

Estet Seri Mawar Sdn Bhd Audit Summary Report

Organization:	Estet Seri Mawar Sdn. Bhd.			
Address:	<u>Headquarters Address</u> Lot 1180, 2nd Floor (B), Bangunan Bei, Lorong 2, Krokop 98000 Miri, Sarawak Contact person.: Mr. Mohd Zulfadali Bin Osman (Administrative Executive) Contact No.: 013 814 6553 Office No.: 085 428633 Email: zulchuman@gmail.com <u>Address</u> Estet Seri Mawar Sdn. Bhd., Rh Albion, Sg. Kuap, Sibuti 98150, Sarawak			
	Standard(s):	MSPO MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders	Accreditation Body(s): STANDARDS MALAYSIA	
Representative:	Mohd Zulfadali Bin Osman (Administrative Executive)			
Site(s) audited:	Estet Seri Mawar Sdn. Bhd.	Date(s) of audit(s):	30 th May 2019	
EAC Code:	Nil	NACE Code:	Nil	
No. of Employees:	32	No. of Shifts:	Normal 1 shift	
Lead auditor:	Abdul Khalik Bin Arbi (AKA)	Additional team member(s):	Jeffrey Denis Ridu (JDR)	

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: 2 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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Address	Estet Seri Mawar Sdn Bhd, Rh Albion, Sg. Kuap, Sibuti 98150 Miri, Sarawak		
MPOB License No.:	596408002000	Expiry date:	01/04/2018 – 30/11/2019
		Proposed Next Surveillance Audit	March 2020
Visit Number:	02 (Stage 2)	Actual Visit Date:	30 th May 2019
Visit Due by Date:	Nil	For auditor information only	
Lead Auditor :	Abdul Khalik Bin Arbi (AKA)		
Audit Member	Jeffrey Denis Ridu (JDR)		
Additional Attendees and Roles	Nil		
Standard(s):	MSPO MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders		
Audit Language:	English & Malay		
Audit Scope:	Production of Fresh Fruit Bunch (FFB) for Plantations in compliance to the MSPO Certification Standard MS2530-3:2013 Part 3: General Principles for Oil Palm Plantations and Organized Smallholders		

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Audit Plan

Date	Time	Auditor	Organizational and Functional Units/ Processes and activities	Key Contact
30 th May 2019	7.00 am	AKA, JDR	Depart to Estet Seri Mawar Sdn Bhd Arrive at Estate Audit Process (Site Visit) - Principal 1: Management commitment and responsibility - Principal 2: Transparency - Principal 3: Compliance to legal requirements - Principal 4: Social responsibility, health, safety and employment condition - Principal 5: Environment, natural resources, biodiversity and ecosystem services - Principal 6: Best Practice - Principal 7: New Development	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		Auditor Discussion	
	5.00pm		Closing Meeting	
	6.00pm	AKA, JDR	Depart to Miri Town & Miri Airport	

Location and Maps

The plantation area located on Rh Albion, Sg. Kuap, Sibuti 98150 Miri, Sarawak. The GPS locations of the state are shown in Table 1.

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Table 1

	Estate	Coordinates	Total Hectare (ha)	Total Planted Area (ha)
1	Estate Seri Mawar Sdn. Bhd.	3°09'62.6" N 113°04.5'86.5" E	339.23	339.23

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/estet-seri-mawar-sdn-bhd>

Stakeholder consultation took place in the form of meetings and interviews. Due to this is the pilot 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	<u>Policy on Implementation of MSPO –</u> An MSPO Policy statement states that the management of Estet Seri Mawar Sdn Bhd is committed to provide adequate resource and commitment towards the sustainability of the palm oil business by implementing MSPO and ensure that all levels of workforce and stakeholders are committed and understood the commitment towards MSPO certification according to principles. The policy was established on 1st January 2019 signed by the Director, Dato Pui Yuh Tzer. (Ref Control No. ESM-MSPO-P1-Policy-01) <u>Internal Audit</u> Internal audit report was evident during the time of audit. Internal audit date : 24th January 2019 No. Of findings: 4 Issue raised: 1. No bund wall inside workshop genset shed. Root Cause : Nil. Corrective action: Build bundwall inside workshop genset shed. A corrective action form CAR control no.: 2019-01. Expected completion date : 26/02/2019 Date NCR closed : 16/02/2019. 2. Sand for spill kit is wet and exposed to rain. Root cause: Nil Corrective action: Put cover on top of spill kit bucket. A corrective action form CAR control no.: 2019-02.
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	Expected completion date : 26/02/2019 Date NCR closed : 16/02/2019. Estet Seri Mawar Sdn Bhd had established a MSPO Internal Audit Procedure Ref ESM-MSPO-P1-Procedure-01 dated issued 1/01/2019 Version : 0 <u>Management Review –</u> During the audit, it was found that management review was done at Miri Office Conference Room, dated 16th February 2019. The Management review discuss the following among 5 items: 1. No bund inside genset shed at workshop. 2. Sand for spill kit wet and exposed to rain. 3. List of stakeholders not complete. 4. Training plan and assessment not available. 5. Contract agreement has no clause on MSPO for contractors. <u>Continual Improvement -</u> The continuous improvement plan is in the Opportunities for Improvement under the management review. A continual improvement plan: (a) Ref: CIR control No.: 2019-01 on issue raised during internal audit such as workshop genset shed bund wall not closed. (b) Ref: CIR control No.: 2019-02 on issue raised during internal audit such as Spill kit wet and exposed to rain. (c) Ref: CIR control No.: 2019-03 on issue raised during internal audit such as Oxygen tanks in workshop not secured properly.
Comment on Principle 2	<u>Transparency of information and documents relevant to MSPO requirements</u> The Complaint and Grievance Procedure is available. Ref ESM-MSPO-P4-Procedure-01 dated 01/01/2019. The grievance and complaints box & forms were available at the estate office. Currently no complaints received. The flow chart on page 2 of the procedure has a timeline to settle any issues raised. <u>Transparent method of communication and consultation</u> The Communication procedure was established 1/01/2019. Ref ESM-MSPO-P2-Procedure-01. The flow chart for communication procedure is on page 3 of the procedure. It was informed by estate management that the procedure has been communicated during stakeholders meeting. The Social Liaison Officer appointed for MSPO is Mr Alan Wong. Appointment endorsed by Dato Pui Yuh Tzer, Executive Director as in the

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	MSPO Committee (Doc Control No: ESM-MSPO-Internal Organization-01) dated 1/01/2019. <u>Traceability</u> Procedure for Traceability had been established dated 1/01/ 2019 Ref No. ESM-MSPO-P2-Procedure-02, it was found the procedure is being practiced accordingly. The person in charge of traceability is Mr Alan Wong. Letter of of appointment refer Doc Control No: ESM-MSPO-Internal Organization-01. During audit, evidence to show that the procedure has been follow accordingly: The Procedure start with Field Harvesting – Estate FFB Ramp <u>Example :</u> (1) Received from : Estet Seri Mawar Sdn Bhd Weighbridge Advice Ticket no: 4368 Date: 29-05-2019 Harvesting group - Akbar Salam Block : 1 Vehicle no: QMU8712 Nett weight 3,830 Kg										
Comment on Principle 3	<u>Regulatory requirements</u> The estate is operating in compliance with the applicable local, state, national and ratified international laws and regulations. a. Rental of land with the Landowners of NCR land in the Rh Albion, Sg Kuap, Sibuti. <table border="1" data-bbox="738 1346 1222 1599"> <tr> <td>Surat Perjanjian</td><td>Ha</td></tr> <tr> <td>Phase 1</td><td>198.27</td></tr> <tr> <td>Phase 2</td><td>140.37</td></tr> <tr> <td>Phase 3*</td><td>58.17</td></tr> <tr> <td>Total</td><td>396.81</td></tr> </table> * Still immature stage and <i>surat perjanjian</i> in progress. A Stamp Official Receipt issued by LHDN on Tenancy Agreement (Adjudication No. Q042CL180081705) dated 1/2/2016 between Albion Ak Ngumbang and Estet Seri Mawar Sdn Bhd. b. Permit Barang Kawalan Berjadual (Diesel, Petrol) Still in process of applying. Verified by application to BOMBA as per letter dated 31/01/19. c. MPOB Licence for MJM Plantation Sdn Bhd No. Lesen: 5964080002000 Valid until 31/03/2020), Estate hectarage:	Surat Perjanjian	Ha	Phase 1	198.27	Phase 2	140.37	Phase 3*	58.17	Total	396.81
Surat Perjanjian	Ha										
Phase 1	198.27										
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	339.23 Ha. d. The Businesses, Professions and Trading Licensing Ordinance Licence No. A 721909 valid until 25/03/2020. <u>Land Use Rights</u> Estet Seri Mawar Sdn Bhd is renting the NCR lands from Rh Albion and has 3 phases. Hectarage Statement: <table border="1" data-bbox="756 676 1206 963"> <tr> <th>Phase</th><th>Planted Ha</th></tr> <tr> <td>1 - Matured</td><td>198.27</td></tr> <tr> <td>2 - Matured</td><td>140.37</td></tr> <tr> <td>3 - Immatured</td><td>58.17</td></tr> <tr> <td>Total:</td><td>396.81</td></tr> </table> <u>Customary Rights</u> Estet Seri Mawar Sdn Bhd is renting the NCR lands from Rh Albion and has 3 phases. Copies of Agreements for phase 1 and 2 are sighted. Only for phase 3 still in progress. Refer to Mapsheet from Jabatan Tanah dan Survei Bahagian Miri, siri permohonan: 0045/2015. Copies of Agreements for phase 1 and 2 are sighted. Only for phase 3 still in progress. Surat Perjanjian dated 29th July 2012 between TR Enteri Ak Blawan and Estet Seri Mawar Sdn Bhd. This is for Phase 1 area of 195.90 Ha (Now verified at 198.27 Ha). Surat Perjanjian diantara Albion Ak Ngumbang dan Estet Seri Mawar Sdn Bhd dated 1st February 2016 for rental of NCR land of 143.33 Ha (Now verified at 140.37 Ha) which is Phase 2.	Phase	Planted Ha	1 - Matured	198.27	2 - Matured	140.37	3 - Immatured	58.17	Total:	396.81
Phase	Planted Ha										
1 - Matured	198.27										
2 - Matured	140.37										
3 - Immatured	58.17										
Total:	396.81										
Comment on Principle 4	<u>Social Impact Assessment (SIA)</u> It was sighted, SIA report was made available in the estate management record. The report was done on February 2019. This document serves as document for Estet Seri Mawar Sdn Bhd Social Impact Assessment, Management Action Plan and Continuous Action Plan where all the latest information in the document is updated on annual basis. Stakeholders meeting was conducted on 23.01.2019 at Mega Jutamas Estet Office. Attended by 20 attendee. During the stakeholder meeting, issues being discussed on: a. Introduction of MSPO MS 2530-3-2013										

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	b. MSPO Procedures c. Other issues arise <u>Complaints and grievances</u> Based on the estate record, Standard Operation Procedure (SOP) for grievance and complaint was made available in the site office, issue date on 1.01.2019. With control no.: ESM-MSPO-P4-Procedure-01. Currently there was no complaints record was made from workers or relevant stakeholders. If any complaint records available, it will be kept in MSPO Forms and record file. Based on the Complaints and Grievances procedure, the system able to resolve disputes in an effective, timely and appropriate manner. <u>Commitment to contribute to local sustainable development</u> It was sighted, the estate had construct the road lead to the rumah panjang (Rh Albion). There was no recorded was kept for that issue. Stakeholders meeting was conducted on 23.01.2019 at Mega Jutamas Estet Office. Attended by 20 attendee. During the stakeholder meeting, issues being discussed on: a. Introduction of MSPO MS 2530-3-2013 b. MSPO Procedures c. Other issues arise <u>Employees safety and health</u> Estet Seri Mawar Sdn Bhd has established a Policy Statement on Occupational Safety & Health Policy. The policy has been signed by Pui Yuh Tzer (Director) on 01.01.2019. The policy is displayed in the Estate Office. From briefing record, it was sighted that safety and health aspects has been communicated to all workers through briefing session (muster ground). a) A Policy Statement of Occupational Safety & Health dated 01.01.2019 signed by Mr Pui Yuh Tzer (Director). The policy is displayed in the Estate Office. Since this plantation no much workers, there was no meeting was conducting to discuss any environmental issue. However, it reminded was conduct on early morning master. b) All operation risk was assessed and documented in the HIRARC Form. List of operations assess as below: - Bengkel - EFB Mulching - FFB Ramp - Memandu Jentera - Mencampur & Menyembur Racun - Menebas - Pengendalian bahan kimia - Mengisi semula Bunch ash - Menuai buah
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		- <i>Pejabat</i> - <i>Pemangkasan pelepah</i> - <i>Pembajaan kompos</i> Risk assessment has been updated on 24th March 2018. Next review of the HIRARC will be on 23rd March 2019. c) It was sighted Training Plan for year 2019 was made available in the estate. As evidence, there was record on training program conduct by Malaysian Red Crescent Miri District (PBSM) on 18-20 March 2019. The personnel from HQ attend the course is Mr Mohd Zulfadali Bin Osman. He trains the personnel on operation site namely Alan Wong. d) It was sighted record of PPE was made available in the estate record. List of name samples as below: Sprayer ✓ Sadiri ✓ Tini ✓ Ardin Sumardin ✓ Hasrullah ✓ Answar Tarmin ✓ Budi PPE Provided to them goggles, mask, gloves and apron. The acknowledge receive PPE from workers. e) The has a Safe Operating Procedure for chemicals handling to ensure proper and safe handling and storage in accordance to OSH (Classification Packaging and Labelling) with control no.: ESM-MSPO-P4-Procedure-02 dated 1.01.2019, Regulation 1997 and OSH (Use and Standard of Exposure of Chemical Hazardous to Health) Regulation 2000. The procedure covers (in example): ✓ Introduction ✓ Scope ✓ Definitions ✓ Role & Responsibilities ✓ Procedure - Requesting of Chemical - Chemical Storage - Chemical Transporting - Chemical Handling - Chemical Spillage ✓ Chemical Handling on Site - Before Handling - During Handling - After Chemical Handling ✓ Records SOP sighted in the file name MSPO Document. f) Since this plantation small medium scale and only occupied with 32 workers, there was no OSH committee was form. However, personnel in charge for safety and health aspect appointed name Mr Alan Wong. It was sighted appointment letter for safety and health personnel in charge available in the Control Document No.: ESM-MSPO-Internal					
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	Organisation-01. It can be verified in File MSPO Document. g) Since number of workers not many (32 only) the communication between employees was conduct during morning muster, instead of give instruction to the task given. h) Site inspection evidence signage's of potential hazard available at strategic location especially at the workshop, chemical store and fuel tanks. In addition, the emergency procedure is also made available to all workers by posting on the wall or on notice board (i.e.: Chemical and Fertilizer Store). It was sighted Emergency Preparedness & Response Procedure was available with control document no.: MJMP-MSPO-P4-Procedure-03. i) First aider was available on-site operation namely Alan Wong, which trained by competent person from Headquarters. First aid kit was available in the estate office. j) Currently there was no accident happen. Major 1 Implementation of safety and health aspect was lacking. It was observed loader spike at ramp area was not properly stored after being used. <u>Employment Conditions</u> The policy on good social practices has been indicated in the "Human Right Policy" established by the management of ESM. Observed that the Policy has been signed by the Pui Yuh Tzer (Director) dated 1.01.2019. The top management of Estet Seri Mawar Sdn Bhd is committed to implement the equal opportunity within their organization. Their commitment is clearly described with the statement indicated in the "Human Rights Policy" established by the management. There were no evidences of any form of discrimination based on race, national origin, religion, gender, union and political affiliation and is covered in the policy as well. <u>Training and Competency</u> Observed that Estate Seri Mawar Sdn Bhd employees are appropriately trained. Records of training provided are available in the MSPO Document. The following training conducted for year 2019 list as below: 1) MSPO policies briefing 2) First Aid Training 3) Chemical Training 4) Pest & Disease Training. As evidence, Training was conducted on 9.01.2019, title: MSPO 7 policies
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	briefing & training by Mr Alan Wong. Attended by 32 attendees. Training needs of individual employees at ESM Sdn Bhd has been established by the team management based on competency required which has been reported by the Estate Manager in the employee's Annual Assessment Report. The training need for individual was identified thru yearly performance is via appraisal and the training matriks was sighted in estate office. Observed that an annual training programme is available that covers all activities at the estates including safety & health issues. An annual training programme record also showed the personnel/department that required to attend the related training. Training implemented for a specific activities has been recorded in the MSPO document File. Training matrix form No.: ESM-MSPO-P4-Procedure-10-F01, with effective date.: 1.01.2019												
Comment on Principle 5	<u>Environmental Management Plan</u> Environmental & Biodiversity Policy is available during site visit and was signed by Pui Yuh Tzer (Director), Dated 1.01.2019 with revision:00. It was observed the environmental & Biodiversity Policy available in the estate record, the policy was display and communicate with the employees via morning muster and notice board. some of the objective was states as below: a) To comply with existing and current legislations and regulations and to ensure that our operations are legally complaint. b) The company will respect the environment and biodiversity and utilize proven environmentally-friendly technology in its estate operations. c) Establishing, maintaining and continually improving sustainable estate management system both internally and externally. d) To set targets and implementation actions to allow the company to become resource efficient on waste utilization, energy and water usage within our day to day operations. e) Eliminating any potential adverse impacts on environment and biodiversity arising from our estate activities. Educating and enhancing awareness among stakeholders on environment and biodiversity aspects. <u>Efficiency of energy use and use of renewable energy</u> It was observed Records for consumption of diesel was available start from 2018. Usage of diesel consumption list as below. <table><tr><th><u>Year</u></th><th><u>2018</u></th><th><u>2019*</u></th></tr><tr><td>Actual</td><td>77,639</td><td>21,428*</td></tr><tr><td>Budget</td><td>58,320</td><td>103,800</td></tr><tr><td colspan="3">*as April</td></tr></table>	<u>Year</u>	<u>2018</u>	<u>2019*</u>	Actual	77,639	21,428*	Budget	58,320	103,800	*as April		
<u>Year</u>	<u>2018</u>	<u>2019*</u>											
Actual	77,639	21,428*											
Budget	58,320	103,800											
*as April													

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	Ganset A (10,000 Kw) 7.00 am till 12.00 pm, 1.00 pm till 6.00 pm, 7.00 pm – 9.00 am Ganset B (10,000 Kw) Standby Ganset C (10,000 Kw) Standby Electricity covered for 17 units of labour line, one office and store. <u>Waste Management and Disposal</u> All waste generated in the oil palm plantation are categorize as below: a) Domestic waste, b) Scheduled waste c) Miscellaneous waste (solid waste) It was observed the waste management plan was available in the file Environment Management Plan (EMP) at estate MJM Plantation with Document control No.:ESM-P5-EMP-01. Currently latest training conduct: ✓ “Dilarang menggunakan tong racun untuk menanam sayur & di dalam reban ayam”, dated 3rd May 2019. Trainer: Alan Wong & Mohd Zulfadali Bin Osman. It was observed the SOP for handling of used chemicals that are classified under Environment Quality Regulations (Scheduled Waste) 2005, Environmental Quality Act, 1974 to ensure proper and safe handling, storage and disposal was available with document control no.: ESM-MSPO-P4-Procedure-02, issue date 1st January 2019. The estate management had taken necessary action to ensure standard operating procedure (SOP) for handling of used chemicals to be follow accordingly. As evidence, empty chemical containers sighted stored at store area to be used as recycle. <u>Reduction of pollution and emission</u> It was observed the estate management managed to identify the waste products. It was observed zero burning policy availabe. Action plan to reduced pollutants and emissions was established. Major 2 Implementation and establishment of action plan to reduce pollution to the environment was lacking. It was observed cotton rack used as spill kit tool for oil spillage was not properly handle. <u>Natural water resources</u> It was sighted, the estate management had established water
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	management plan to maintain the quality and availability of natural water resources (surface and ground water). The water management plan include: a) Assessment of water usage and sources of supply. Water source from rain. b) Since this estate less than 500 ha, it not bind with NREB regulation. By that, there was no water monitoring conducted. c) The estate practice collection of rainwater for drink and food purposed. d) There was no river flow within the estate area. e) Not applicable. f) Not applicable for this area, since this area is mineral soil. It was observed the estate management was practice water harvesting by collect rain water into tong drum (200 L) at left in the block. <u>Status of rare, threatened, or endangered species and high biodiversity value area.</u> It was observed the biodiversity report was available for year 2019. It was identified existing of flora and fauna in the estate, example sighted as follows: Flora Most of the area planted with oil palm trees. Flora sighted such as fern, macuna and etc. Fauna Based on biodiversity report, fauna sighted such as , squirrel, bird (Pipit, But but, acang) others can verified in the report. It was observed the signages on prohibiting, hunting and fishing was available at the entrance of the estate and buffer zone area. <u>Zero Burning Practices</u> No evidence of burning was sighted. The estate committed of zero burning, by that the management spell out via Zero Burning Policy.
Comment on Principle 6	<u>Site Management</u> Plantation Manual for Estate Plantation as per Doc Control No: ESM-MSPO-P6-Manual-01 dated 1/01/2019. Good Practices as per Doc Control No: ESM-MSPO-P6-Manual-02 dated 1/01/2019. Block marking shows: Block, Task no. and Ha. with another board showing planting material. <u>Economic and Financial Viability Plan</u> It was observed the operation budget, activity programme FY Year 2019 was made available in the estate. It can be verified in Budget 2019. The forecast for FFB is only for 2019 = 5,300.00 MT Budget RM/MT = RM503.00 (without Amortization & Depreciation).

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The Operation and Financial Report is done monthly.

The progress reports for 2017 and 2018 as below:

	2017		2018	
	Budget	Actual	Budget	Actual
Ha	198.27	198.27	338.64*	338.64
MT	2,743.00	3,336.63	4,500.00	4,332.12
YPH	13.83	16.83	15.24	21.85
RM/MT	762.80		658.33	753.33

* Phase 2 declared matured area in June 2018.

The Operation and Financial Report is done monthly.

The Operation and Financial Report for January 2019 for Estet Seri Mawar Sdn Bhd was sighted.

Table of contents as follows:

- (1) Area map
- (2) New phase development report
- (3) Harvesting report
- (4) Rainfall report
- (5) Monthly FFB Record
- (6) Fertilizer report
- (7) Fertilizer distribution report
- (8) FFB weighbridge variance report
- (9) Monthly FFB grading
- (10) Field planting
- (11) Manpower report
- (12) 3" stone purchase report.

Transparent and fair price dealing

There is a contract agreement between the estate and mill.

A Contract Agreement for Sale and Purchase of FFB which was made on 13/05/2015 between MJM (Palm Oil Mill) Sdn Bhd and Estet Seri Mawar Sdn Bhd.

Content of agreement :

- (1) General
- (2) Delivery
- (3) FFB Quality
- (4) FFB Weight
- (5) FFB Pricing
- (6) Payment
- (7) Validity
- (8) Bankruptcy
- (9) Force majeure
- (10) Arbitration
- (11) Signatories of both parties

The pricing mechanism is set by Mill.

An FFB Statement from MJM (Palm Oil Mill) Sdn Bhd to Estet Seri Mawar for the month of April 2019 dated 30/04/2019.

FFB received: 462.64 MT (100% Grade A)

OER awarded: 20% @ RM364.16 on oil (Grade A)

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	KER awarded: 4.00% @ RM40.09 on kernel (Grade A) Nett FFB Price: 404.25 (Grade A) <u>Contractor</u> Lumut Plantation is the main contractor to transport FFB to the mill. Tong Yen Transporter sometimes transport FFB or otherwise it transport stones. There is a contract agreement between the contractor and the estate. For Lumut Plantation, it is in the form of <u>Contract Form</u>. Contract date: 01-01-2018 Contract No: ESMSB/Lumut Plantation/010118/V3 Contractor: Lumut Plantation (MRI/2013/1047) Contract Title: Provide Transportation Services Contact person: Mr Agus Wong The unit price of RM25.00/MT still applies till now.
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8. Nonconformities

Corrective Action Request and Observation MS2530-3 Part 3: General Principles for Oil Palm Plantations and Organised Smallholders

Non Conformity	N° 1 of 2		Major 1			
	Date Recorded>	30 th May 2019	Due Date>	30 th July 2019	Date Closed>	1 st July 2019
Department / Function:	Administrative		Standard Ref.: Indicator		MSPO 2350-Part 3 4.4.4.2	
Document Ref.:	Criteria 4: Employees safety and health		Issue / Rev. Status:		Closed	
Details of Nonconformity:	Implementation of safety and health aspect was lacking.					
Objective Evidence:	It was observed loader spike at ramp area was not properly stored after being used.					
Close-out evidence:	The estate management had taken necessary action to ensure corrective action pan had been done. Kindly refer Appendix A for closing evidence provided by the auditee					

Non Conformity	N° 2 of 2		Major 2			
	Date Recorded>	30 th May 2019	Due Date>	30 th July 2019	Date Closed>	1 st July 2019
Department / Function:	Administrative		Standard Ref.: Indicator		MSPO 2350-Part 3 4.5.4.2	
Document Ref.:	Criteria 4: Reduction of pollution and emission		Issue / Rev. Status:		Closed	
Details of Nonconformity:	Implementation and establishment of action plan to reduce pollution to the environment was lacking.					

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Objective Evidence:	It was observed cotton rack used as spill kit tool for oil spillage was not properly handle.
Close-out evidence:	The estate management had taken necessary action to ensure corrective action pan had been done. Kindly refer Appendix A for closing evidence provided by the auditee

9. General Observations & Opportunities for Improvement

Positive Observations:

- The support from Estet Seri Mawar 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:

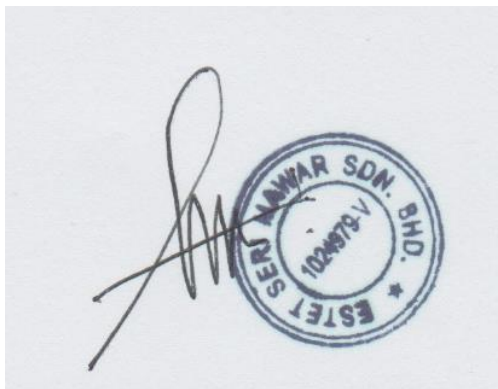
- The root causes of nonconformities should be clearly identified and tackle in appropriate method.
- The management should appoint suitable person to implement and maintain the traceability system to ensure all document recorded.
- Action taken on complaints and grievance by stakeholders should be highlight 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>MJM (Palm Oil Mill) Sdn Bhd</u> External Mill Manager	No issue raised	Ok
<u>Lumut Plantation Sdn Bhd</u> External Manager Transporter	No issue raised	Ok

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WWF <u>Interview via phone call</u> WWF-Malaysia (Sarawak Office) Tel: 082-247420/ 257420 Interview via phone (time call: 1 st Call: 2.00pm)	No issue raised	ok
Department of Environment (DoE) En Shahril Puan Zulaiha Cannot call 2.30pm	No issue raised	No available

Signed on behalf of Estet Seri Mawar Sdn Bhd	Signed on behalf of SGS Malaysia Sdn Bhd
 Mr. Alan Wong Manager 30th May 2019	 Mr. Abdul Khalik Bin Arbi Lead Auditor 30th May 2019

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