

## MY05056 Bintulu Lumber Development Sdn Bhd (Igan Palm Oil Mill) Audit Summary Report

<b>Organization:</b>	Bintulu Lumber Development Sdn Bhd (BLD Igan Palm Oil Mill)		
<b>Address:</b>	Bintulu Lumber Development Sdn Bhd (BLD Igan Palm Oil Mill) Lot 559, Block 0, Kabang Land District, Sibul, Sarawak		
<b>Standard(s):</b>	MSPO 2530-4:2013 : General Principles for Palm Oil Mill	<b>Accreditation Body(s):</b> DEPARTMENT STANDARDS MALAYSIA (DSM)	
<b>Representative:</b>	Mr Seng Cheak Chai (Financial Controller) Ms Lim Chen Tzen (Assistant Financial Controller)		
<b>Site(s) audited:</b>	BLD Igan Palm Oil Mill	<b>Date(s) of audit(s):</b>	21 <sup>st</sup> May 2018
<b>Visit Type:</b>	Stage 2	<b>Type of certification assessment</b>	Main Audit
<b>Lead auditor:</b>	Dickens Mambu (DM)	<b>Additional team member(s):</b> Audit Member (AM) Trainee Auditor (TA)	Abdul Khalik (AK) (AM) Jeffery Ridu (JR) (TA) Andrea Chin (AC) (TA)
This report is confidential and distribution is limited to the audit team, client representative and the SGS office.			

### 1. Audit objectives

The objectives of this audit were:

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

### 2. Scope of certification

#### **Processing of FFB and Production of CPO and Palm Kernel in compliance to the MSPO Certification Standard MS2530-4:2013 Part 4**

The audit covered the MS 2530-4:2013 requirements particularly MSPO Certification Standard **MS2530-4:2013 Part 4** (Palm Oil Mill)

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

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### 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 included 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:   3   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

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

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\*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:

<b>Organization:</b>	<b>Bintulu Lumber Development Sdn Bhd</b>		
<b>Address</b>	<b><u>Bintulu Lumber Development Sdn Bhd</u></b> <b>Crown Towers, 6th Floor, 88, Jalan Pending, 93450 Kuching, Sarawak.</b>  <b><u>BLD Igan Palm Oil Mill</u></b> <b>Lot 559, Block 0, Kabang Land, District Sibul, Sarawak</b> <b>Contact Person : Ms Lim Chen Tzen</b> <b>Phone No : 014-3930330 / 082-335331</b>		
<b>MPOB License No.:</b>	<b>556533004000</b>	<b>Expiry date:</b>	<b>1/01/2018 – 31/ 12/2018</b>
<b>Scope of Activity:</b>	Activities in the MPOB licence include: 1. <i>Menjual dan mengalih</i> (FFB, PK, CPO, SPO) 2. <i>Membeli dan mengalih</i> (FFB, CPO) 3. <i>Menyimpan</i> (PK, CPO, SPO) 4. <i>Mengilang</i> (FFB)		
<b>Visit Number:</b>	<b>02</b>	<b>Actual Visit Date:</b>	<b>21<sup>st</sup> May 2018</b>
<b>Date of certificate issued and validity</b>	<b>Nil (New applicant)</b>		
<b>Proposed Date Of Next Surveillance Audit</b>	<b>March 2018</b>		
<b>Other sustainability certification:</b>	<b>Nil</b>		
<b>Lead Auditor :</b>	Dickens Mambu Tel :014 6962400		
<b>Audit Member</b>	Abdul Khalik Arbi Tel : 0138628187		
<b>Additional Attendees and Roles</b>	Andrea Lim Yin Fei (Training Auditor) (AL) Jeffrey Ridu (Training Auditor) (JR)		
<b>Standard(s):</b>	<b>MSPO 2530:4: Palm Oil Mill</b>		
<b>Audit Language:</b>	English & Malay		

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<b>Audit Scope:</b>	<p>1.The audit covered One (1) site performing the following scope: Operations, comprising of management systems, process of Fresh Fruit bunches (FFB), documentation and mill assessment.</p> <p>2.The audit covered all the MSPO 2530 Part 4 requirements with no permissible exclusion of clause in compliance to the standard document</p>

Date	Time	SGS Team	Organisational and Functional Units/ Processes and Activities	Key Contact
21 <sup>st</sup> May 2018	am	ALL	Arrive Sibul (7.00 am)	DM / JR / AK / AL
21 <sup>st</sup> May	7.30 am 8.30 8.45 9.00  4.00pm 5.00pm 6.00 pm	ALL	<p><b><u>Igan Palm Oil Mill</u></b> MSPO 2530:4: Palm Oil Mill Sibu- Palm Oil Mill Arrive Igan Palm Oil Mill Opening Meeting Audit Process (Document)</p> <ul style="list-style-type: none"> <li>• Principle 1: Management commitment and responsibility</li> <li>• Principle 2: Transparency</li> <li>• Principle 3: Compliance to legal requirements</li> <li>• Principle 4: Social responsibility, health, safety and employment condition</li> <li>• Principle 5: Environment, natural resources, biodiversity and ecosystem services</li> <li>• Principle 6: Best practices</li> </ul> <p>Site Visit</p> <p>Mill site and Facility, environment components, safety and health requirement, Workers living conditions etc.</p> <p>Auditor meeting</p> <p>Audit Closing</p> <p>End of Audit Stage 2 Back to Sibul Airport</p>	Mill Personnel

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## Location and Maps

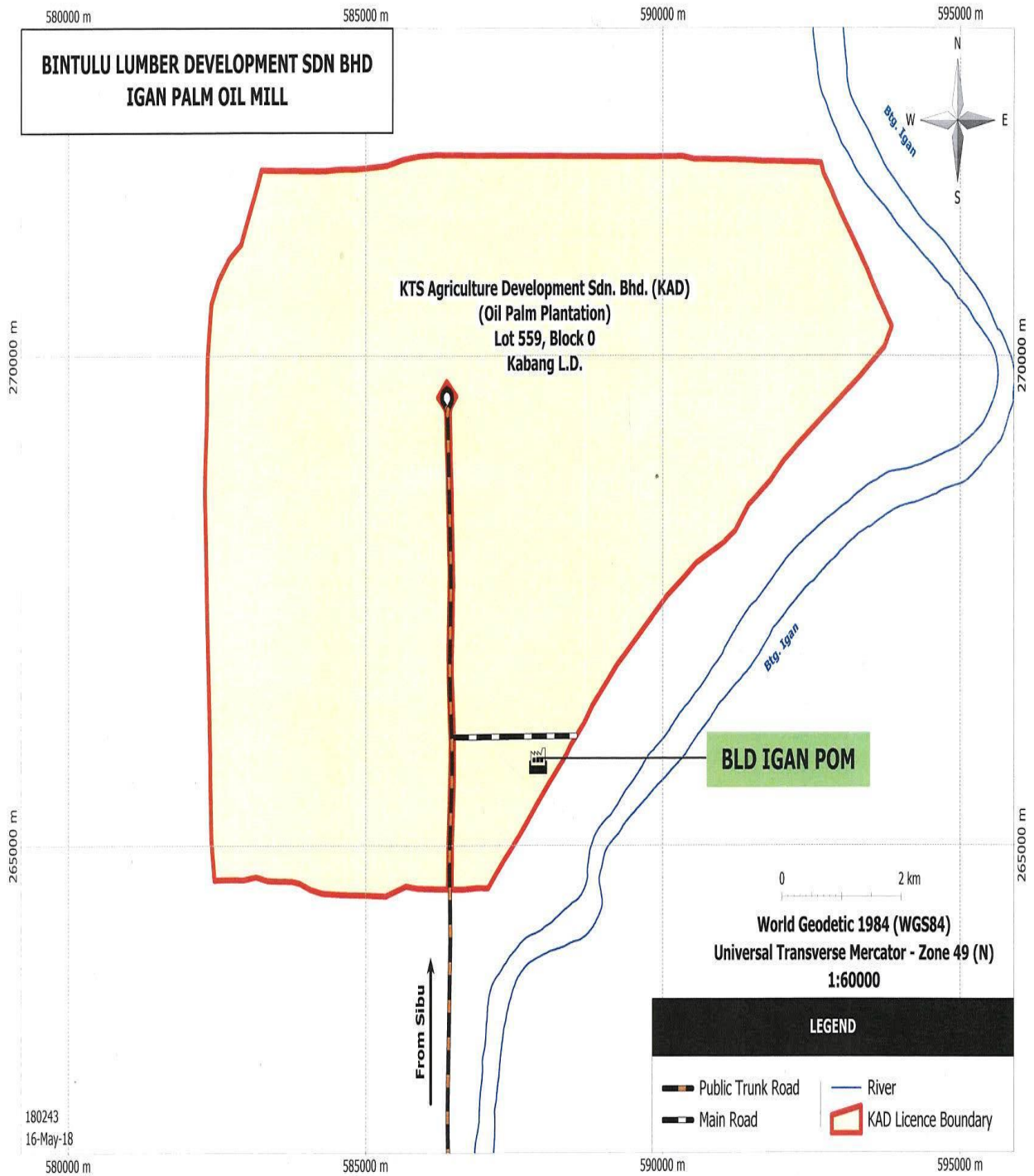
BLD has two mills namely Sawai POM and Igan POM. Igan POM is located on Lot 559, Kabang Land District of Sibuh. The processing capacity of the mill is 60 metric tons (MT) of FFB per hour. BLD Igan POM has officially started its operation since 2012. The GPS locations of the BLD Igan Palm Oil Mill are shown in Table 1.

**Table 1: Mill GPS Location**

	<b>Mill</b>	<b>Latitude and Longitude</b>	<b>Total Factory Building area Hectare (m<sup>2</sup>)</b>
1	BLD Igan Palm Oil Mill	02°24'19.8"N 111°47'19.0"E	648 m <sup>2</sup>
Total Area			648 m <sup>2</sup>

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## BLD Igan Palm Oil Mill Locality Map



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### Description of Mill Production

The FFB are sourced from the estate which are individually managed by BLD Sdn Bhd. Production of CPO and FFB is listed below in **Table 2** and Mill Processing Data can be seen in **Table 3**.

**Table 2: Actual CPO and FFB Production**

BLD Igan Palm Oil Mill	CPO Production (MT)		CPO Projection	FFB Production (MT)		FFB Projection
	Year 2017	Year 2018	Year 2018	Year 2017	Year 2018	Year 2018
January	3,703.30	4,954.10	5,115.60	19,104.06	27,456.49	25,200.00
February	2,556.63	4,403.71	4,486.30	15,560.81	23,425.16	22,100.00
March	3,973.87	4,584.09	4,466.00	16,891.10	26,258.55	22,000.00
April	4,351.67	5,160.44	5,481.00	20,798.00	26,150.62	27,000.00
May	5,238.22	5,593.69	5,887.00	28,069.68	27,401.64	29,000.00
June	7,257.85	5,588.13	6,090.00	37,498.31	29,362.87	30,000.00
July	7,795.06	6,489.99	6,394.50	40,046.88	33,206.31	31,500.00
August	9,157.44	8,448.71	7,511.00	42,213.85	41,931.03	37,000.00
September	7,925.44	Nil	Nil	40,217.89	Nil	Nil
October	8,128.42	Nil	Nil	36,443.79	Nil	Nil
November	6,031.85	Nil	Nil	31,162.28	Nil	Nil
December	4,423.67	Nil	Nil	22,124.44	Nil	Nil
<b>Total</b>	<b>70,543.42</b>	<b>45,222.86</b>	<b>45,431.40</b>	<b>350,131.09</b>	<b>235,192.67</b>	<b>45,431.40</b>

**Table 3: Mill Processing Data**

BLD Sawai Palm Oil Mill	Actual FY (2017)		Actual FY (2018)	
	CPO (mt)	PK (mt)	CPO (mt)	PK (mt)
Own source	70,543.32	17,121.41	45,222.86	18,885.97
	OER: 20.15%	KER: 4.89%	OER: 19.22%	KER: 4.85%

### 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/bintulu-lumber-development-sdn-bhd>

Stakeholder consultation took place in the form of meetings and interviews. As this was a main assessment, meetings with workers were held in their respective premises within and near the BLD Igan Palm Oil mill. In all the interviews and meetings the purpose of the audit was clarified

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at the outset followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded in accordance with relevant MSPO principles, criteria and indicators.

Comment on MS2530-4 Compliance Status:

<p>Comment on Principle 1</p>	<p><u>Policy on Implementation of MSPO</u>  The policy was sighted available as per MSPO requirement dated 1st January 2018. The policy contain commitment on MSPO requirement and also mention on continuous improvement in their operations. The policy by Mr Terry Ng Kian Kee, Acting General Operation Manager dated 31st May 2018. The policy consist of</p> <ol style="list-style-type: none"> <li>1.Safety &amp; health Commitment</li> <li>2.Good Social Practice Commitment</li> <li>3.Harrasment and Violence Prevention</li> <li>4.Environment Component and other sustainability component under MSPO requirement</li> </ol> <p><u>Internal Audit</u>  Internal audit latest conducted: 27th-28th July 2018  Internal audit review: 25th-26th September 2017</p> <p>From mill internal audit, 17 Non-Conformities (NC) was raised on 27th July and during the review it was reported 12NC already closed.</p> <p>Among issues raised in the internal audit</p> <ol style="list-style-type: none"> <li>1.Domestic waste management</li> <li>2.Scheduled waste management</li> <li>3.Environment compliances</li> <li>4.Information on Employment contract changes (Amendment) and briefing of the changes</li> </ol> <p><u>Management Review –</u>  The management review conducted on 26<sup>th</sup> March 2018 has the following discussed for the continuous suitability, adequacy and effectiveness of the requirements for effective implementation of MSPO and decide on any changes, improvement and modification :</p> <ol style="list-style-type: none"> <li>1) Actions from previous management reviews</li> <li>2) Suitability of existing MSPO Policy</li> <li>3) Information on the performance &amp; effectiveness of the MSPO management system</li> <li>4) The adequacy of current resources</li> <li>5) Opportunities for improvement</li> </ol> <p><u>Continual Improvement -</u>  The Management review report on continual improvement includes the following:</p> <ol style="list-style-type: none"> <li>1) Dust emission system to be installed. Due by June 2019.</li> </ol>
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	<p>2) Biogas plant to be built as per MPOB requirement by December 2020.</p> <p>3) MPOCC requirement that all Palm Oil Mills be MSPO certified.</p>
<p>Comment on Principle 2</p>	<p><u>Transparency of documents relevant to MSPO requirements –</u> The mill management will communicate all information requested by relevant stakeholders thru mill. This will be based on types of inquiry. All information relating to external stakeholder will be responded by HQ top management.</p> <p>From the Mill's procedure on Complaints &amp; Grievances (IPOM-L3-SR02) revised 11/5/2018 and the Procedure on Local Sustainable Development (IPOM-L3-SR03) dated 1/12/2017, the management will communicate with interested stakeholders on information requested and reply accordingly.</p> <p><u>Transparent method of communication and consultation –</u> The company has established a Procedure on Local Sustainable Development (IPOM-L3-SR03) dated 1/12/2017 for consultation and communication with the relevant stakeholders.</p> <p>The document also includes a flow chart of 'Request Info from Stakeholders and responses.</p> <p><u>Traceability –</u> In the Mill Manual, the document for the implementation and maintenance of the requirements for traceability is documented.</p> <p>Traceability and Mass Balance It include the following sections:</p> <ol style="list-style-type: none"> <li>1) Purpose</li> <li>2) Scope</li> <li>3) Responsibilities</li> <li>4) Definition</li> <li>5) Procedure</li> </ol> <p>They have a flowchart to show how to trace back a delivery form the FFB source. The management has provided Traceability Procedure dated 1<sup>st</sup> December 2018.</p> <p>Within the procedure, traceability flowchart was sighted.</p>
<p>Comment on Principle 3</p>	<p><u>Regulatory requirements –</u> It was observed the management had follow regulatory requirements by Malaysian laws, as example machineries validity was up-to-date; Some of</p>

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	<p>the validity list as below under Factories and Machineries Act Perakuan Kelayakan Dandang : FMA 1967 Regulations 10 (2) No Pendaftaran SW PMD 1111, Valid till: 07/06/2019.</p> <p>The management has provided law register. The law register is update every quarter by the Mr Chiong Jong Song</p> <p>The management have provided legal register such as:</p> <ol style="list-style-type: none"> <li>1) Environmental Quality Act 1974 (Act 127)</li> <li>2) Environmental Quality (Prescribed Premises) Crude Palm Oil )Order 1997</li> <li>3) Factories and machinery Act 1967 (Act 139) &amp; Regulations &amp; Rules Minimum Wages 2016 available</li> </ol> <p><u>Customary rights –</u> It was observed, Igan Palm Oil Mill rent this land from KTS Agriculture Development Sdn Bhd. The Supplement Agreement can be verified throughout agreement between KTS Agriculture dated 1st April 2014. With size of land 50 hectares (123.55 acres) only.</p> <p>The mill is located within Provisional lease of state land according to lease of state land on lot No. 559, Block O, Kabang Land District. (hereinafter referred to as “the Demissed Premises”)</p> <p>The legal acquisition was proven via tenure agreement between KTS Agriculture Sdn Bhd.</p>
<p>Comment on Principle 4</p>	<p><u>Social Impact Assessment –</u> BLD Igan Palm Oil Mill presented the stakeholders meeting minute, feedback and list of stakeholders attended.</p> <p>The stakeholders meeting has been conducted on 10<sup>th</sup> March 2018 with only attend by 24 persons. Noted that total stakeholders are 25.</p> <p>The meeting discussed on -MSPO certification introduction and briefing</p> <p>During the meeting, stakeholders request list as below:</p> <ol style="list-style-type: none"> <li>1) Mr Randi anak Jampi request a copy of MSPO Standard, action already taken by Social Liaison Officer on 16<sup>th</sup> March 2018</li> <li>2) Mr. Raymond Anak Dennis request of renewed FFB Purchase Agreement as they also need comply to MSPO Certification. action already taken by Social Liaison Officer via letter dated 1<sup>st</sup> January 2018, ref. no.: BLDIGPOM/CA/KK/180101c. 16<sup>th</sup> March 2018</li> </ol> <p><u>Complaints and grievances –</u> It was observed the Standards Operation Procedure for complains and grievances procedure was available, which can refer in file Standard</p>

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	<p>Operation Procedure (SOP). One record of complaint was available during the audit conduct dated on 16th May 2018 from Mr Shaun Law Sie Wen.</p> <p><u>Commitment to contribute to local sustainable developments</u> – BLD Igan Palm Oil Mill supply water to the nearby communities.</p> <p><u>Employees health and safety</u> – Safety and health policy was incorporated within MSPO General policy.</p> <p>The Safety and health statement was signed by the Mr Terry Ng Kian Kee acting General Operation Manager dated 24<sup>th</sup> April 2018</p> <p>Inline to ensure the safety policy followed. Some of the training was conducted list as below:</p> <ol style="list-style-type: none"> <li>1) Chemical Spillage Training 18<sup>th</sup> May 2018 Attended by 14 persons</li> <li>2) Fire Fighting Equipment Training 15<sup>th</sup> May 2018 Attended by 18 persons</li> <li>3) MSPO Awareness Briefing 24<sup>th</sup> April 2018 Attended by 20 persons</li> </ol> <p>The document can be verified in File “Bintulu Lumber Development Sdn Bhd Internal Training”</p> <p><u>Employment conditions</u> – Management ensure that employees’ pay and conditions meet legal or industry minimum standards as per Collective Agreements.</p> <p>Based on the April payslip for Mr Wijono Edy (Employee ID: D140016S) Net pay for this month is RM1,910.30 which are comply with minimum wages 2016.</p> <p>Other info include :</p> <ol style="list-style-type: none"> <li>1) Working Hours : 6:00 – 2:00 PM</li> <li>2) Normal Wage rate</li> <li>3) Overtime rate: 1.5 x</li> <li>4) Weekly rest day pay : 2 x</li> <li>5) Public Holiday : 18</li> <li>6) Pay on Public Holiday : 3x</li> <li>7) Medical Treatment</li> <li>8) Paid Annual Leave ( as per memo 27/12/12 Ref: MEMO/GCEO/082/2012 in accordance to Sarawak Labour Ordinance</li> <li>9) Repatriation</li> <li>10) Advance</li> <li>11) Termination</li> </ol>
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For locals the following is in the contract:

- 1) Name: Janet ak Juntan
- 2) NRIC : 890420135292
- 3) Permanent Address: Rumah Ubok
- 4) Date of commencement: 9/6/15
- 5) Nature of employment: General Clerk ( Mill ) from 1/8/17
- 6) Duties and responsibilities
- 7) Location: Sabaju Mill
- 8) Working Hours : 7 – 4 pm
- 9) Salary : Daily Paid
- 10) Accommodation
- 11) Utilities such as water and electricity
- 12) Age of retirement
- 13) Validity of contract of Service
- 14) Severability
- 15) General Terms and Condition

Social benefit provide by employer to employee's such as

- 1) Housing
- 2) Subsidised electricity and water
- 3) Free transportation to town after payday
- 4) Sports facilities: Table tennis, badminton, Sepak takraw, basketball, etc
- 5) Free medical at Sabaju 3 Clinic
- 6) Emergency transport to General Hospital Sibul
- 7) Annual Party ( as per agreed with workers )
- 8) Accident Insurance

For local employee :

- 1) As above
- 2) Panel clinic
- 3) Scholarship for employee children
- 4) Bonus
- 5) Annual increment
- 6) Long service award ( 10 year s)
- 7) etc

Training and competency –

The occupational safety and health plan known as 'Annual Training Programme Jan – Dec 2018 ' cover the following:

There are 27 topics listed that include:

- 1) Policy
- 2) SOP
- 3) New workers induction
- 4) Grading skills

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	<p>5) Accident Reporting          6) Register of chemical Hazardous &amp; chemical handling          7) HIRARC          8) ERP          9) First Aid Training          10) Confined space</p> <p>Igan Palm Oil Mill has evidence of a Revised Training Matrix for SOPB Group Palm Oil Mill for the following position:</p> <p>1) Manager          2) Engineer          3) Supervisor/ Mechanic          4) Clerk          5) AP          6) Worker          7) Contractor</p> <p>The training programme is based on the following category :</p> <p>1) SOPB Policies and Procedures          2) Operation          3) Administrative          4) Safety and Health          5) Sustainability          6) Competency Training</p> <p><b><u>Major 1</u></b></p> <p><b><u>Indicator 4.4.4.2</u></b></p> <p>Igan Palm Oil Mill has established a form, <i>Personnel Training Record</i> to evaluate the workers understanding of the training. It can be find in training record file.</p> <p><b>Safety and Health Requirement are not fully implemented.</b></p> <p>1. It was found that empty chemical containers were dumped at scrap metal areas which are not following proper schedule waste procedure.          2. The management has provided MSPO briefing to stakeholders which includes Kunciraya Sdn Bhd as transporter. However, it was observed that the workers were not wearing gloves during the handling process. The signage of wearing gloves was sighted at site.</p> <p><b>Waste disposal are not fully implemented.</b></p>
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	<p>It was found that the mill workshop did not store tyres at a proper location. Therefore, it can be exposed to rain water and this can lead to mosquito breeding in the future.</p> <p><b>Scheduled Waste has not been disposed according to the Environmental Quality Act Regulations 2005.</b></p> <p>It was found that in the schedule waste procedure Document No: IPOM I-3-EN03, laboratory waste is also included in the schedule waste components. However, there are no records shown on the laboratory waste disposal since January 2017 to April 2018.</p>
<p>Comment on Principle 5</p>	<p><u>Environmental management programme</u> –</p> <p>The management has provided Sustainability Policy which included environment component.</p> <p>The policy signed by Acting General Operation Manager dated : 24<sup>th</sup> April 2018</p> <p>The policy commits to achieve environmental sustainability by</p> <ol style="list-style-type: none"> <li>1.Compliance to environmental regulations</li> <li>2.Implementing MSPO principles and criteria</li> <li>3. Maintain the culture of caring for environment within the works force.</li> <li>4.Preventing Pollution by striving to minimize waste generations and resource consumptions</li> </ol> <p>The management has provided continual improvement plan for BLD Igan Palm Oil Mill I for 2018.</p> <p>Item incorporate in the plan are</p> <ul style="list-style-type: none"> <li>Dust Emission System Installation</li> <li>Biogas Plant Facility</li> <li>Chemical Store Upgrading</li> <li>Fire Certificate for fire safety facilities</li> <li>MSPO Process and Performance and Conformance</li> </ul> <p>The continual improvement plan will be monitored by the mill management through their monthly meeting.</p> <p>Example: Repair and Maintenance meeting latest 14<sup>th</sup> May 2018 discuss on implementation status of Biogas plant, Bomba upgrading and status and maintenance planning for IPOM.</p> <p>The environmental Impact and Aspect Assessment Document title : IPOM-L3-SH01/F01 included</p> <ol style="list-style-type: none"> <li>1. Aspect Identification</li> <li>2.Impacts</li> <li>3.Current Control</li> <li>4.Risk Assessment</li> <li>5.Risk Control</li> </ol>

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The management has provided evidence on compliances on existing regulatory requirements based on 'Technical Guidance Document on Performance Monitoring of Air Pollution Control System'.

*This was sighted through its 'Jadual Pematuhan Lesen " JPKKS\_SIBU/2017/001703A with license valid : 1<sup>st</sup> July 2017-30 June 2018 . Latest renewal for Jadual Pematuhan was conducted on 8<sup>th</sup> March 2018*

Efficiency of energy use and use of renewal energy –

The management has provided Improvement Plan which included biogas project to capture biogas for power generation and to reduce the release of methane gas into atmosphere (2018 Improvement plan)

On the Energy Optimization Plan, the management has provides diesel consumption record that shows diesel usage

Diesel Record: Latest May 2018 was sighted during audit.

The management show record on water usage for mill operation. The latest water usage records on April 2018 was sighted.

Waste management and disposal –

a)The management show record for its waste products in their 2018 inventories

b)The identification of waste follow the definition within organisation document : IPOM-L3-EN03

1.Scheduled waste

a)Laboratory waste

b)Spent / waste oil

2.Office waste / General Waste

c) The management has provided record of Bunch Ash production (the mill have incinerator)

**Major 2**

**Indicator 4.5.3.1**

Based on visual inspection, it was sighted, waste collection was in Estate 1 Division 1 (KTS Agriculture Development). However, It was found, at mill workshop that used tyres were collecting rain water. This can lead to mosquito breeding in the future.

It was also sighted the management has provided SOP on handling of chemicals. Components within the document

1.Safe Precaution

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	<p>2.Before handling the chemical 3.During handling chemical 4.After handling the chemical</p> <p>Record of Scheduled waste disposal also available, list as below: a)SW102 Battery b)SW 305 Used Oil c)SW 410 Used Oil Filter Record of February, March, April and May 2018 was sighted.</p> <p><b>Major 3</b> <b>Indicator 4.5.3.4</b></p> <p>It was found that in the schedule waste procedure Document No: IPOM I-3-EN03, laboratory waste is also included in the schedule waste components. However, there are no records shown on the laboratory waste disposal since January 2017 to April 2018.</p> <p><u>Reduction of pollution and emission –</u> Inline to ensure reduction of pollution and emission to the environment. The management has follow mitigating measures by Department of Environment (DOE). The mill require to submit report list as below :</p> <p>1.Environment Monitoring report (stack- latest : July- December 2017 Stack Emission Monitoring Report</p> <p>2.Environment Monitoring Report Incinerator : July – December 2017 Incinerator 1&amp;2</p> <p>3.Boiler Calibration latest 26<sup>th</sup> April 2018</p> <p>The Green House Gas Emission Monitoring record was made available via IPOM-L3-ENO01/F01.</p> <p>The management has provided records on POME test report with latest report January- March 2018</p> <p>From the record, POME final discharge limits is accordance with the DOE final discharge limits.</p> <p>The POME certificate analysis was sighted during audit. Latest analysis was conducted on February 2018.</p> <p><u>Natural water resources –</u> The management has provided 1 water testing analysis for drinking water (latest 9 March 2018) Document Title : Natural Water Resources : IPOM/L3/EN04 December 2017</p>
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	<p>From the analysis, it was noted that the domestic water quality was within permit limit for water consumption based on National Water Quality Standard (NWQS)</p> <p>Boiler water monthly (Latest report : 10<sup>th</sup> April 2018)</p> <p>The monitoring of the implementation of water management plan is overall done by the Mill Manager.</p> <p>The final discharge for POME into water course was sampled and sent for laboratory analysis by the estate management. The management has provided records on POME test report with latest report January- March 2018.</p>
<p>Comment on Principle 6</p>	<p><u>Mill management</u> –</p> <p>The management has provided SOP on Mill Operations with regards to MSPO which includes:</p> <ol style="list-style-type: none"> <li>1.Environmental Aspect, Environmental Impact (IPOM-L3-EN01)</li> <li>2.Energy Management (IPOM-L3-EN02)</li> <li>3.Waste Management (IPOM-L3-EN03)</li> <li>4.Natural Water resources</li> <li>5.Employment (IPOM-L3-HR01)</li> <li>6.Training &amp; Competency</li> <li>7.Site Management (IPOM-L3-ML01)</li> <li>8.Hazard Identification, Risk Assessment, Risk Control (IPOM-L3-SH01)</li> <li>9.General Safety &amp; Health</li> <li>10.Personal Protective Equipment (IPOM-L3-SH03)</li> <li>11.Accident Investigation &amp; Reporting (IPOM-L3-SH04)</li> <li>12.Emergency Preparedness and Response (IPOM-L3-SH05)</li> <li>13.Chemical Handling (IPOM-L3-SH06)</li> <li>14.Social Impact (IPOM-L3-SR01)</li> <li>15. Complaints &amp; Grievances (IPOM-L3-SR02)</li> <li>16.Local Sustainable Development (IPOM-L3-SR03)</li> <li>17.Internal Audit (IPOM-L3-TM01)</li> <li>18.Management Review</li> <li>19.Transparent Method</li> <li>20.Traceability</li> <li>21. Legal Requirements</li> <li>22.Economic &amp; Financial Viability Plan</li> <li>23.Transparent &amp; Fair price Dealing (IPOM-L3-TM07)</li> </ol> <p>Under No.7 Site Management for the Mill, there are Working Instructions Standard such as:</p> <ol style="list-style-type: none"> <li>1. FFB Grading Manual (IPOM-L4.1-ML02)</li> <li>2. FFB Reception Station (IPOM-L4.1-ML01)</li> <li>3. Sterilization Station (IPOM-L4.1-ML03)</li> <li>4. Boiler Station (IPOM-L4.1-ML09)</li> </ol>

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The SOP will be amended by the Head of Mill and approved by Top Management represented by Mr Terry Ng Kian Kee, Act. General Operation Manager.

Economic and financial viability plan –

The management has provided 5 years production projection for year 2018-2023 (in MT)

Year	FFB	CPO	PK
2018	360,000	71,280	12,960
2019	360,000	72,000	13,320
2020	360,000	72,720	13,680
2021	360,000	73,080	14,040
2022	360,000	73,800	14,400
2023	360,000	74,160	14,400

Review of 2 years production

	2017	2016
FFB Act	349,854	350,131
FFB Bud	296,174	300,483
Oil Act	69,712	70,543
Oil Bud	60,123	61,899

The projection of production versus actual production is monitored by Mr Simon Chiong, Head of Mill and Mr. Andrew Tiong Kuong Sii, Act. Administrative Manager

Transparent and fair pricing dealing –

The mill management receives FFB from internal as well as from external suppliers. There are 57 registered external suppliers including smallholders and internal suppliers comprise of BLD Kabang Estates 1,2,3,4,5,&6.

Total smallholder registered with Igan Palm Oil Mill is 17 smallholders.

Pricing mechanism:

According to Mr. Terry Ng, the pricing mechanism for Igan Palm Oil Mill for FFB purchase are spelt out in the Contract Agreement.

Similarly for the sale of Crude Palm Oil and Palm Kernel Oil are spelt out in the Contract Agreement.

However, they follow the pricing set by MPOB and any changes will be informed by MPOB.

Contractor –

The management has provided list of contractors:

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	<ol style="list-style-type: none"> <li>1. Kunciraya Sdn Bhd for transporting of FFB</li> <li>2. Metro Sepadan Sdn Bhd as sub-contractor for Kunciraya.</li> <li>3. Teleng Trading Sdn Bhd for internal transport of FFB</li> <li>4. Nabbir Laboratory (Sarawak) Sdn Bhd for water sampling and laboratory</li> <li>5. Kien San Metal (Sibu) Sdn Bhd for Scheduled Waste transportation and storage. (DOE licence N. 001739 and No. 001740 , both dated 3/8/2012 and expiry 30/4/2018) Renewal is being done.</li> </ol> <p>Findings on contractor's compliance to MSPO, as seen in MSPO Terms and Conditions for Contractor (Ref: Form No. IPOM-L3-HR01/F01) Evidence seen as follows for:</p> <ol style="list-style-type: none"> <li>1. Kunciraya Sdn Bhd</li> <li>2. Metro Sepadan Sdn Bhd</li> <li>3. KT &amp; T Company</li> </ol>
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## 7. Nonconformities

### MS2530-4:2013 Part 4

<b>Nonconformity</b>	N° 1 of 3		Major 1			
	<b>Date Recorded:</b>	21 <sup>st</sup> May 2018	<b>Due Date:</b>	21 <sup>st</sup> July 2018	<b>Date Closed:</b>	21 <sup>st</sup> June 2018
Department / Function:	Administrative		Standard Ref.: Indicator		MS2350-Part 4 4.4.4.2	
Document Ref.:	Criterion 4: Employees safety and health		Issue / Rev. Status:		Closed	
Details of Nonconformity:	Safety and Health Requirement are not fully implemented					
Objective Evidence:	<ol style="list-style-type: none"> <li>1. It was found that empty chemical containers were dumped at scrap metal areas which are not following proper schedule waste procedure.</li> <li>2. The management has provided MSPO briefing to stakeholders which includes Kunciraya Sdn Bhd as transporter. However, it was observed that the workers</li> </ol>					

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	were not wearing gloves during the handling process. The signage of wearing gloves was sighted at site.
Close-out evidence:	<p>1. Memo to workers has been issued to remind them to practice proper disposal of waste (<b>Appendix 3</b>) and display at notice boards in workshop, processing area, weighbridge and canteen (<b>Appendix 3.1</b>).</p> <p>2. Waste handling training were conducted on 24th May 2018 to ensure workers know the proper way to dispose waste by following the mill procedure (Ref: IPOM-L3-EN05)(<b>Appendix 4</b>). The list of attendance for waste handling training (<b>Appendix 4.1</b>).The training materials for Waste Handling training conducted on 24th May 2018 (<b>Appendix 4.2</b>)</p> <p>5. Igan Palm Oil Mill has sent a letter to Kunciraya Sdn Bhd to ensure their workers are using Personal Protective Equipment (PPE) during handling process in Igan Palm Oil Mill. (<b>Appendix 5</b>).</p> <p>6. Kunciraya Sdn Bhd has agreed on providing PPE for their workers and brief their workers to ensure they wear PPE during handling process in Igan Palm Oil Mill. (<b>Appendix 6</b>). Kunciraya workers wearing complete PPE during handling process (<b>Appendix 6.1</b>).</p>

<b>NonConformity</b>	N° 2 of 3	Major 2	
	<b>Date Recorded:</b> 21 <sup>st</sup> May 2018	<b>Due Date:</b> 21 <sup>st</sup> July 2018	<b>Date Closed:</b> 21 <sup>st</sup> June 2018
Department / Function:	Administrative	Standard Ref.: Indicator	MS2350-Part 4 4.5.3.1
Document Ref.:	Criterion 3: Waste management and disposal	Issue / Rev. Status:	Closed
Details of Nonconformity:	Waste disposal are not fully implemented.		
Objective Evidence:	It was found that the mill workshop did not store tyres at a proper location. Therefore, it can be exposed to rain water and this can lead to mosquito breeding in the future.		
Close-out evidence:	<p>Close-out evidence:</p> <p>1. Used tyre have been removed from the workshop, placed in the designated shaded store and covered to prevent the collection of water in the used tyre. (<b>Appendix 7 &amp; Appendix 7.1</b>).</p>		

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	<p>2. Memo to workers has been issued to remind them to practice proper disposal of used tyre. (<b>Appendix 3</b>).</p> <p>3. Waste handling training were conducted on 24th May 2018 to ensure workers knows the proper way to handle and disposed used tyre by following the mill procedure (Ref: IPOM-L3-EN05)(<b>Appendix 4</b>).</p>
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NonConformity	N° 3 of 3	Major 3	Minor 0
	<b>Date Recorded:</b> 21 <sup>st</sup> May 2018	<b>Due Date:</b> 21 <sup>st</sup> July 2018	<b>Date Closed:</b> 21 <sup>st</sup> June 2018
Department / Function:	Administrative	Standard Ref.: Indicator	MS2350-Part 4 4.5.3.4
Document Ref.:	Criterion 3: Waste management and disposal	Issue / Rev. Status:	Closed
Details of Nonconformity:	Scheduled Waste has not been disposed according to the Environmental Quality Act Regulations 2005.		
Objective Evidence:	It was found that in the schedule waste procedure Document No: IPOM I-3-EN03, laboratory waste is also included in the schedule waste components. However, there are no records shown on the laboratory waste disposal since January 2017 to April 2018.		
Close-out evidence:	<p>1. SW409 is registered into e-SWIS system (<b>Appendix 1</b>).</p> <p>2. Empty containers of oil and grease is disposed as SW409 in the schedule waste store. It shall be disposed within 180 days or 20MT or whichever comes first (<b>Appendix 2</b>).</p> <p>3. SW422: Mixture of Scheduled Waste &amp; Non-Scheduled Waste is registered into e-SWIS system (<b>Appendix 8</b>).</p> <p>4. Quotation have been obtained from the licensed collector, the laboratory waste will be kept in scheduled waste store according to EQA and will be collected by the licensed collector within the specific period or quantity (<b>Appendix 9</b>). The next collection is expected to be in the 4th quarter of 2018.</p>		

Nonconformities detailed here shall be addressed through the organization's corrective action process, in accordance with the relevant corrective action requirements of the audit standard, including actions to analyse the cause of the nonconformity and prevent recurrence, and complete records maintained.

- Corrective actions to address identified major nonconformities shall be carried out immediately and SGS notified of the actions taken within 30 days. An SGS auditor will perform a **follow up visit** within 60 days to confirm the actions taken, evaluate their effectiveness, and determine whether certification can be granted or continued.
- Corrective actions to address identified major nonconformities shall be carried out immediately and **records with supporting evidence sent to the SGS auditor** for close-out within 60 days.
- Corrective Actions to address identified minor non conformities shall be documented on an action plan and sent by the client to the auditor within 60 days for review. If the actions are deemed to be satisfactory they will be followed up at the next scheduled visit

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- Corrective Actions to address identified minor non-conformities have been detailed on an action plan and the intended action reviewed by the Auditor, deemed to be satisfactory and will be followed up at the next scheduled visit.
- Appropriate immediate action taken in response to each non-conformance as required

Note:- Initial, Re-certification and Extension audits – recommendation for certification cannot be made unless check box 4 is completed. For re-certification audits the time scales indicated may need to be reduced in order to ensure re-certification prior to expiry of current certification.

Note: At the next scheduled audit visit, the SGS audit team will follow up on *all* identified nonconformities to confirm the effectiveness of the corrective actions taken.

## 8. General Observations & Opportunities for Improvement

### Positive Observations:

- The support from Bintulu Lumber Development Sdn Bhd (Igan Palm Oil Mill) personnel, especially the ground staff contribute to the smoothness and success 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 good assets to the company. Their cooperativeness, and hospitality are commendable.
- Organised documentation & highly commitment towards certification.

### Important Observations and Opportunities for Improvements:

- Safety and waste disposal should be improved in order to sustain a safe working environment for all workers.
- The MSPO briefing should be communicated to the stakeholders to ensure safety and health requirement is implemented during working activities.
- The management should adhere to Environmental Quality Act

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## Appendix 2: List of Stakeholders Interviewed

Stakeholder	Type of Stakeholder	Issues raised	Comments/ Action Taken
En Wan Zen Wan Salleh	FFB Supplier  KTS Agriculture Development Sdn Bhd (Senior Estate Manager)	Attended stakeholders Meeting on MSPO following the requirements  Suggestion box available enabling direct complaint to BLD Igan POM where and when necessary.	NIL
En Ting Moi Ngie	External Stakeholders  Kirana Palm Oil Refinery (QAQC Manager)	One of the MSPO main committee member.	NIL
En Hii Poh Hui	External Stakeholders  Tanjung Manis Bulkera Sdn Bhd (Operation Manager)	Attended stakeholders Meeting on MSPO following the requirements.	NIL
En Raymond ak Dennis	Koperasi Penanaman Sawit Mampan Dearah Selangau Sibu Berhad (Manager)	Attended meeting on MSPO acting as the contact person for panel members to channel any complaints and comments.	NIL

Signed on behalf of **Bintulu Lumber  
Development Sdn Bhd (Igan Palm Oil  
Mill)**



Signed on behalf of **SGS Malaysia Sdn  
Bhd**



**Ms Lim Chen Tzen**  
Assistant Financial Controller  
21<sup>st</sup> September 2018

**Mr Dickens Mambu**  
Regional Head Certification (Sarawak)  
Manager, Palm Oil Base (East Malaysia)  
21<sup>st</sup> September 2018

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