

GRAND MUTUAL SAWAI ESTATES

Audit Summary Report

Organization:	Grand Mutual 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) Ms. Lim Chen Tzen (Assistance to Financial Controller) Contact No.: 082-335331		
	<u>Estate Address</u> Grand Mutual Sawai Estates, Lot 5, Block 3, Jelalong Land District and Lot 72, Sawai Land District Sarawak, Malaysia		
	Standard(s):	MS2530-3 Part 3: General principles for oil palm plantations and organized smallholders	Accreditation Body(s): DEPARTMENT STANDARDS MALAYSIA (DSM)
Representative:	Mr Seng Cheak Chai (Financial Controller) Ms. Rita Tan Yuh Fang (Administrative Manager) Mr Chuo Kuong Ping (General Operation Manager, Sawai) Mr. Ling Lee Giek (Asst. General Operation Manager, Grand Mutual)		
Site(s) audited:	Grand Mutual Sdn Bhd	Date(s) of audit(s):	19 th December 2018
Visit Type:	MSPO Audit Stage 2	Type of certification assessment	Main Audit
Lead auditor (LA):	Abdul Khalik Bin Arbi (AKA) (LA)	Additional team member(s): Audit Member (AM)	Dr. Anthony Tibok (DAT)(AM)
This report is confidential and distribution is limited to the audit team, client representative and the SGS office.			

1. Audit objectives

The objectives of this audit were:

- to confirm that the management system conforms with all the requirements of the audit standard;
- to confirm that the organization has effectively implemented the planned management system;
- to confirm that the management system is capable of achieving the organization's policy objectives.

2. Scope of certification

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:

Organization:	Grand Mutual Sdn Bhd (Grand Mutual Sawai Estates)		
Address	<u>Headquarters (HQ)</u> Crown Towers, 6th Floor, 88, Jalan Pending, 93450 Kuching, Sarawak. Contact person.: Mr Seng Cheak Chai (Financial Controller) Ms. Lim Chen Tzen (Assistance to Financial Controller) Contact No.: 082-335331		
	<u>Estate Address</u> Grand Mutual Sawai Estates, Lot 5, Block 3, Jelalong Land District and Lot 72, Sawai Land District Sarawak, Malaysia		
MPOB License No.:	503788602000 (3,595.55 ha)	Expiry date:	1.12.2018 – 30.11.2019
Scope of Activity:	Menjual dan Mengalih#	Next Audit Plan	October 2019
Visit Number:	02 (Stage 2)	Actual Visit Date:	19 th December 2018
Visit Due by Date:	Nil	For auditor information only	
Lead Auditor :	Abdul Khalik Bin Arbi (AKA)		
Audit Member	Dr. Anthony Tibok (DAT)		
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		

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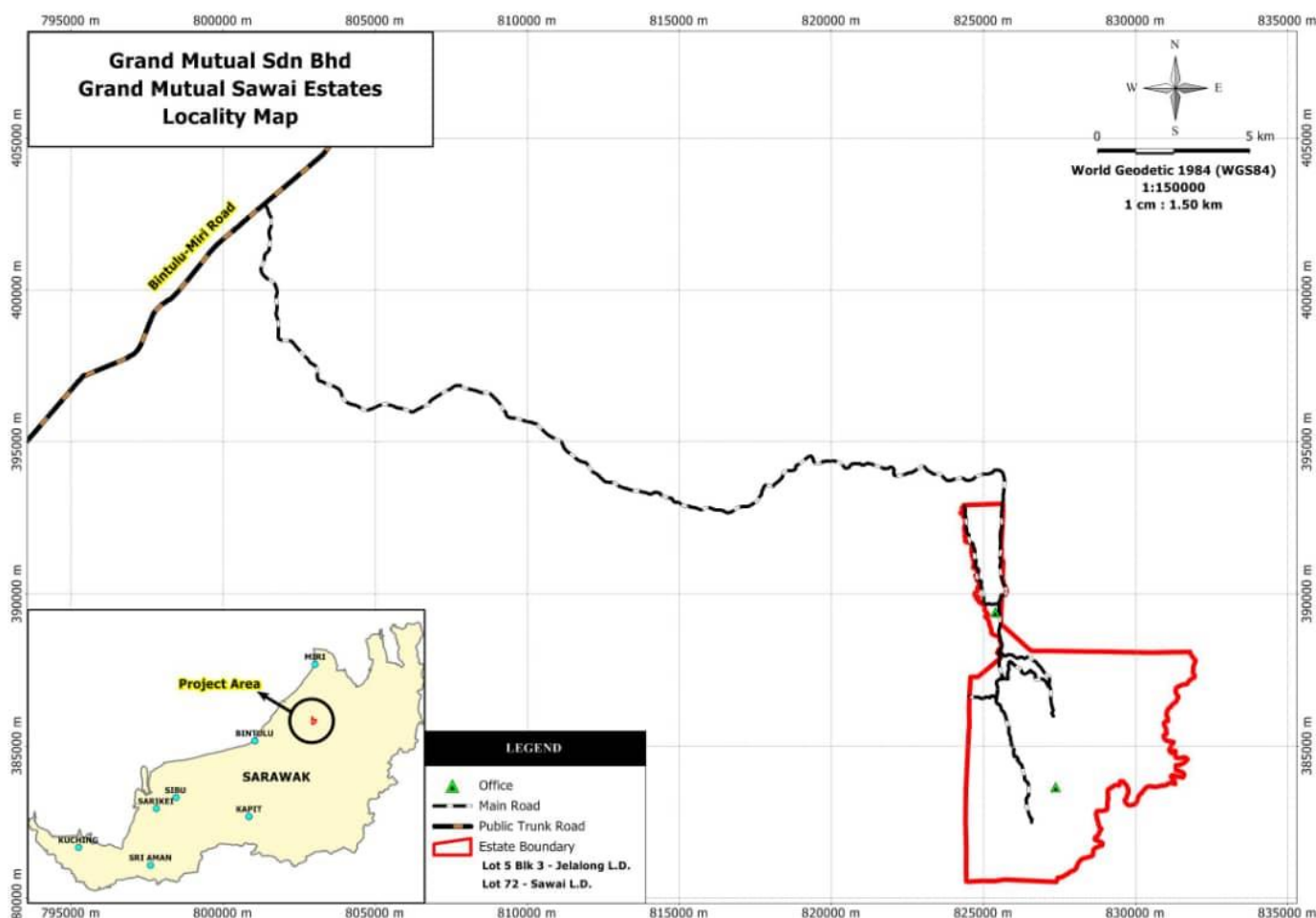
Audit Scope:	1.The audit covered Three (3) site performing the following scope: Operations, comprising of management systems, process of Fresh Fruit bunches (FFB), documentation and site assessment.
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Audit Plan

Date	Time	Auditor	Organizational and Functional Units/ Processes and activities	Key Contact
19 th Dec 2018	7.30 am	AK, DAT	Depart to Grand Mutual Sawai Estate from guesthouse Arrive at Estate Opening Meeting Audit Process (Site Visit) - 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)	
	3.00pm		Preparation for closing	
	4.00pm		Closing Meeting	
	5.00pm		Depart to Miri Town	

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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) :
Grand Mutual Sawai Estates	Lot 5, Block 3, Jelalong Land District and Lot 72, Sawai Land District Sarawak, Malaysia	03°31'05.8" N 113°55'39.7" E	3,595.55

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Description of Estate Production

The FFB are sourced from the estate which are individually managed by Grand Mutual Sdn Bhd 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	Grand Mutual Sdn Bhd	
	2018 Actual	2019 Projection
January	3,349.13	3,680
February	2,477.05	3,317
March	2,680.30	3,502
April	2,929.59	3,153
May	3,194.55	3,233
June	2,974.72	2,830
July	3,628.49	3,669
August	3,770.26	3,900
September	3,946.59	3,746
October	3,955.99	4,375
November	3,788.66	4,258
December	Nil	4,137
Total	36,695.33	43,800

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/grand-mutual-sdn-bhd>

Stakeholder consultation took place in the form of meetings and interviews. Due to this is the main assessment, meetings with stakeholders were held in the respected estate office. Detail can be referred to **Appendix 1**:

Comment on MS2530-3 Compliance Status:

Comment on Principle 1	Policy on Implementation of MSPO – 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 Operation Manager, Grand Mutual Sdn. Bhd. Mr. Chuo Kuong Ping dated 1st July, 2018 and has been communicated to
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	all levels of work force and stake holders. Sustainability and continuous improvement was also included in the above MSPO Policy. <u>Internal Audit</u> MSPO internal audit procedures (Ref: GM2-03-TM01REV0) was prepared and signed and approved by Mr. Chuo Kuong Ping on the 05th July, 2018, where Internal Audit is to be conducted at least once a year or whenever deemed necessary by management. Report First Internal Audit was performed on 05th December 2018 with an Audit Report where 4 findings were reported. Mechanism of follow up activities established and verified in the Corrective Action file (Corrective Action Request Control No.: 0001/18 – 0004/18). Internal Auditors team have been appointed headed by Mr. Augustus Babang as Lead Auditor by Mr. Ling Lee Giek dated 28th November, 2018 (Ref: GM2-1A-TM01REV0). <u>Management Review –</u> Management Review meeting was conducted on the 5th October 2018 chaired by Ms. Rita Tan (MSPO Main Committee, Chairman) attended by all MSPO Committee members and invited members. Agendas and minute of the said meeting was viewed in file (Ref. GM2/MRR/18/12/07-01); the Audit Report was tabled and conformance and non-conformances reported. Results of CAR (Ref.: Control 0001/18- 0004/18) was viewed where corrective action have already been made on all the 4 findings as reported by Lead Auditor 05.12.2018. <u>Continual Improvement -</u> Training matrix of all the relevant staffs have been prepared in order for them to carry their duties better for Harvesting, Field Conductor, Manuring Fertiliser, Chemical Sprayer and Workshop etc. Adoption of New Technologies and Techniques: New design and method of construction of workers houses (manager quarters), drones for perimeter survey and auditing and palm census. All the ramps are now made of steel instead of made from wood as previously. Budgets have been allocated for the implementation of these new technologies and techniques.
Comment on Principle 2	<u>Transparency of information and documents relevant to MSPO requirements</u> The management communicate with relevant stakeholders by conduct stakeholders meeting on 26th September & 2nd October 2018, attended by two groups, whereas, 26th September 2018 Attend by External (38 attendees).

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2nd October 2018

Attend by Internal (14 attendees)

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

- i. Natural Resources and Environment Board (NREB Miri). Mr. Joseph Uyo
- ii. KTS Trading Sdn Bhd. Mr. Stephen Chiew
- iii. Jabatan Keselamatan dan Kesihatan Pekerjaan (JKKP Miri). Tuan Mohamad Zain Bin Kassim
- iv. Sawai Palm Oil Mill. Mr Eng Ping Hooi
- v. GP Pusaka Sdn Bhd. Mr. Joanes Ungang

All the document can be verified in Stakeholders File 009.

Land Titles in total 3,913.6 ha

It was observed the Grand Mutual Estates was operation in land title Lot 5, Block 3 Jelalong Land District, Ulu Sungai Jelalong, Bintulu (3,913.6 ha) and operate under MPOB Licence: 503788602000 (3,595.55 ha) period: 1.12.2018 – 30.11.2019

Transparent method of communication and consultation

It was observed the SOP for consultation and communicate with relevant stakeholders was available in file SOP. Appointment letter for social liaison officer was available in Document Ref: GM2-01-TM04REV0, Sign by Mr Chuo Kuong (General Operation Manager) dated 5th July 2018. Name: Augustus Babang

It was observed the list of stakeholders available in the file of Stakeholder 009. The list of stakeholders consists of government agencies, services provider, employee representative and neighbours.

Major 1 (4.2.2.3)

However, one of stakeholder not include in checklist name Pusaka KTS Forest Plantation Sdn Bhd as it involved in huge area of the land

Traceability

Standard Operating Procedures on Traceability was available with Document ref no.: GM2-01-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.: 364417, dated.: 4th September 2018 with weight of FFB 16,060kg. The management had taken necessary action to make sure the traceability system in place such as conduct traceability system inspection.

Appointment letter for traceability officer was available in Document Ref: GM2-01-TM04REV0, Sign by Mr Chuo Kuong Ping (General Operation Manager) dated 26th September 2018. Name Mr. Ling Lee Giek.

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Comment on Principle 3	<u>Regulatory requirements</u> The company personnel are generally quite knowledgeable on the applicable laws and regulations pertaining to oil palm plantation development and operations. All the laws and regulations relevant to oil palm plantation are listed and filed Legal Register File. <u>Land Use Rights</u> All the 2 Land Titles were made available where the land use terms and conditions are for the agricultural purposes and purposes incidental to the production and processing of crops grown thereon. Land Titles: The Land Titles are: i) TRN 09-LCLS-054-003-00005 – 3,913.60 ha ii) TRN 04-LCLS-030-000-00072 – 940.00 ha The Grand Mutual total area is 4,853.60 hectares with provisional lease for 60 years specifically for agricultural purposes and purposes incidental to the production and processing of crops grown thereon. All perimeter boundaries have been surveyed and marked. From visual check of boundary bordering Haas Plantation Sdn. Bhd. was pegged but the peg number was not shown in the Perimeter Boundary map. <u>Customary Rights</u> No customary rights claim on the said company's land.
Comment on Principle 4	<u>Social Impact Assessment (SIA)</u> It was observed the Social Impact Assessment (SIA) report was available during the document assessment name Grand Mutual Sawai Estates, Social Impact Assessment Report, December 2018. Major 2 (4.4.1.1) However, land use map show surrounding area was not clearly mark your neighbours. The management communicate with relevant stakeholders by conduct stakeholders meeting on 26th September & 2nd October 2018, attended by two groups, whereas, <u>26th September 2018</u> Attend by External (38 attendees). <u>2nd October 2018</u> Attend by Internal (14 attendees) All of the stakeholders have invitation letter from the estate management. As an evidence, some of the stakeholders list name as below: i. Natural Resources and Environment Board (NREB Miri). Mr. Joseph Uyo

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- ii. KTS Trading Sdn Bhd. Mr. Stephen Chiew
- iii. Jabatan Keselamatan dan Kesihatan Pekerjaan (JKKP Miri). Tuan Mohamad Zain Bin Kassim
- iv. Sawai Palm Oil Mill. Mr Eng Ping Hooi
- v. GP Pusaka Sdn Bhd. Mr. Joanes Ungang

All the document can be verified in Stakeholders File 009.

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.: GM2-03-SR02REV0 with date updated in 1st July 2018.

Records of complaints and grievances

It was sighted 4 complaints was made by the complainer for this year 2018. All the issues raised by the complainer was closed within the time.

Commitment to contribute to local sustainable development

Currently there was no record of the CSR with the local communities.

The management communicate with relevant stakeholders by conduct stakeholders meeting on 26th September & 2nd October 2018, attended by two groups, whereas,

26th September 2018

Attend by External (38 attendees).

2nd October 2018

Attend by Internal (14 attendees)

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

- i. Natural Resources and Environment Board (NREB Miri). Mr. Joseph Uyo
- ii. KTS Trading Sdn Bhd. Mr. Stephen Chiew
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- iv. Sawai Palm Oil Mill. Mr Eng Ping Hooi
- v. GP Pusaka Sdn Bhd. Mr. Joanes Ungang

All the document can be verified in Stakeholders File 009.

Employees safety and health

Safety policy was include in MSPO policy which is sign by top management Mr Chuo Kuong Ping (General Operations Manager) dated 1st July 2018.

Safety and health policy was documented, communicated via display at the notice board 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 excavator driver name Kaharudin Karim, he was aware regarding the safety and health issue on site.

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	Major 3 (4.4.4.2) Based on site visit at Block 30, it was observed the Harvester only provide with safety helmet only. PPE Issuance record for Hengria Sabir, dated joined 26.03.2013. <u>Employment Conditions</u> The management had established policy on good social practices regarding human rights in respect of industrial harmony. The policy was signed by the top management (Mr Chuo Kuong Ping) he is General Operations Manager dated 1st July and communicated to the employees by display at the site office, line site and workshop area. <u>Training and Competency</u> Annual training programme on safety and health for Year 2018 was made available. Based on the training record, it was observed the Safety Operation was conduct in the estate which focus with workers operation. The training list as below: i. MSPO Training ii. Fire Fighting Demo iii. Fire emergency Demo iv. Fire emergency exercise (Fire Drill) v. First aid training vi. Workplace safety vii. Workshop safety viii. Tractor driver's safety and health training ix. Harvesting Tool Handling x. Chemical Handling, Sprayers safety & health Training xi. Fertilizers application & management xii. Women welfare committee (Sexual harassment policy and grievances procedure) xiii. Environmental Training xiv. Triple rinse xv. MSPO internal audit training. As evidence, there was several training was conduct in the estate: a. Penjagaan Alam Sekitar 24.11.2018, Time:6.15am – 7.00am, venue at GM02 estate, attended by 17 attendees b. Cara-cara menyelenggara mesin/ jentera dan menerangkan akibat kecuaiian sewaktu bekerja. 29.11.2018, time: 7.30 venue at GM2/3 estate, attended by 15 attendees
Comment on Principle 5	<u>Environmental Management Plan</u> Environmental policy was integrated in MSPO policy which commit by General Operations Manager Mr. Chuo Kuong Ping, sign 1st July 2018. In the environment part, several issues need to highlight: a. Meeting applicable environmental rules and regulations in the palm oil industry through proper management practices.

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- 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.

It was observed Grand Mutual Oil Palm Plantation at Lot 72 of Sawai Land District, Miri Division and Lot 1, Block 3 of Jelalong Land District, Bintulu Division Sarawak had obtain Environmental Impact Assessment (EIA) approval from Natural Resources Environmental Board (NREB) dated 11st June 1998 with ref.no.: (8)NREB/6-4/74 which sign by Controller of Environmental Quality Mr James Dawos Mamit.

Efficiency of energy use and use of renewable energy

Record and usage of Non-renewable Energy (Diesel Consumption). As we can see at the table below, the actual consumption of diesel waste decreased from 2016 to 2017 due to good maintenance of machinery in the estate.

	2016	2017	2018
	Litre		
Actual usage	220,030	201,318	199,016
Estimated Budget	234,000	264,570	222,510

**latest as November 2018*

Usage of Diesel VS FFB 2018

Lowest FFB 1652.67 mt, diesel 17,553 L
Highest FFB 1,206.28 mt, diesel 19,153 L

Genset operation.

Genset 1 – 4.30 am -8.30 am, circle 4.00 pm till 11 pm
200Kva (cover for all area)
Genset 2 – 8.30am till 4pm
40Kva (staffs house, office, store, workshop and canteen.

Waste Management and Disposal

Based on interview with Estate Manager name, Mr Arun Abd Rahmat. He managed to identify the sources of pollution in the estate. List of the sources of pollution list as below:

- a. Canteen
- b. Chemical Store
- c. Lubricant Store
- d. Diesel Tank
- e. Water Treatment Plant
- f. Genset House
- g. Office

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- h. Schedule Waste Store
- i. Workshop
- j. Field Operation

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 refer 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: GM2-03-EN06REV0. Currently Environmental Monitoring Report for estate was available.

It was observed Grand Mutual Oil Palm Plantation at Lot 72 of Sawai Land District, Miri Division and Lot 1, Block 3 of Jelalong Land District, Bintulu Division Sarawak had obtain Environmental Impact Assessment (EIA) approval from Natural Resources Environmental Board (NREB) dated 11st June 1998 with ref.no.: (8)NREB/6-4/74 which sign by Controller of Environmental Quality Mr James Dawos Mamit.

Based on the Environmental Monitoring Report (EMR) it was observed there was 4 water was collect to monitor the water quality:

- W1 Sg. Masat
- W2 Tributary of Sg Jelalong
- W3 Ulu Sg Jelalong
- W4 Sg Jelalong

Based on the ER report, The values of pH recorded at all sampling stations (ranging from 6.3 to 6.9) were complied with the NWQS Class IIB limit range of pH 6.0 – 9.0.

The levels of Biochemical Oxygen Demand (BOD₅) at all stations were compliant with the NWQS Class IIB limit of 3.0 mg/l.

Chemical Oxygen Demand (COD) recorded at all stations (ranging between 6 mg/l and 14 mg/l) were remain complied with the NWQS Class IIB limit of 25 mg/l.

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	<u>Status of rare, threatened, or endangered species and high biodiversity value area.</u> It was observed the conservation area was located next to Block 21, 25 and 16 with size approximately 80 ha. This area not planted due to fall under category steep area >25°. <u>Zero Burning Practices</u> It was observed the estate was practice zero burning policy in the estate. The SOP for planting and replanting was available and practice on site.
Comment on Principle 6	<u>Site Management</u> Standard Operating Procedures on management practices approved 01/07/2018 and 05/07/2018 includes for: - Weeding for Mature Field (GM2-04-ES05BREV0) - Manuring for Mature Field (GM2-04-ES06BREV0) - Pest and Disease Control (GM2-04-ESO7REV0) - Site Management GM2-03-ES01REV0) - Harvesting (GM2-04-ES04REV0). Major 4 (4.6.1.3) All plantation roads are reasonably well designed, built and maintained but the drain in GM2 Block 30 are not well maintained resulting in water retention at roadside and soil erosion. <u>Economic and Financial Viability Plan</u> Business plan which includes operational plan for at least 2 years projections (2019 and 2020) was made available to Auditor in the Stage 2 audit. Profit and Loss Estimates for 2018 was available during Stage 2 Audit. <u>Transparent and fair price dealing</u> A monthly estate account is prepared for September 2018 and a quarterly estate account is prepared for Grand Mutual group and the estates. All contractors are provided with contracts: i) Asiantec Water Sdn. Bhd. (Contract No.: 5747) for Repair and upgrade of existing water treatment plant dated 19.10.2018. ii) San Hin Transport & Services (CF No.: 5576) for Transport of FFB from Grand Mutual 2 to BLD Mill. <u>Contractor</u> All contracts, with special clause to MSPO compliance, are mutually agreed to and signed by the contractors with clear terms and conditions stated in the Contract Agreement, for example with: i) San Hin Transport and Services (CF No.: 5576) for Transport of FFB from Grand Mutual 2 to BLD Mill dated 26 September, 2018..

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	ii) Asiantec Water Sdn. Bhd. (CF No.: 5746) for Repair and upgrade of existing water treatment plant dated 19.10.2018. Training of contractors for awareness and compliance to MSPO have been carried out: i) San Hin Transport and Services represented by Mr. Wong Hee Ming on 01/12/2018. ii) Asiantec Water Sdn. Bhd. represented by Mr. Lee Ling Wei on the 26th September, 2018.
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8. Nonconformities

MS2530-3:2013 Part 3

Non-Conformity	N° 1 of 4		Major 1			
	Date Recorded>	19 th Dec 2018	Due Date>	19 th Feb 2019	Date Closed>	12 th Feb 2019
Department / Function:	Administrative		Standard Ref.: Indicator		MSPO 2350-Part 3 4.2.2.3	
Document Ref.:	Criteria 2: Transparent method of communication and consultation		Issue / Rev. Status:		Closed	
Details of Nonconformity:	List of stakeholders was lacking.					
Objective Evidence:	It was observed the list of stakeholders available in the file of Stakeholder 009. The list of stakeholders consists of government agencies, services provider, employee representative and neighbours. A temporary neighbor, name Pusaka KTS Forest Plantation Sdn Bhd was not included in stakeholder list.					
Close-out evidence:	(i) Update stakeholder list to include Pusaka KTS Forest Plantation Sdn Bhd. • Updated stakeholder list (Appendix 1a) (ii) Brief Pusaka KTS Forest Plantation Sdn Bhd representatives on MSPO and grievances procedures. • Stakeholder briefing form (Appendix 1b) • Photos of meeting with stakeholder (Appendix 1c)					

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Non- Conformity	N° 2 of 4		Major 2			
	Date Recorded>	19 th Dec 2018	Due Date>	19 th Feb 2019	Date Closed>	12 th Feb 2019
Department / Function:	Administrative		Standard Ref.: Indicator		MSPO 2350-Part 3 4.4.1.1	
Document Ref.:	Criteria 1: Social Impact Assessment (SIA)		Issue / Rev. Status:		Closed	
Details of Nonconformity:	Implementation of social impact assessment was found in adequate					
Objective Evidence:	It was observed the Social Impact Assessment (SIA) report was available during the document assessment conduct name Grand Mutual Sawai Estates, Social Impact Assessment Report, December 2018. However, no land use map was attached in the report.					
Close-out evidence:	Attached Map in the SIA report. Map attached in SIA Report (Appendix 2)					

Non- Conformity	N° 3 of 4		Major 3			
	Date Recorded>	19 th Dec 2018	Due Date>	19 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.:	Criteria 4: Employees safety and health		Issue / Rev. Status:		Closed	
Details of Nonconformity:	Health medical surveillance and PPE assurance for the workers was found lacking based on OSHA requirements.					
Objective Evidence:	1. Based on interview with harvester and cross check with PPE issuance record for Hengria Sabir, dated joined 26.03.2013. The management only provide safety helmet in the record. 2. No annual medical health surveillance for sprayers.					
Close-out evidence:	(i) Provide appropriate PPE to the harvester. • PPE Issuance record for harvester (Appendix 3a) (ii) Sent sprayer for medical surveillance. • Medical surveillance for sprayer – Certificate of Fitness of sprayer (Appendix 3b)					

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Non- Conformity	N° 4 of 4		Major 4			
	Date Recorded>	19 th Dec 2018	Due Date>	19 th Feb 2019	Date Closed>	12 th Feb 2019
Department / Function:	Administrative		Standard Ref.: Indicator		MSPO 2350-Part 3 4.6.1.3	
Document Ref.:	Criteria 1: Site Management		Issue / Rev. Status:		Closed	
Details of Nonconformity:	Road design and regular maintenance was found in adequate.					
Objective Evidence:	Drainage system at block 30 section 1 was not properly maintained.					
Close-out evidence:	Construct drain and use culvert to improve the drainage system. Photo of improved drainage system at Block 30 (Appendix 4).					

9. General Observations & Opportunities for Improvement

Positive Observations:

- The support from Grand Mutual 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:

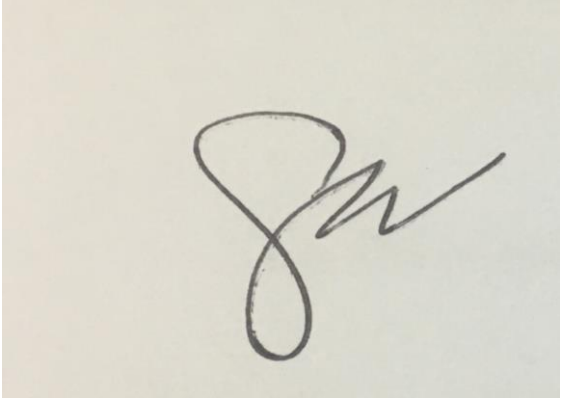
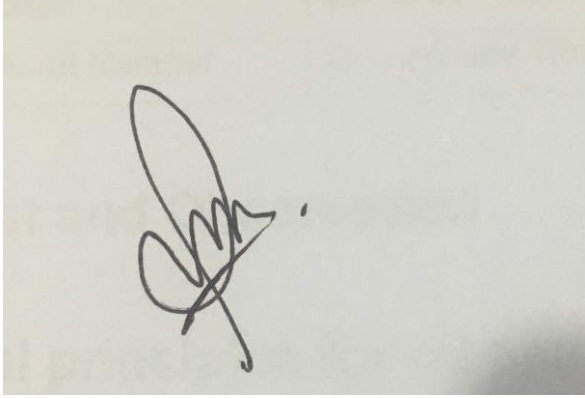
- The root causes of nonconformities should be clearly identified and tackle in appropriate method.
- The management should appoint suitable person to implement and maintain the traceability system to ensure all document recorded.
- Action taken on complaints and grievance by stakeholders should be highlight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

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Appendix 1: List of Stakeholders Interviewed

Stakeholder	Issue Raised	Remarks
<u>Asiantech Water (M) Sdn Bhd</u> External Mr. Leslie Lah Supervisor	No issue raised	Repair and Upgrade existing water treatment plant
<u>BLD Sawai Palm Oil Mill 60mt/hr</u> External Mr. Hu Chung Lai Production Manager	No issue raised	3,500 tonnes 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 <u>Interview via phone call</u> WWF-Malaysia (Sarawak Office) Tel: 082-247420/ 257420 Interview via phone (time call: 1 st Call: 2.32pm)	No issue raised	
Jabatan Keselamatan Kesihatan dan Pekerja (JKKP) Mr Mazidi Bin Gani Pemerisa kilang dan jentera 085-428151, Call: 12.30pm	No issue raised	Not available (Travelling)
Department of Environment (DoE) En Shahril Puan Zulaiha Cannot call 1428pm	No issue raised	No available

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On Behalf of Grand Mutual Sawai Estates	On Behalf of SGS Malaysia Sdn Bhd
	
Mr Seng Cheak Chai Financial Controller	Abdul Khalik Bin Arbi Lead Auditor

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