

## Management System Certification Audit Summary Report

Organization:	PPB OIL PALMS BERHAD ( Saremas 1 Palm Oil Mill )		
Address:	KM 115 Bintulu Miri Road 97008 Bintulu Sarawak, Malaysia <a href="mailto:ppbop.srpom1@my.wilmar-intl.com">ppbop.srpom1@my.wilmar-intl.com</a>		
Standard(s):	MS2530-3:2013 and MS2530-4:2013	Accreditation Body(s): STANDARDS MALAYSIA	
Representative:	1) Chang Sip Woon , AGM 2) Raymond Elah , SU – CSR 3) Ricky Godwin, Manager – Sustainability 4) Donald S. Jalani, Mill Manager 5) Pang Kim Chuan, GEM 6) Snr Estate Managers, Estate Managers, ESHO, Assistants, etc		
Site(s) audited:	As per site address above	Date(s) of audit(s):	28-30 <sup>th</sup> November 2017
Visit Type:	Main Assessment		
Lead auditor:	James S H Ong	Additional team member(s):	Mohd Jailan Iqbal  Dr Anthony Tibok
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

**Cultivation of oil palm for the production of FFB and the processing for the production of CPO and Palm Kernel in compliance with MS2530-3:2013 Part 3 and MS2530-4:2013 Part 4**

The audit covered the **MS2530-3:2013 Part 3 and MS2530-4:2013 Part 4** requirements

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 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: 02 Major 00 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 ( not applicable )

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

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

### 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 Planning Matrix and the Audit Plan. In performing the audit, various audit trails and linkages were developed, including the following primary audit trails, followed throughout:

### Background of Company / Holding

PPB invested in oil palm cultivation in 1986 through the acquisition of Saremas Sdn Bhd to develop an oil palm plantation in Sarawak and in the following year, acquired 60% equity interest in Sapi Plantations Sdn Bhd to operate an oil palm project in Sabah. In 1995, PPB expanded its oil palm operations to Indonesia with a 70% equity interest in PT Tidar Sungkai Sawit (“TSS”). PPB’s oil palm operations in East Malaysia were subsequently merged under PPB Oil Palms Berhad (“PPBOP”) which was listed on the KLSE (now known as Bursa Securities) in 1997.

### Location and Maps

Saremas 1 POM, Saremas 1 Estate and Saremas 2 (Division D) Estate, are all located in the Miri District, Sarawak, Malaysia. The supply base and the mill can be accessed via the Bintulu-Lahad Datu (BLD) Road from its intersection with the Bintulu-Miri Road.

Another access is via the Public Works Department (PWD) road from Simpang Jawa through Rumah Datu and the Suai Plantation which is linked back to the BLD Road.

In the immediate vicinity are longhouses and other oil palm plantations. Some of the longhouses listed on the stakeholders that are within the vicinity are Rumah Akai, Rumah Brain, Rumah Golan, Rumah Tapu, Rumah Merudi, Rumah Ujoh, Rumah Sabang, Rumah Ugos, Rumah Clarence.

Saremas 1 Palm Oil Mill receives FFB from 3 supply base estates located within the location, namely Saremas 1 Estate, Saremas 2 Estate and Suai Estate with a combined titled area of about 17,798.41ha.

In this initial MSPO audit based on the MSPO sampling methodology, 2 estates were sampled, i.e. Saremas 1 Estate and Suai Estate

More detailed information on the estates location and layouts is shown in **Figures 1- 4**. The GPS locations of the mill and the 3 estates are shown in **Table 1**.

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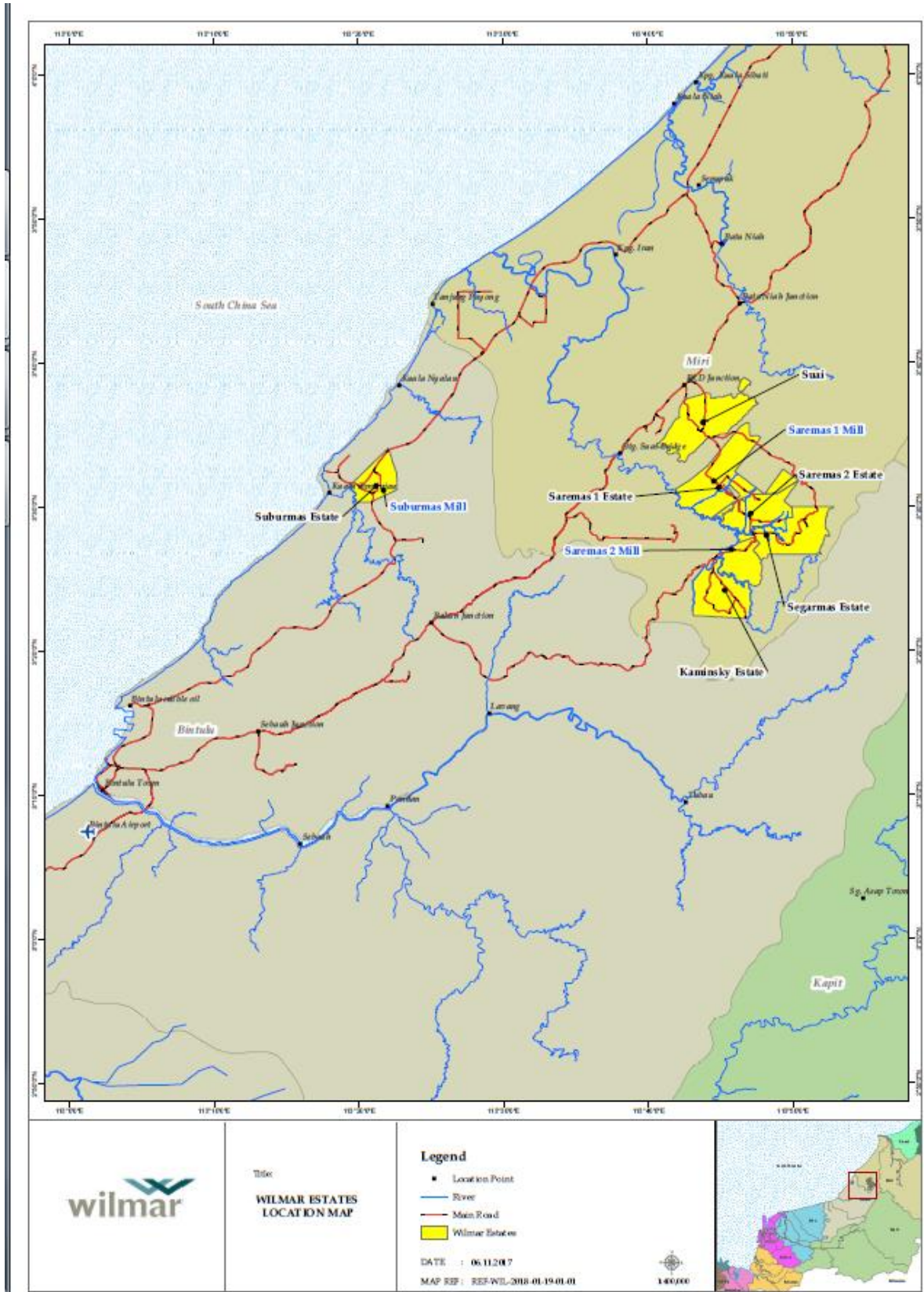


**Table 1: Mill and Supply Base GPS Location**

Estate/ Mill	Location Address	Geo-Coordinate (GPS)
		Latitude, Longitude
Saremas 1 Estate	KM 115 Bintulu Miri Road 97008 Bintulu Sarawak	3° 31' 20.600" N, 113° 45' 12.240" E
Saremas 2 Estate	KM 115 Bintulu Miri Road 97008 Bintulu Sarawak	3° 26' 58.080" N, 113° 46' 00.400" E
Suai Estate	KM 115 Bintulu Miri Road 97008 Bintulu Sarawak	3° 35' 43.760" N, 113° 44' 10.570" E

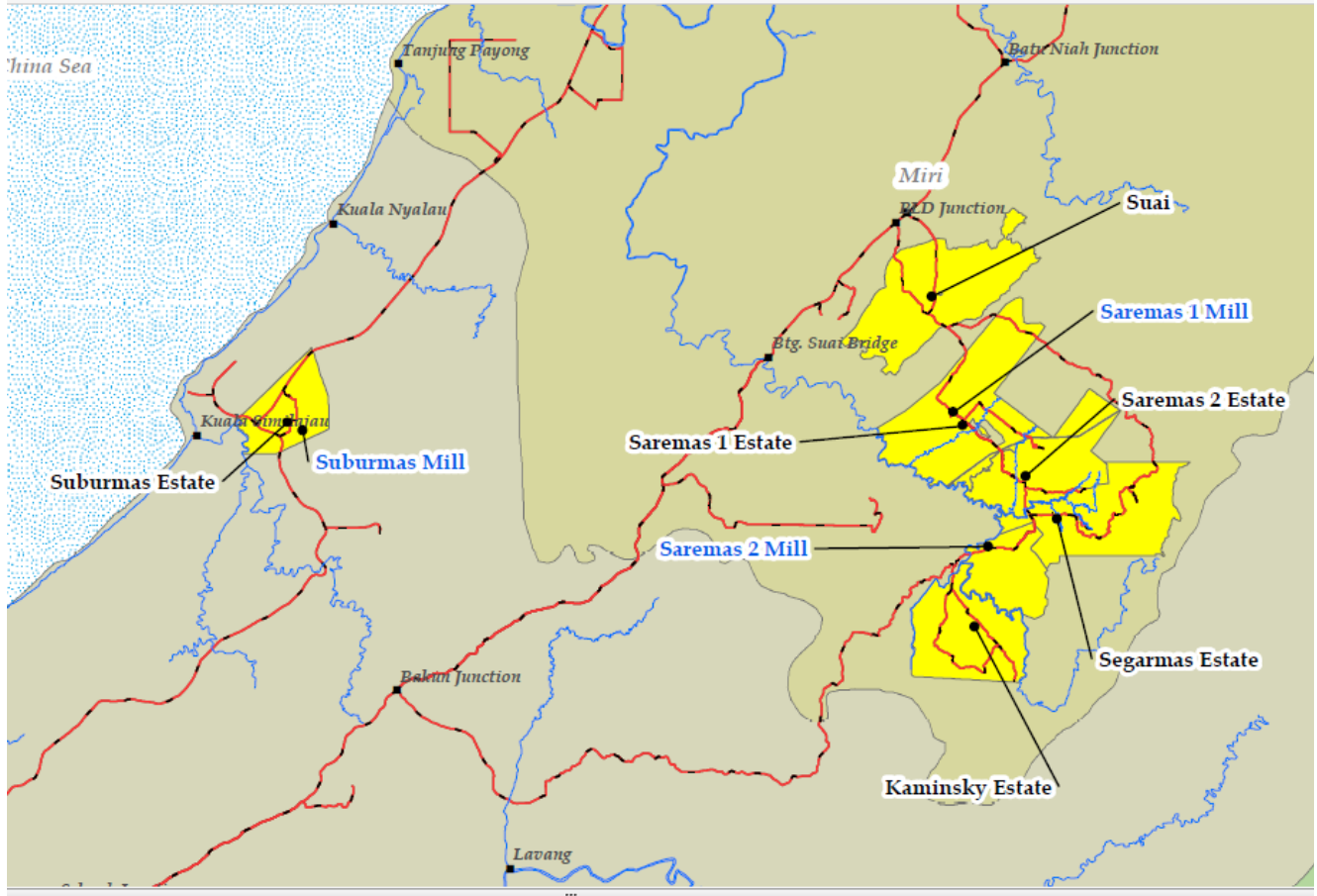
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Figure 1: Location Map for Saremas 1 POM and its supply bases



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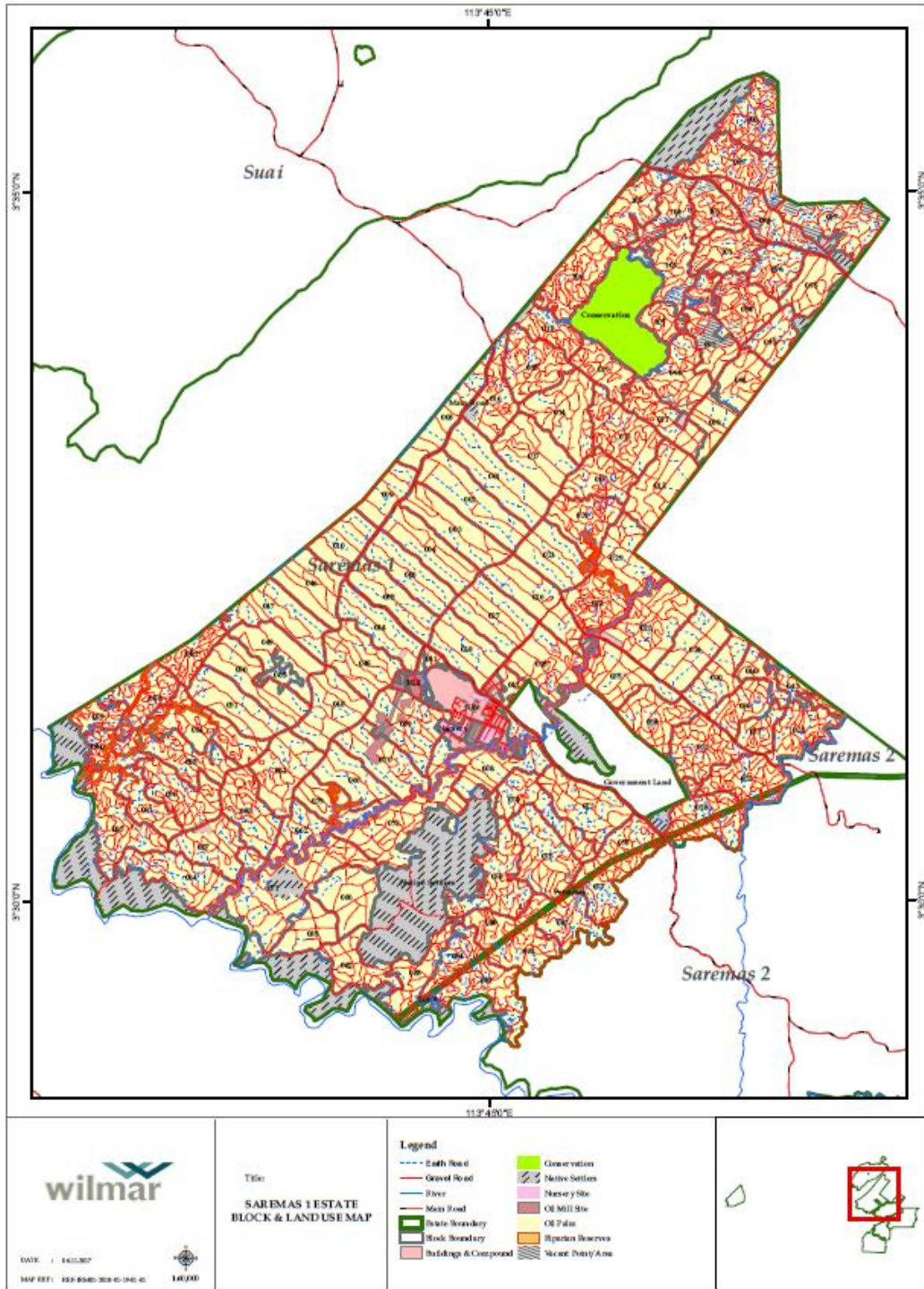
**Figure 2: Location Map for estates of Saremas 1 POM : Suai , Saremas 1 Estate and Saremas 2 Estate**



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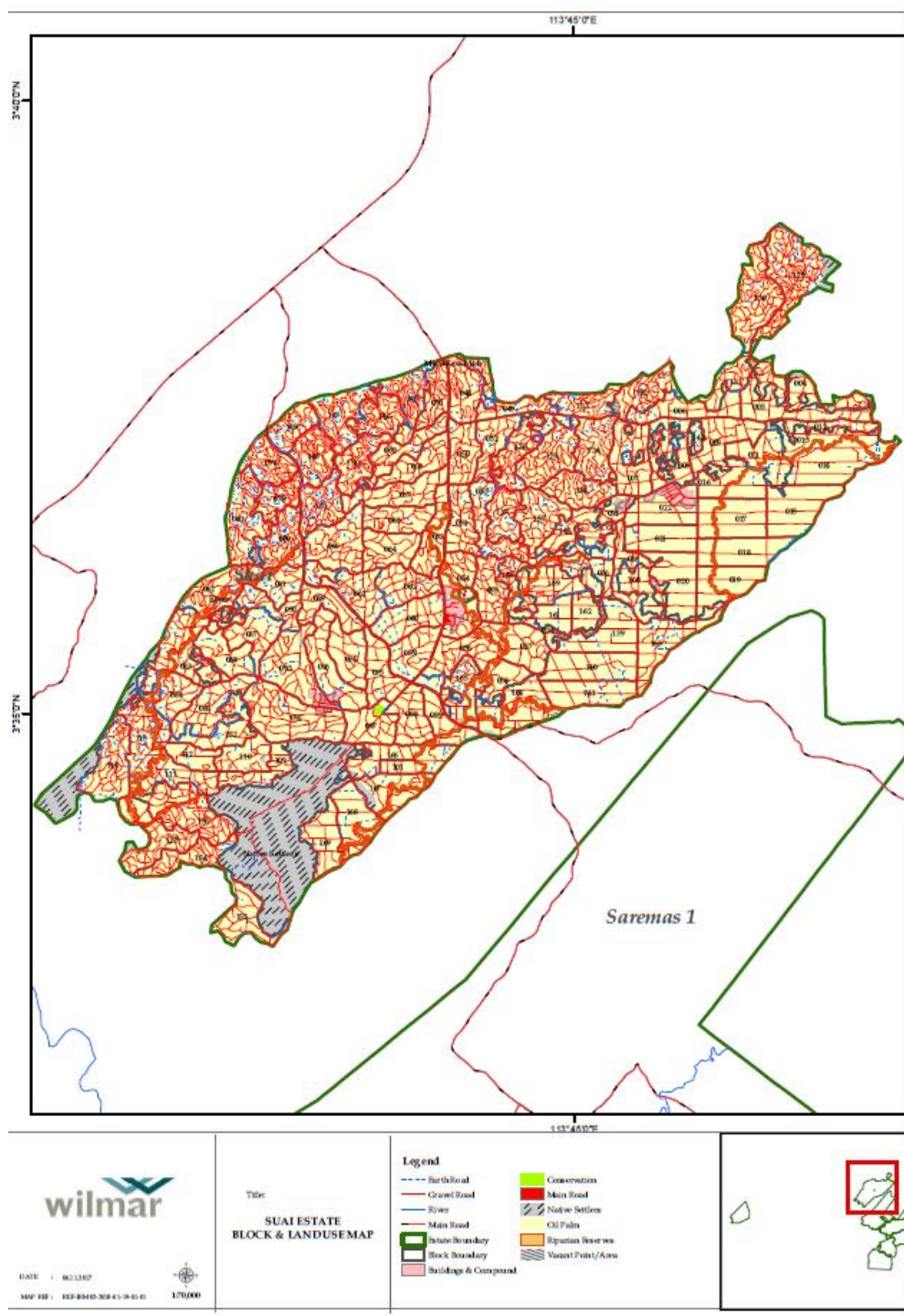


Figure 3: Map of estate audited : Saremas 1 Estate



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Figure 4: Map of estate audited : Suai Estate



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### Description of Supply Base and Mill Processing Capacity

The FFB are sourced from their own supply base estates which are directly managed by PPB Oil Palms Berhad as well as from outside crop namely from smallholders . The actual and projected crop yield from each owned estate are listed in **Table 2** below.

**Table 2: FFB Production**

Estate	FFB Production (MT)	
	Actual FY 2017	Projected FY 2018
Saremas 1 Estate	84,561.52	85,500.00
Saremas 2 Estate	5,033.23	0.00
Suai Estate	84,751.61	80,500.00
<b>Total</b>	<b>174,346.36</b>	<b>166,000.00</b>

In **Table 3** , Saremas 1 POM actual processing data from the past financial year as well as the projected processing data is tabulated

**Table 3: Actual and Projected Mill Processing Data**

Saremas 1 Palm Oil Mill 60 TPH	Actual FY 2017		Projected FY 2018	
	CPO (MT)	PK (MT)	CPO (MT)	PK (MT)
Own certified source	37,991.96	5,950.26	36,920.00	5,908.00
Outside source	11,175.24	1,755.87	12,184.00	2,574.00
<b>Total</b>	<b>49,167.20</b>	<b>7,706.13</b>	<b>49,104.00</b>	<b>8,482.00</b>
	OER : 20.05%	KER : 3.16 %	OER : 22.00 %	KER: 3.80 %

### Area of Plantation

The areas of supplying estates for this operating unit are listed in **Table 4**. Details of production area (mature/immature) are also listed.

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**Table 4: Area Statement of the Supplying Estates**

Area Statement (Ha)						
Estate	Titled Area (Ha)	Planted (Ha)		Conservation (Ha)	HCV ( ha )	Others (Ha)
		Immature Area (Ha)	Mature Area (Ha)			
Saremas 1 Estate	6,008.59	343.35	4,267.65	0	225.24	1,172.35
Saremas 2 Estate	6,119.92	1,339.11	3,204.46	0	770.01	806.34
Suai Estate	5,669.9	1,661.54	3,016.29	0	99.71	892.36
<b>TOTAL</b>	<b>17,798.41</b>	<b>3344</b>	<b>10,488.4</b>	<b>0</b>	<b>1,094.96</b>	<b>2,871.05</b>

Stakeholder Consultation and List of Stakeholders Contacted

Stakeholder consultation took place in the form of public notification , meetings, phone calls and interviews. For the public notification please refer to the link :

<http://www.sgs.com/en/certified-clients-and-products/fcm/malaysia/ppb-oil-palm-berhad>

Meetings with workers were held in their respective premises within and near the estates and Saremas 1 palm oil mill. In all the interviews and meetings the purpose of the audit was clarified 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. See **Appendix 2** for stakeholder's details and comments.

Comment on MS2530-3 Compliance Status:

Comment on Principle 1	<p><u>Policy on Implementation of MSPO –</u> PPB Oil Palms Berhad (PPBOPB) has established “Polisi Pengeluaran Produk Kelapa Sawit Mampan” signed by Simon Siburat (GM-Group Sustainability) on September 2015.</p> <p>The policy has indicated the WILMAR’s commitment to comply with palm oil sustainability schemes include MSPO.</p> <p><u>Internal Audit –</u> At Saremas 1 Estate, “MSPO Internal Audit 2017” was sighted. The internal audit for SPOM1 was scheduled on 10th November 2017.</p> <p>The internal audit has been conducted on 10st November 2017 by appointed internal auditor covering all requirements of MSPO standard, where applicable.</p> <p><u>Management Review –</u> At Saremas 1 Estate, Minutes of Meeting for “MSPO – Management Review Meeting for Year 2017” conducted on the 17th November 2017 was sighted. The meeting was discussed on the issues raised during the internal audit (10th November 2017).</p>
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	<p><u>Continual Improvement</u> -</p> <p>PPB OPB has established “Continuous Improvement Plan (CIP)” applies for all company’s mills and estates throughout Malaysia operation.</p>
<p>Comment on Principle 2</p>	<p><u>Transparency of documents relevant to MSPO requirements</u> –</p> <p>The management documents include policy and progresses are made publicly available on the company’s website:  <a href="http://www.wilmar-international.com/sustainability/">http://www.wilmar-international.com/sustainability/</a></p> <p><u>Transparent method of communication and consultation</u> –</p> <p>PPBOPB has established “Consultation and Communication Procedure” (Doc. No.: RSPO 6.2). The procedure is designed to facilitate consultation and communication process between the management; growers and/millers and employees, local communities and other affected external parties.</p> <p><u>Traceability</u> –</p> <p>PPBOPB has established “<i>Prosedur Ketelusuran (Traceability) Untuk Penghasilan Buah Tandan Segar</i>” (Doc. No.: SOP/ISCC/S1/EST 04) for estates’ guidance of traceability system, the FFB to the mill.</p>
<p>Comment on Principle 3</p>	<p><u>Regulatory requirements</u> –</p> <p>The company personnel were generally quite knowledgeable on the laws and regulations pertaining to oil palm plantation.</p> <p>The required laws and regulations governing, both international, Federal and state laws and ordinances are filed in the ‘Register of Legal and Other Applicable Requirement’ file.</p> <p><u>Legal land use rights</u> –</p> <p>Land Title TRN 04-LCLS-030-024-00008 (formerly TRN. 04-LCPLS-030-000-00001-01) gives rights to production and processing of crops.</p> <p><u>Customary rights</u> –</p> <p>No customary rights claim on the company’s land.</p>
<p>Comment on Principle 4</p>	<p><u>Social Impact Assessment</u> –</p> <p>The report dated 17/9/2008 of the Scoping SIA Segarmas and Suai Estates of PPB Oil Palms Bhd in Sarawak _ Assessment of Decent Living Wages was conducted by Mr Petra Meekers , Global Sustainability Assoc Ltd, meekersp@yadoo.co.uk was made available .</p> <p>Annually, the estates and the mills will conduct the stakeholder meeting known as ‘ Community Based Development Committee’ ( CBDC ) to discuss matters affecting their surroundings .</p>

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Complaints and grievances –

The document ' Consultation and Communication Procedure Doc RSPO 6.2 ' Rev 3 is used as the system for dealing with complaints and grievances .

Commitment to contribute to local sustainable developments –

Annually the estate will organise a stakeholder meeting .

The latest meeting was in Nov 2017

Employees health and safety –

An Occupational Health and Safety and policy signed both by Mr Goh Ing Sing ( Group Plantation Head ) and Mr Jeremy goon ( Group CSR Head ) updated Sept 2010 sighted .

It is stated that the company will comply with the prevailing statutory occupational health and safety obligations and other requirement to which the Group subscribes which include Occupational Safety and Health Act 1994 and Factories and Machinery Act 1967 (Act 139)

Copies of the Act were available

The Bahasa Malaysia version( Sept 2010 ) is also available . and it is posted at the Estate Muster Ground

4.4.4.2- Saremas Estate has complied to the Criterion and Indicators except for an observation raised as the the use of googles as the PPE for spraying was not included in the HIRARC document although it was stated in the MSDS for the chemical /herbicide Glyphron and the estate has provided to the workers

**OBSERVATIONS 01**

Employment conditions –

4.4.5.3 - In Suai Estate , management has ensured that employees' pay and conditions meet legal or industry minimum standards as per Collective Agreements of RM35.38 per day.

Based on the record , 3 workers did not achieved the daily rate of RM35.38/ day.

	Av earning / day	
Sultan	RM31.91	Mental problem
Tito	RM32.04	Loose fruit collection



	<table border="1"> <tr> <td></td> <td></td> <td>( low productivity )</td> </tr> <tr> <td>Normah</td> <td>RM33.75</td> <td>Loose fruit collection ( low productivity )</td> </tr> </table>			( low productivity )	Normah	RM33.75	Loose fruit collection ( low productivity )	<p>The management has verbally advised them to improve their productivity .          However there are no records of the counselling session being conducted          Secondly, based on the Labour Ordinance ( Sarawak Cap.76 ) it is stated under 109 Payment of wages that wages shall be paid not later than 7 days after the expiration of the wage period</p> <p>Interview with workers in the field confirm that the payment is normally received 1-2 days AFTER the 7<sup>th</sup> .          In October 2017 payment was done after the 7<sup>th</sup> of the following month.</p> <p><b>MAJOR 01</b></p> <p><u>Training and competency –</u>          Training programme 2017 was sighted .</p> <p>They have allocated the training to the various ‘Jawatankuasa’ :</p> <ol style="list-style-type: none"> <li>1) <i>Kesihatan dan Penyakit (Alam Sekitar)</i></li> <li>2) <i>Ketenteraman Awam</i></li> <li>3) <i>Bengkel &amp; Jentera Bergerak</i></li> <li>4) <i>Pengendalian Peralatan Kerja</i></li> <li>5) <i>Pengendalian Bahan Kimia dan Baja</i></li> </ol> <p>Saremas Estate has complied to the Criterion and Indicators except for an observation raised for the following:  <b>4.4.6.3</b> - The training of new spray operator , Asti Takka , who joined in 14/11/17 for SSOP ( Safe and Standard Operation Procedure ) was sighted in the Division 3 worker Individual Training Record .</p> <p>However although she has participated in the training , no evidence of evaluation was sighted to ensure that she was well trained in her job function and responsibility, in accordance to the documented training procedure,</p> <p><b>OBSERVATION 02</b></p>
		( low productivity )						
Normah	RM33.75	Loose fruit collection ( low productivity )						
<p>Comment on Principle 5</p>	<p><u>Environmental management programme –</u>          PPBOPB has established “Environmental Policy” signed by Goh Ing Sing (Group Plantation Head) and Jeremy Goon (Group CSR Head) on September 2010.</p> <p>The policy indicates WILMAR’s commitment towards sustainability in environmental area which aligned with global and national requirements.</p>							

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	<p>Saremas 1 Estate has established Environmental Management Plan (EMP), reviewed on February 2016.</p> <p><b>4.5.1.2 - Saremas Estate</b> has complied to the Criterion and Indicators except for an observation raised :</p> <ul style="list-style-type: none"> <li>a) . The policy is not covered in EMP.</li> <li>b) The Environmental Aspect Impact Identification and Evaluation for Saremas Sdn Bhd (Saremas Estate) was not covered in EMP.</li> </ul> <p><b>OBSERVATION 03</b></p> <p><u>Efficiency of energy use and use of renewal energy –</u> Saremas 1 Estate recorded the usage of non-renewable energy (diesel) where applicable for estate’s operations (ie; tractor, vehicles, gen-set, heavy machineries, etc).</p> <p>The record of “2017 Diesel Consumption Monthly Return (Jan-Dec)” in “Environment, Natural Resources, Biodiversity &amp; Ecosystem Services” folder, under Diesel &amp; Petrol Usage was sighted. The document has included the usage of diesel and petrol.</p> <p><u>Waste management and disposal –</u> All waste products and sources of pollution are identified as per evidences in “Sarawak Operations Waste Management Plan”.</p> <p><u>Reduction of pollution and emission –</u> All waste products and sources of pollution are identified as per evidences in “Sarawak Operations Waste Management Plan”.</p> <p><u>Natural water resources –</u> PPBOPB has established “Water Management Plan” revised on February 2016 to maintain the quality and availability of natural water resources</p> <p><u>Status of rare, threatened or endangered species and high biodiversity value area –</u> PPBOPB has established “HCVF scoping assessment of Saremas 1 &amp; 2, Segarmas and Kaminsky Estates of PPB Oil Palm Berhad in Sarawak”, by Independent Consultant, Envirollogic Consulting in 2008. The document has information on the planted area and its relevant landscape level consideration.</p> <p><u>Zero burning practices -</u> PPBOPB has established “Environmental Policy” signed by Goh Ing Sing (Group Plantation Head) and Jeremy Goon (Group CSR Head) on October 2012. The policy has indicated the company’s commitment to practice zero-burning in all plantation development activities and waste disposal, except in specific situations as identified in the ASEAN Guidelines for Zero Burning.</p>
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	Observed at replanting area (Block 104) of Saremas 1 Estate, there are no evidences of using of fire for land preparations.
Comment on Principle 6	<p><u>Implementation of standard best practices</u> – Standard operating procedures Agriculture Manual &amp; SOP FOR OIL PALM 2011 by WILMAR International Ltd.</p> <p><u>Site management</u> – Blocks are appropriately marked to ensure visual identification or reference system</p> <p><u>Economic and financial viability plan</u> – Prepared Suai Replanting programme 2000-2023 has been prepared.</p> <p>Plantation Production Forecast from 2016-2027 made.</p> <p>Profit and Loss Estimates for year 2018 to 2027 have been prepared</p> <p><u>Transparent and fair pricing dealing</u> – A monthly estate account is prepared.</p> <p>All contractors are provided with contracts:</p> <p><u>Subcontractor</u> – All contract agreement have inserted special clause on compliance to ISCC, RSPO and any other applicable compliance or certification scheme</p>
Comment on Principle 7	<p><u>High biodiversity value</u> – not applicable as there are no new plantings</p> <p><u>Peat land</u> – not applicable as there are no new plantings</p> <p><u>Social and environmental impact assessment</u> – not applicable as there are no new plantings</p> <p><u>Soil survey</u> – not applicable as there are no new plantings</p> <p><u>Planting on steep terrain and/or on marginal and fragile soils</u> – not applicable as there are no new plantings</p> <p><u>Customary land</u> - not applicable as there are no new plantings</p>

Comment on MS2530-4 Compliance Status:

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<p>Comment on Principle 1</p>	<p><u>Policy on Implementation of MSPO –</u>  PPB Oil Palms Berhad (PPBOPB) has established “Polisi Pengeluaran Produk Kelapa Sawit Mampan” signed by Simon Siburat (GM-Group Sustainability) on September 2015.</p> <p>The policy has indicated the WILMAR’s commitment to comply with palm oil sustainability schemes include MSPO.</p> <p><u>Internal Audit –</u>  “MSPO Internal Audit 2017” was sighted. The internal audit for SPOM1 was scheduled on 20th November 2017.</p> <p>The internal audit has been conducted on 21st November 2017 by appointed internal auditor covered all requirements of MSPO standard, where applicable.</p> <p><u>Management Review –</u>  Minutes of Meeting for “MSPO Internal Audit Management Review Meeting” conducted on the 24th November 2017 was sighted. The meeting was discussed on the issues raised during the internal audit (21st November 2017).</p> <p><u>Continual Improvement -</u>  PPB OPB has established “Continuous Improvement Plan (CIP)” applies for all company’s mills and estates throughout Malaysia operation.</p>
<p>Comment on Principle 2</p>	<p><u>Transparency of documents relevant to MSPO requirements –</u></p> <p>The management documents include policy and progresses are made publicly available on the company’s website:  <a href="http://www.wilmar-international.com/sustainability/">http://www.wilmar-international.com/sustainability/</a></p> <p><u>Transparent method of communication and consultation –</u></p> <p>PPB OPB has established “Consultation and Communication Procedure” (Doc. No.: RSPO 6.2). The procedure is designed to facilitate consultation and communication process between the management; growers and/millers and employees, local communities and other affected external parties.</p> <p><u>Traceability –</u>  PPB OPB has established “SOP for Traceability” (Doc. No.: SOP-MILL-019, Revision No. 5) for all related operations concerning the incoming FFB from the supply estates and outgoing CPO from the mill to refinery</p>
<p>Comment on Principle 3</p>	<p><u>Regulatory requirements –</u>  The required laws and regulations governing, both international, Federal and state laws and ordinances are filed in the ‘Register of Legal and Other Applicable Requirement’ file.</p> <p><u>Legal land use rights –</u></p>

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	<p>The Land Title No. 04-LCLS-030-000-00057 has been verified to have been alienated to Saremas Sdn. Bhd.giving it rights for both agricultural crops planting and processing.</p> <p><u>Customary rights –</u> The said land is not encumbered with any Native Customary Rights (NCR) and is not involved in any disputes with the local communities.</p>
<p>Comment on Principle 4</p>	<p><u>Social Impact Assessment –</u> The report dated 10/6/2008 of the Scoping SIA Saremas 1 &amp; 2 , Segarmas and Kaminsky Estates of PPB Oil Palms Bhd in Sarawak was conducted by Mr Petra Meekers , Envirolologic Consulting , <a href="http://www.kenviro.com">http://www.kenviro.com</a> was made available .</p> <p>Annually, the estates and the mills will conduct the stakeholder meeting known as ‘ Community Based Development Committee’ ( CBDC ) to discuss matters affecting their surroundings .</p> <p><u>Complaints and grievances –</u></p> <p>The document ‘ Consultation and Communication Procedure Doc RSPO 6.2 ‘ Rev 3 is used as the system for dealing with complaints and grievances .</p> <p><u>Commitment to contribute to local sustainable developments –</u> In the latest meeting on 17/11/17 the following were raised by the communities :</p> <ol style="list-style-type: none"> <li>1) TR Brain -bridge and road to Sg Tea</li> <li>2) TR Golan – site for waste disposal</li> <li>3) TR golan – culvert</li> <li>4) TR Tapu – Waste disposal site away from River, road repair</li> <li>5) TR Clarence – Water Tank , clarification on foul smelly odour from drain</li> <li>6) TR Robert Antas – transport for school going children from SMK Suai and SMK Subis during weekend , resurface roads</li> <li>7) TR Sabang – road repair</li> </ol> <p><u>Employees health and safety –</u> An Occupational Health and Safety and policy signed both by Mr Goh Ing Sing ( Group Plantation Head ) and Mr Jeremy goon ( Group CSR Head ) updated Sept 2010 sighted .</p> <p>It is stated that the company will comply with the prevailing statutory occupational health and safety obligations and other requirement to which the Group subscribes which include Occupational Safety and Health Act 1994 and Factories and Machinery Act 1967 (Act 139) Copies of the Act were available</p> <p><b>4.4.4.1</b> - During site visit to SPOM1 facilities, a general worker, Muhamad Aulia Wardana was found smoking a cigarette and using his cellular phone during assisting welding work (at Kernel Plant). The practices are</p>

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not as per recommended in Documented Procedure for “Workshop” (Doc. No.: SPOM1-SSOP-021).

SPOM1 has conducted briefing sessions on “Policy Awareness” covering all company’s policies, included “Occupational Health & Safety Policy” on 26th May 2017 and 6th June 2017. Referred to attendance record system “FingerTec TCMS v2.2” dated on both date, the worker was absent.

**OBSERVATION 01**

Employment conditions –

- 1) **4.4.5.9** - In April 2017 , a letter was submitted to Jabatan Tenaga Kerja Sarawak by SPOM 1 to request for permission to work more than the stipulated overtime .

However until to the day of audit , the approval is still not available.

Record show that the following workers have worked more than the stipulated overtime of 104 hours :

Oct 2017

	Normal o/time ( hrs)
Damis Daling	110
Alimudin Laumung	117
Rediansyah	121
Ahmad Rafaie	122

**MAJOR 01**

- 2) **4.4.5.7** - However it was noted that the latest FingerTec recording system did not actually record the actual overtime and the Admin staff required to use the hand written punchcard ( by security ) as well as the Daily work allocation time sheet to record the actual overtime. The system also did not specify why based on the timesheet , 0.5 hrs was deducted from the overall overtime for En Amri on the 2/10/17

**OBSERVATION 02**

- 3) **4.4.5.11** - However, the grass cutting is not up-to-date (although it was raised during the last Jawatankuasa Sosial dan Kebajikan meeting ). At one house compound site there was indication that herbicide has been used to control the weed .

In addition , empty containers of motorcycle lubricants seemed to be indiscriminately disposed .

In one house a non-approved workshop container was used as a drinking water dispenser

	<p><b>OBSERVATION 03</b></p> <p><u>Training and competency</u> –</p> <p>The 2017 SPOM1 annual training programme is available .</p> <p>Records of training are found in the training file .</p>
<p>Comment on Principle 5</p>	<p><u>Environmental management programme</u> –</p> <p>PPBOPB has established “Environmental Policy” signed by Goh Ing Sing (Group Plantation Head) and Jeremy Goon (Group CSR Head) on September 2010.</p> <p>The policy indicates WILMAR’s commitment towards sustainability in environmental area which aligned with global and national requirements.</p> <p>SPOM1 has established Environmental Management Plan (EMP), reviewed on 20th November 2017.</p> <p><u>Efficiency of energy use and use of renewal energy</u> –</p> <p>Diesel is used for machineries and vehicles.</p> <p>SPOM1 and its facilities getting the electricity from 3 Gen-set, Biogas Plant and Turbine system.</p> <p>SPOM1 is recorded the diesel usage since 2010. As per October 2017, diesel usage was recorded at 15,004.00 litres</p> <p><u>Waste management and disposal</u> –</p> <p>All waste products and sources of pollution are identified as per evidences in “Sarawak Operations Waste Management Plan” and “Saremas Mill Pollution Prevention Plan 2017”.</p> <p><b>4.5.3.3.</b> - During mill visit at Scheduled Waste Store, there is evidence that a container (used boiler/water treatment chemical container) is used for storage of spent lubricant oil (SW305) prior to be stored at proper storage.</p> <p>The issue was raised during internal audit conducted on 21st November 2017. The issue also been highlighted in Management Review on 24th November 2017.</p> <p><b>OBSERVATION 04</b></p> <p><u>Reduction of pollution and emission</u> –</p> <p>All waste products and sources of pollution were assessed as per evidences in “Sarawak Operations Waste Management Plan” and “Saremas Mill Pollution Prevention Plan 2017”.</p> <p><u>Natural water resources</u> –</p> <p>SPOM1 has established “Water Management Plan”, reviewed on 10th March 2017 with objective to meet the needs of existing and future populations and ensure that habitats and ecosystems are protected.</p>

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<p>Comment on Principle 6</p>	<p><u>Mill management</u> – Mill Standard Operation Procedure SSOP (Safe/Standard Operating Procedure) Documents No. SPOM 1–SSOP-000 to SPOM 1-SSOP-033 were prepared by Management to cover Best Management practices and Mill Operation.</p> <p><u>Economic and financial viability plan</u> – A Business and Management Plan have been prepared by Management with Profit and Loss Estimates for 2018-2020 and Cash Projections from 2015-2024. A Monthly Mill Performance Report is also prepared to monitor the mill performance</p> <p><u>Transparent and fair pricing dealing</u> – Documentation for company pricing mechanism is based on MPOB prices adjusted with company own calculations.</p> <p><u>Subcontractor</u> – The MSPO requirements are inserted in the contract agreement with contractors. All contractors are given MSPO training and briefings by the company.</p>
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## 7. Nonconformities

**NonConformity** N° 1 of 1  Major  Minor  
 Department / Function: Employment Condition Standard Ref.: 4.4.5.3  
 Document Ref.: MS2530-3 Issue / Rev. Status: MAJOR 01

Details of Nonconformity: In Suai Estate , management has ensured that employees' pay and conditions meet legal or industry minimum standards as per Collective Agreements of RM35.38 per day.

Based on the record , 3 workers did not achieved the daily rate of RM35.38/ day.

	Av earning / day	
Sultan	RM31.91	Mental problem
Tito	RM32.04	Loose fruit collection

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		( low productivity )
Normah	RM33.75	Loose fruit collection ( low productivity

The management has verbally advised them to improve their productivity .  
However there are no records of the counselling session being conducted

Secondly, based on the Labour Ordinance ( Sarawak Cap.76 ) it is stated under 109 Payment of wages that wages shall be paid not later than 7 days after the expiration of the wage period

Interview with workers in the field confirm that the payment is normally received 1-2 days AFTER the 7<sup>th</sup> .

In October 2017 payment was done after the 7<sup>th</sup> of the following month.

#### MAJOR 01

#### Close out evidence:

On 19/01/18 , SGS received email sent by Mr Raymond anak Elah , Sustainability Unit – CSR PPB Oil Palms Berhad ( Sarawak ) with regards to the Non-conformity raised.

- 1 ) Police report on 15/11/17 that Sultan has absconded 13/11/17
- 2) Salary payment for Dec 2017 was before 7/01/18 the following month
- 3) Counselling session and warning letter issued to Normah and Tito
- 4) Internal Management memo circular issue to ensure salary by the latest 7<sup>th</sup> of the following month

The Corrective Actions submitted to address the identified Major non-conformity 01 deemed to be satisfactory

#### MAJOR 01 Closed

<b>NonConformity</b>	N° 2 of 2	<input checked="" type="checkbox"/> Major	<input type="checkbox"/> Minor
Department / Function:	Employment Condition	Standard Ref.:	4.4.5.9
Document Ref.:	MS2530-4	Issue / Rev. Status:	MAJOR 01 under MS2530-4
Details of Nonconformity:	In April 2017 , a letter was submitted to Jabatan Tenaga Kerja Sarawak by SPOM 1 to request for permission to work more than the stipulated overtime . However until to the day of audit , the approval is still not available.		

Record show that the following workers have worked more than the stipulated overtime of 104 hours :

Oct 2017

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	Normal o/time ( hrs)
Damis Daling	110
Alimudin Laumung	117
Rediansyah	121
Ahmad Rafaie	122

**Close out evidence:**

On 19/01/18 , SGS received email sent by Mr Raymond anak Elah , Sustainability Unit – CSR PPB Oil Palms Berhad ( Sarawak ) with regards to the Non-conformity raised.

It was followed up with corresponding emails in December 2017 – Feb 2018 between Henry Gasah Ajang, PPB / Wilmar Intl and MoHR, Bahagian Penguatkuasaan, JTK Sarawak.

On 27/02/18, PPB Oil Palms Berhad (Sarawak) presented the JTK approval permit dated 21/2/18 for 'Permit Bekerja had kerja lebih masa di bawah Seksyen 105(7) Ordinan Buruh ( Sarawak Bab 76) to allow overtime till 120 hrs / month besides other conditions . Ref: JTKSWK/HKLM/002/18/BTU

The Corrective Actions submitted to address the identified Major non-conformity 01 deemed to be satisfactory

**MAJOR 02 Closed**

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 90 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 90 days.
- Corrective Actions to address identified minor non-conformities shall be documented on a action plan and sent by the client to the auditor within 90 days for review. If the actions are deemed to be satisfactory they will be followed up at the next scheduled visit
- Corrective Actions to address identified minor non-conformities have been detailed on an action plan and the intended action reviewed by the Auditor, deemed to be satisfactory and will be followed up at the next scheduled visit.
- Appropriate immediate action taken in response to each non-conformance as required

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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:

### Important Observations and Opportunities for Improvements:

<p>MS2530-3 Observation 01 : 4.4.4.2</p>	<p>At Suai Estate Field 060, the spray operators were provided with the appropriate PPE such as:</p> <ol style="list-style-type: none"> <li>1) Respirator mask 3M flex 9105</li> <li>2) Apron</li> <li>3) Nitrile and cotton gloves</li> <li>4) Boots</li> </ol> <p>The use of goggles as the PPE for spraying was not included in the HIRARC document although it was stated in the MSDS for the chemical /herbicide Glythron and the estate has provided to the workers</p>
<p>MS2530-3 Observation 02 : 4.5.6.3</p>	<p>The training of new spray operator , Asti Takka , who joined in 14/11/17 for SSOP ( Safe and Standard Operation Procedure ) was sighted in the Division 3 worker Individual Training Record .</p> <p>However although she has participated in the training , no evidence of evaluation was sighted to ensure that she was well trained in her job function and responsibility, in accordance to the documented training procedure,</p>
<p>MS2530-3 Observation 03 : 4.5.1.2</p>	<p>a) PPBOPB has established “Environmental Policy” signed by Goh Ing Sing (Group Plantation Head) and Jeremy Goon (Group CSR Head) on September 2010.</p> <p>The policy is not covered in EMP.</p> <p>b) Environmental Aspect Impact Identification and Evaluation for Saremas Sdn Bhd (Saremas Estate) covers all estate operations.</p> <p>The document is not covered in EMP.</p>
<p>MS2530-4 Observation 01: 4.4.4.1</p>	<p>During site visit to SPOM1 facilities, a general worker, Muhamad Aulia Wardana was found smoking a cigarette and using his cellular phone during assisting welding work (at Kernel Plant). The practices are not as per recommended in Documented Procedure for “Workshop” (Doc. No.: SPOM1-SSOP-021).</p> <p>SPOM1 has conducted briefing sessions on “Policy Awareness” covering all company’s policies, included “Occupational Health &amp; Safety Policy” on 26th May 2017 and 6th June 2017. Referred to attendance record system “FingerTec TCMS v2.2” dated on both date, the worker was</p>

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	absent.
MS2530-4 Observation 02 :4.4.5.7	<p>In the monthly payslip , the total overtime will be stated under ' Kerja lebih masa'</p> <p>However it was noted that the latest FingerTec recording system did not actually record the actual overtime and the Admin staff required to use the hand written punchcard ( by security ) as well as the Daily work allocation time sheet to record the actual overtime. The system also did not specify why based on the timesheet , 0.5 hrs was deducted from the overall overtime for En Amri on the 2/10/17</p>
MS2530-4 Observation 03 : 4.4.5.11	<p>However, the grass cutting is not kept up-to-date (although it was raised during the last <i>Jawatankuasa Sosial dan Kebajikan</i> meeting ). At one house compound site there was indication that herbicide has been used to control the weed .</p> <p>In addition , empty containers of motorcycle lubricants seemed to be indiscriminately disposed .</p> <p>In one house a non-approved workshop container was used as a drinking water dispenser</p>
MS2530-4 Observation 04: 4.5.3.3	<p>During mill visit at Scheduled Waste Store, there is evidence that a container (used boiler/water treatment chemical container) is used for storage of spent lubricant oil (SW305) prior to be stored at proper storage.</p> <p>The issue was raised during internal audit conducted on 21st November 2017. The issue also been highlighted in Management Review on 24th November 2017.</p>

## Appendix 1

### Multi –Site Address List

Site name / Address	Audit Dates	Activities at this site
POM	28/11/17	Mill processing at selected stations and Line-site
Suai Estate	29/11/17	Field operation, Line-site , storage
Saremas 1 Estate	29/11/17	Field operation , Line-site , storage,

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## Appendix 2: List of Stakeholders Contacted

Stakeholder	Type of Stakeholder	Issues raised	Comments/Action Taken
Mill workers	Internal Stakeholders	No issue ,	ear plug used in the high noise area
Manurers	Internal Stakeholders	PPE provided, Housing no issue	No issue
Spray operators	Internal Stakeholders	PPE provided , No charge for replacement	No issue
Rh Sabang	External Stakeholder	road access , opportunity for work , training	No issue
MPOB Sepupok 1st Floor, Survey Lot 1838 (Sublot2), Lot 647, 1223 & 1225, Block 8, Sepupok 98200 Niah, Sarawak.	External Stakeholder	No pending issue with MPOB	No issue
Neighboring Estates _BLD	External Stakeholder	any issues will be raised during their stakeholder meeting to be resolved	No issue