm census and budget new design and method of construction of workers houses is under consideration by</p>			
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		management. Adoption of these new Technologies/Techniques have been included in 2019 Budgets for implementation.					
Comment on Principle 2		<p><u>Transparency of information and documents relevant to MSPO requirements</u></p> <p>The management communicate with relevant stakeholders by conduct stakeholders meeting on 26th September 2018, attended by two groups, whereas,</p> <p>Group 1 (9.00 – 11.00 am) Attend by government agencies & consultants (41 attendees).</p> <p>Group 2 (2.00 – 4.00 pm) 2nd October 2018 Local communities (Ketua Kampung, Contractors and neighbor community. (15 attendees).</p> <p>All of the stakeholders have invitation letter from the estate management. As an evidence, some of the stakeholders list name as below:</p> <p>a) Mr. Eng Ping Hooi (Sawai Palm Oil Mill) b) Mr Tedong Ak Lasit (Sampling Plantation Sdn Bhd) c) Mr Daniel Ngau Wan (Segarmas Plantation Sdn Bhd) d) Bomba e) DoE f) MPOB</p> <p><u>Transparent method of communication and consultation</u></p> <p>It was observed the procedures for establishment for consultation and communication with relevant stakeholders.</p> <p>Appointment letter for Lot 87A as social liaison officer was available in Document Ref: BLDLA-01-TM04REV0, Sign by Mr Chuo Kuong Ping (General Operation Manager) dated 2nd October 2018. Name: Benedict Jau Eyed.</p> <p>Appointment letter for BLD 2 as social liaison officer was available in Document Ref: BLDLA-01-TM04REV0, Sign by Mr Chuo Kuong Ping (General Operation Manager) dated 2nd October 2018. Name: Hellary Sebat.</p> <p><u>Traceability</u></p> <p>Standard Operating Procedures on Traceability was available with Document ref no.: BLDL-03-TM04REV0. Based on cross check with document FFB harvested all documents was record in Traceability system inspection sheet. Sample verified on Weighbridge advice ticket no.: 357279, dated.: 8th July 2018 with weight of FFB 20150kg.</p> <p>Appointment letter for Lot 87A as traceability officer was available in Document Ref: BLDLA-01-TM04REV0, Sign by Mr Chuo Kuong Ping (General Operation Manager) dated 2nd October 2018. Name: Chang Sen Fin.</p> <p>Appointment letter for BLD 2 as traceability officer was available in Document Ref: BLDLA-01-TM04REV0, Sign by Mr Chuo Kuong Ping</p>					
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	(General Operation Manager) dated 2nd October 2018. Name: Mr Chang Sen Fin.
Comment on Principle 3	<p><u>Regulatory requirements</u></p> <p>The company personnel are generally quite knowledgeable on the applicable laws and regulations pertaining to oil palm plantation development and operations.</p> <p>The company have demonstrated strict compliance and adherence to all the relevant laws and regulations governing oil palm plantation.</p> <p>All the laws and regulations relevant to oil palm plantation are listed and filed Legal Register File.</p> <p>The updating of the Legal Requirement Register for Sawai Estate, BLD 2 is the responsibility of Mr. Ngu Tai Hing appointed on the 02.10.2018 (Ref.: BLD2-01-TM04REV0).</p> <p>Major 1 (4.3.1.3) Registration of machineries was found lacking. It was observed the air compressor at workshop (Lot 87A estate) not registered with JKKP as per requirement by FMA.</p> <p><u>Land Use Rights</u></p> <p>The BLD 2 under (under consolidated Land Titles Lot 40, TRN 04-LCLS-030-033-00003, TRN 04-LCLS-030-027-00002, TRN 04-LCLS-027-00003 and TRN 04-LCLS-030-033-00005 was viewed where the land use terms and conditions shall be used only for the agricultural purposes and purposes incidental to the production and processing of crops grown thereon and such other purposes as may from time to time approved by the Director of Land and Surveys.</p> <p>Land Titles:</p> <p>The Land Titles Lot 40, TRN 04-LCLS-030-033-00003, TRN 04-LCLS-030-027-00002, TRN 04-LCLS-027-00003 and TRN 04-LCLS-030-033-00005 were viewed. The BLD 2 total area is 1,961 hectares with provisional lease for 60 years from 16th April, 1987 to 15th April, 2047. The terms and conditions of issuance of the Land Titles have been expressly stated shall only be for agricultural purposes and purposes incidental to the production and processing of crops grown thereon and such other purposes as may from time to time approved by the Director of Land and Surveys.</p> <p><u>Customary Rights</u></p>

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	No customary rights claim on the said company's land.
Comment on Principle 4	<p><u>Social Impact Assessment (SIA)</u></p> <p>It was sighted the Social Impact Assessment (SIA) report was made available in the estate name „Social Impact Assessment Report December 2018. Based on the report it includes:</p> <ul style="list-style-type: none"> i. Introduction ii. Employees iii. Gender and Age Structure iv. Origin, Race and Religion <ul style="list-style-type: none"> • Hometown of employees • Race of employees • Religion of employees v. Education Background <ul style="list-style-type: none"> • Educational Background of employees • Poistion of employees vi. Position in the company vii. Length of Service of the Employees <ul style="list-style-type: none"> • Service lenght of employees • Types of employment viii. Perception of the Employees on Social Welfare. ix. Perception on Safety and Health x. Perception on Environment Protection xi. Perception on the Company <p>For Social Impact Assessment for BLD 2 estate, it was incorporated in Social Environmental Impact Assessment (SEIA) for The replanting of The Bintulu Lumber Development Sdn Bhd's Sawai Oil Palm Plantation on Lot 40; Lots 2 and 3, Block 27; and Lots 3 and 5, Block 33; All of Sawai Land District, Miri Division, Sarawak.</p>

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Complaints and grievances

The Grievance and Complaint form was made available at the front of estate office. SOP for complaints and grievances procedure was made available in the estate, with reference Document No.: BLDL-03-SR02REV0 with date updated in 1st July 2018.

It was observed the Standard Operation Procedures (SOP) was available on site. It was observed there was complaint by complainer Name: Mr Seng Cheak Chai, by BLD HQ, contact no.: 082-335311. The issue is there are too many houseflies in the office at Lot 87A (QM1) dated 25th October 2018. Since this complaint just recently done, it will be closed shortly. Based on complaint form record, action already taken on 14th December 2018 by purchase 1 unit of insect killer to be use at the office.

Commitment to contribute to local sustainable development

The management communicate with relevant stakeholders by conduct stakeholders meeting on 26th September 2018, attended by two groups, whereas,

Group 1 (9.00 – 11.00 am)

Attend by government agencies & consultants (41 attendees).

Group 2 (2.00 – 4.00 pm) 2nd October 2018

Local communities (Ketua Kampung, Contractors and neighbor community. (15 attendees).

All of the stakeholders have invitation letter from the estate management. As an evidence, some of the stakeholders list name as below:

- a) Mr. Eng Ping Hooi (Sawai Palm Oil Mill)
- b) Mr Tedong Ak Lasit (Sampling Plantation Sdn Bhd)
- c) Mr Daniel Ngau Wan (Segarmas Plantation Sdn Bhd)
- d) Bomba
- e) DoE
- f) MPOB

Employees safety and health

Safety policy was include in MSPO policy which is sign by top management Mr Lau Kung Hieng (General Operations Manager) dated 1st June 2018.

Safety and health policy was documented, communicated and implemented at this estate. It was observed the safety policy was display at the site office, workshop and chemical store. Besides that, based on interview with harvester name Muslimin Banggu, he was aware regarding the safety and health issue on site.

Major 2 (4.4.4.2)

Implementation of safety and health condition was found in adequate.

1. It was observed the stacking of water tank was not stable at the

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	<p>workers camp Block E (Lot 87A estate).</p> <ol style="list-style-type: none"> 2. It was observed the Personal Protective Equipment (PPE) such as apron was found not meet the requirement of work safety at workplace by the sprayer. 3. There was no warning signages to warn the Harvester regarding the electric power cable, which can lead to hazard or fatality. <p>Improper handling of dangerous chemical during dilution of herbicides at the premix area.</p> <p><u>Employment Conditions</u></p> <p>It was observed the employment policy on good social practices regarding human rights in respect of industrial harmony was incorporated in MSPO Policy which consist of:</p> <ol style="list-style-type: none"> i. Safety & Health ii. Good Social Practices iii. Harassment & Violence Prevention iv. Environment <p>Which signed by Mr Chuo Kuong Ping General Operations Manager dated on 1st June 2018.</p> <p>The management had taken necessary action to ensure employees of contractors paid based on legal or industry or minimum standards according to the employment contract. It was sighted there was an agreement between contractor and estate management name San Hing Transport & Service. The agreement mentioned „Contractors shall understand and comply with the following applicable MSPO requirements “. Which sign by Mdm Wong Hee Ming (Director) dated 26th November 2018.</p> <p><u>Training and Competency</u></p> <p>It was sighted training programmed for employees for year 2018 was made available in estate plan. The training to be include in the year 2018 list as below:</p> <ol style="list-style-type: none"> i. OSHA Committee Meeting ii. Routine inspection of workplace iii. Training- Basic safety & maintenance for tractor driver iv. Training-basic safety & maintenance for general transport driver v. Training- Basic safety for manurer vi. Training- Basic safety for Harvester vii. Training- Basic knowledge using fire extinguisher viii. Training- Chemical handling ix. Training- First Aid x. Training- Internal Audit xi. Training – Environment xii. Training- MSPO briefing xiii. Training- Weed management xiv. Training- Road & Safety signage xv. Training- Triple rinse <p>Evidence records on training was sighted as below:</p>
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	<ol style="list-style-type: none"> 1. <i>Latihan dan kursus asas teknikal bagi pemandu traktor, operator jentera berat dan pemandu kenderaan pengangkutan</i> Dated: 3rd August 2018 Location: Workshop Ladang Lot 87A Facilitator: Mr Chang Hoi Phoong : Mr Ong Meng Hock Attendees: 20 persons 2. <i>Memberi latihan kepada penuai buah berkenaan langkah langkah keselamatan, ergonomik dan penggunaan peralatan perlindungan diri.</i> Dated: 1st December 2018 Location: Block 5 Attendees: 18 persons
Comment on Principle 5	<p><u>Waste Management and Disposal</u></p> <p>Environmental policy was integrated in MSPO policy which commit by General Operations Manager Mr. Chuo Kuong Ping, sign 1st June 2018. In the environment part, several issue need to highlight:</p> <ol style="list-style-type: none"> a. Meeting applicable environmental rules and regulations in the palm oil industry through proper management practices. b. Preventing pollution by striving to minimize waste generations and resource consumptions. c. Monitoring and managing environmental components of our daily operations in accordance to environmental rules and regulations of relevant governing body. d. Maintain the culture of caring for environment within the workforce. e. Conduct biodiversity assessment with continuous monitoring at conservation area to protect wildlife, flora and fauna. <p>It was observed Sawai Estates Oil Palm Plantation at Lot 87 Sawai Land District, Suai, Miri Division had obtain Environmental Impact Assessment (EIA) approval from Natural Resources Environmental Board (NREB) dated 21st November 2000 with ref.no.: (15)NREB/6-4/189 which sign by acting Controller of Environmental Quality Mr Chong Ted Tsiung.</p> <p>The triple SOP was available and apply for empty containers and store properly and to be disposed by registered collector.</p> <p>Major 3 (4.5.3.3) The establishment of Standard Operating Procedure for handling of used chemicals that are classified under Environment Quality Regulations (Scheduled Waste) 2005 was not properly handle. It was sighted date of disposed scheduled waste for SW410 (Used Oil) exceed 180 days at scheduled waste store Lot 97A.</p>

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Efficiency of energy use and use of renewable energy

Record and usage of Non-renewable Energy (Diesel Consumption) for both estates shown in table below:

Usage diesel at Lot 87A

	2016	2017	2018*
	Litre		
Actual	195,302	165,444	150,981
Budget	241,844	241,844	241,844

**latest as November 2018*

Usage of Diesel VS FFB 2018

Lowest FFB 1,490.66 mt, diesel 12,231 L

Highest FFB 2,691.6 mt, diesel 15,856 L

Usage diesel at BLD 2

	2016	2017	2018*
	Litre		
Actual	126,305	121,325	103,104
Budget	124,000	124,000	124,000

**latest as November 2018*

Usage of Diesel VS FFB 2018

Lowest FFB 2,287.52 mt, diesel 8,488 L

Highest FFB 3,304.32 mt, diesel 12,216 L

Lot 87A usage genset to supply electricity to office, facilities and labour line. However for BLD 2 estate, the electricity supply from Sawai Palm Oil mill with 24hours

Waste management and disposal

All waste products and sources of pollution in the estates was recorded in Environmental Impact Assessment Register. List of the sources of pollution list as below:

Both estates:

- i. Storage of chemical
- ii. Handling of chemical
- iii. Pantry
- iv. Storage of diesel
- v. Receiving of diesel
- vi. Refueling of vehicles
- vii. Mixing of chemical
- viii. Storage of scheduled
- ix. Fertilizers application
- x. Chemical spraying

Lot 87A

- xi. Cleaning and washing
- xii. Operation and maintenance of genset
- xiii. Refueling of diesel
- xiv. Maintenance works

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Reduction of pollution and emission

It was observed the assessment of all polluting activities was available in continuous improvement on pollution prevention and environment plan.

The management had taken necessary action to identify pollutant. It can be referred in Environmental Aspect and Impact Assessment (EAIA) Register. Recommended action list as follow:

- a. Handling of chemical by provide secondary containment and emergency spill kit.
- b. Storage of lubricant by provide secondary containment and emergency spill kit.
- c. Storage of diesel by provide secondary containment and bund wall.
- d. Fertilizers application by no fertilizers application at the buffer and riparian zone.
- e. Chemical spraying by no chemical spraying at the buffer & riparian zone.

It was observed the estates was commit to zero open burning.

Natural water resources

It was observed there was water management plan was available in the both estates. The document ref. No: BLD 87A-03-EN06 REV0 and BLD2-03-EN06REV0. Currently Environmental Monitoring Report for BLD Lot 87A was available, for BLD 2 EIA approval was still in progress.

Based on the Environmental Monitoring Report (EMR) 3rd Quarter 2018 (Cover July – September 2018) it was observed there was 3 water samples was collect to monitor the water quality:

W1 Btg Suai (downstream)
W2 Btg Suai (Upstream)
W3 Ulu Sungai Sah

Based on the EMR report, the river water quality assessed for this quarter showed that most of the parameters were remained conform to the NWQS Class IIA/ IIB limit except for Turbidity at all stations. Exceeding level of turbidity could be due to suspended or dissolved particles in water such as sediment especially clay and silt, fine organic and inorganic matter, soluble colored organic compounds, algae and other microscopic organisms.

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

It was sighted, biodiversity assessment for the estate was made available during the audit. In the report, info provided list as below:

a) List of endangered species IUCN

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	<p>b) Wildlife Protection Ordinance (Sarawak)</p> <p>c) Sarawak list of protection animals and plant</p> <p><u>Zero Burning Practices</u></p> <p>It was observed the estates was practice zero burning policy in the estate.</p>
Comment on Principle 6	<p><u>Site Management</u></p> <p>Standard Operating Procedures on management practices approved 01/07/2018 and 05/07/2018 includes for:</p> <ul style="list-style-type: none"> - Weeding for Mature Field (BLD2-04-ES05BREV0) - Manuring for Mature Field (BLD2-04-ES06BREV0) - Manuring Activities (BLD2-04-SH17BREV0) - Pest and Disease Control (BLD87A-04-ESO7REV0) - Site Management (BLD2-03-ES01REV0) - Harvesting (BLD2-04-ES04REV0). - Harvesting Activities (BLD2-04-SH16REV0). <p>Major 4 (4.6.1.1)</p> <p>Standard operating procedures for best practices was found lacking. Some of the fertilizer bags were dirty and damage at Fertilizer store (Lot 87A).</p> <p>The plantation area is mostly undulating and with some flat land, the hilly lands are terraced and vegetations maintained and allowed to grow to cover the slopes.</p> <p>Good ground cover was kept low in the mature areas and the growth of non-competitive vegetations allowed to grow to avoid bare ground in most areas.</p> <p>All the plantation roads are well designed, built and maintained.</p> <p>The estate grounds are well covered with non-competitive vegetations allowed to grow to avoid bare ground cover.</p> <p><u>Economic and Financial Viability Plan</u></p> <p>Business plan which includes operational plan for 2 years projections from 2018-2019 was made available to Auditor during the Stage 2 audit.</p> <p><u>Transparent and fair price dealing</u></p> <p>A monthly estate account for September 2018 for the estate was made available for us to view.</p> <p>All suppliers/contractors are provided with contracts or/and Purchase Order for example :</p> <ul style="list-style-type: none"> i) Purchase Order (No.: D08717) to KTS Trading Sdn. Bhd. for supply of 11,000L of diesel. ii) Employment contract of Mr. Axton Xavier Adot Anak Mamat dated 30th April, 2018 <p><u>Contractor</u></p> <p>Currently not applicable to the company because they do not contract out any work to outside contractor because all work and transportation are</p>

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done in-house. Training of supplier/contractors for awareness and compliance to MSPO have been carried out for KTS Trading Sdn. Bhd. representative Mr. Mr. Stephen Chiu on the 30/11/2018.

7. Nonconformities

MS2530-3:2013 Part 3

Non- Conformity	N° 1 of 4		Major 1			
	Date Recorded>	18 th Dec 2018	Due Date>	18 th Feb 2019	Date Closed>	12 th Feb 2019
Department / Function:	Administrative		Standard Ref.: Indicator		MSPO 2350-Part 3 4.3.1.3	
Document Ref.:	Criterion 1: Legislation requirement		Issue / Rev. Status:		Open	
Details of Nonconformity:	Registration of machineries was found lacking.					
Objective Evidence:	It was observed the air compressor at workshop (Lot 87A estate) not registered with JKKP as per requirement by FMA.					
Close-out evidence:	The management had taken necessary action to close the issue raised by the auditor, by that online application of certificate of fitness for air compressor (Appendix 1)					

Non- Conformity	N° 2 of 4		Major 2			
	Date Recorded>	18 th Dec 2018	Due Date>	18 th Feb 2019	Date Closed>	12 th Feb 2019
Department / Function:	Administrative		Standard Ref.: Indicator		MSPO 2350-Part 3 4.4.4.2	
Document Ref.:	Criterion 4: Employees Safety and Health		Issue / Rev. Status:		Open	
Details of Nonconformity:	Implementation of safety and health condition was found in adequate					
Objective Evidence:	<div>1. It was observed the stacking of water tank was not stable at the workers camp Block E (Lot 87A estate).</div> <div>2. It was observed the Personal Protective Equipment (PPE) such as apron was found not meet the requirement of work safety at workplace by the sprayer.</div> <div>3. There was no warning signages to warn the Harvester regarding the electric power cable, which can lead to hazard or fatality.</div> <div>4. Improper handling of dangerous chemical during dilution of herbicides at the premix area.</div>					
Close-out evidence:	<div>The estate management provide evidences to close the non-conformity as follow:</div> <div>Photo of repaired water tank support (Appendix 1)</div>					

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	<p>Provide Personal Protective Equipment (PPE) such as apron that meet requirement of safety at workplace for sprayer. Photo of PPE (apron) for sprayer that meet the requirement (Appendix 2)</p> <p>Provide warning signages at the electric pole to warn harvester regarding the electric power cable. Photo of warning signage at the electric pole (Appendix 3)</p> <p>Purchase suction pump to transfer chemical from the container to the premix container. Photo of pump used to safety transfer dangerous chemical (Appendix 4)</p>
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Non- Conformity	N° 3 of 4		Major 3			
	Date Recorded>	18 th Dec 2018	Due Date>	18 th Feb 2019	Date Closed>	12 th Feb 2019
Department / Function:	Administrative		Standard Ref.: Indicator		MSPO 2350-Part 4 4.5.3.3	
Document Ref.:	Criteria 3: Waste management and disposal		Issue / Rev. Status:		Open	
Details of Nonconformity:	The establishment of Standard Operating Procedure for handling of used chemicals that are classified under Environment Quality Regulations (Scheduled Waste) 2005 was not properly handle.					
Objective Evidence:	It was sighted date of disposed scheduled waste for SW410 (Used Oil filter) exceed 180 days at scheduled waste store Lot 87A.					
Close-out evidence:	Disposed-off SW410 (Used Oil Filter) using licensed collector (E-Concern). Consignment Note for the disposal of scheduled waste SW410 (Used Oil Filter) (Appendix 5)					

Non- Conformity	N° 4 of 4		Major 4			
	Date Recorded>	18 th Dec 2018	Due Date>	18 th Feb 2019	Date Closed>	12 th Feb 2019
Department / Function:	Administrative		Standard Ref.: Indicator		MSPO 2350-Part 4 4.6.1.1	
Document Ref.:	Criteria 1: Site Management		Issue / Rev. Status:		Open	
Details of Nonconformity:	Standard operating procedures for best practices was found lacking.					
Objective Evidence:	Some of the fertilizer bags were dirty and damage at Fertilizer store (Lot 87A).					
Close-out evidence:	(i) Prepare procedure for a proper handling of fertilisers at the fertiliser store. Fertiliser handling procedure (Appendix 6a) (ii) Clean the fertiliser store regularly especially when there was fertiliser spill. Photo of fertiliser store after cleaning (Appendix 6b).					

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8. General Observations & Opportunities for Improvement

Positive Observations:

- The support from BLD Sawai Estates 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:

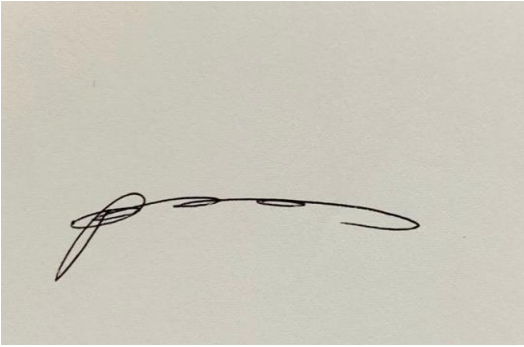
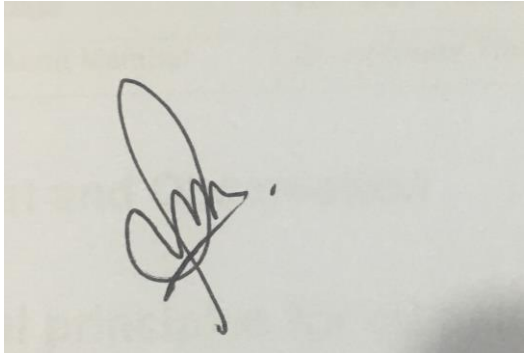
- The root causes of nonconformities should be clearly identified and tackle in appropriate method.
- The management should appoint suitable person to implement and maintain the traceability system to ensure all document recorded.
- Action taken on complaints and grievance by stakeholders should be highlight and discuss.
- Safety and health practices should be fully implemented.
- All waste products and sources of pollution are been identified and documented accordingly.

Appendix 1: List of Stakeholders Interviewed

Stakeholder	Issue Raised	Remarks
<u>BLD Sawai Palm Oil Mill 60mt/hr</u> External Mr. Hu Chung Lai Production Manager	No issue raised	2,000 tonne per month,
<u>San Hing Transporter</u> External Caroline Mujan Admin Assistant Mdm Wong Hee Ming (Director)	No issue raised	6 lorries Sent the FFB to Sawai Palm Oil Mill FFB Transport Stone Transport Payment based on km
<u>KTS Trading Sdn Bhd</u> External Supplier Mr. Cheiu Ching Nguong Branch Manager, Miri	No issue raised	Supply tools such as chainsaw, machineries, spare part, sprayer, diesel (300,000 Liter) for whole BLD group
WWF	No issue raised	

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<u>Interview via phone call</u> WWF-Malaysia (Sarawak Office) Tel: 082-247420/ 257420 Interview via phone (time call: 1 st Call: 2.48pm)		
Jabatan Keselamatan Kesihatan dan Pekerja (JKKP) Mr Mazidi Bin Gani Pemerisa kilang dan jentera 085-428151	No issue raised	Jentera perakuan kelayakan 1-unit air receiver
Department of Environment (DoE) En Shahril Puan Zulaiha Cannot call 14.47pm	No issue raised	Not available

On Behalf of Bintulu Lumber Development Sdn Bhd	On Behalf of SGS Malaysia Sdn Bhd
 <p>Mdm Rita Tan Yuh Fang Administrative Manager</p>	 <p>Abdul Khalik Bin Arbi Lead Auditor</p>

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