

MY 04992 Palmgroup Holdings Sdn Bhd Audit Summary Report

Organization:	Palmgroup Holdings Sdn Bhd		
Address:	Headquarters Palmgroup Holdings Sdn Bhd, Level 25.1-25.2, Wisma Sanyan, No 1 Jalan Sanyan, Sibuluan Sarawak.		
	Estate Palmraya Pelita Meruan Oil Palm Plantation, Gigis Land District, Simpang Dijih, Jalan Sibuluan-Selangau, 96000, Sibuluan Division, Sarawak.		
Standard(s):	MS2530-3 : Part 3 : General principles for Oil Palm Plantations and Organized Small Holders	Accreditation Body(DSM): DEPARTMENT STANDARDS MALAYSIA	
Representative:	Mr Hii Jung Mee (General Manager Agronomist) Mr Raymond Nyian (Sustainability Manager)		
Site(s) audited:	Palmraya Pelita Meruan Plantation Sdn Bhd	Date(s) of audit(s):	2 nd May 2018
Visit Type:	MSPO Audit Stage 2	Type of Certification Assessment	Main Audit
Lead auditor:	Dickens Mambu (LA)	Additional team member(s): Audit Member (AM) Trainee Auditor (TA)	Abdul Khalik (AK)(AM) Afiq Othman (AO)(TA) Jeffery Ridu (JR)(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

Production of FFB for Plantations in compliance to the MSPO Certification Standard MS2530-3:2013 Part 3.

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

Validation of processes for production and service provision

Has this scope been amended as a result of this audit?

Yes

No

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	1 of 23	

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 as annexes to this summary report.

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

Number of nonconformities identified: 2 Major 0 Minor

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

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

4. Previous Audit Results

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

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

5. Audit Findings

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

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

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

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

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	2 of 23	

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:	Palmgroup Holdings Sdn Bhd		
Address:	Contact person : Mr Hii Jung Mee General Manager, Agronomy and Sustainability Palmgroup Holdings Sdn Bhd, Level 25.1-25.2, wisma Sanyan, No 1 Jalan Sanyan Tel :084-353155 , 019-4565164		
MPOB License No.:	503677402000	Expiry date:	3rd March 2019
Scope of Activity:	1. Menjual dan mengalih (FFB, PK, CPO, SPO) 2. Membeli dan mengalih (FFB, CPO) 3. Menyimpan (PK, CPO, SPO) 4. Mengilang (FFB)		
Date of certificate issued and validity		Nil (New application)	
Other Sustainability Certification		Nil	
Proposed date of next surveillance audit		March 2018	
Visit Number:	02 (Stage 2)	Actual Visit Date:	2th-4th May 2018
Visit Due by Date:	Nil	For auditor information only	
Lead Auditor:	Dickens Mambu (DM)		
Team Member(s):	Abdul Khalik Bin Arbi (Audit Member)		
Additional Attendees and Roles	Mohd Afiq Othman (Training Auditor) Jeffery Ridu (Training Auditor)		
Standard(s):	MSPO MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders		
Audit Language:	English & Malay		

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	3 of 23	

Audit Scope:	<p>1.The audit covered One (1) site performing the following scope: Operations, comprising of plantation management systems, production of Fresh Fruit bunches (FFB), documentation and field assessment.</p> <p>2.The audit covered all the MS2530-3:2013 Part 3 requirements with no permissible exclusion of clause in compliance to the MSPO Certification Standard</p>
---------------------	---

Date	Time	Auditor	Organisational and Functional Units/ Processes and Activities	Key Contact
2 nd May 2018	AM	DM	Flight Kuching- Sibul MH3690 (6.15am-7.00am)	
2 nd May 2018	6.30 am 7.30 8.30 8.40 9.00 12.30pm 1,00 pm 4.00pm 6.00 pm	AK & DM	<p><u>Palmraya Pelita Spapa Oya</u> MS 2530-3-2013 Part 3</p> <p>Breakfast Depart to Spapa Oya Arrive Spapa Oya Opening Meeting Audit Process (Site visit)</p> <ul style="list-style-type: none"> • Principle 1: Management commitment and responsibility • Principle 2: Transparency • Principle 3: Compliance to legal requirements • Principle 4: Social responsibility, health, safety and employment condition • Principle 5: Environment, natural resources, biodiversity and ecosystem services • Principle 6: Best practices <p>Lunch Continue Audit Process (Document review, Policies, local law compliances, deduction and pay slip, Safety and health procedures, environment procedure, minimum wages monitoring, social benefits)</p> <p>Closing Meeting</p> <p>End of day 1 Back to RH Hotel and Dinner</p>	Estate Personnel
3 rd May 2018	6.30 am 7.00 8.30	AK & DM	<p><u>Palmraya Pelita Meruan</u> MS 2530-3-2013 Part 3</p> <p>Breakfast Depart to Meruan, Dijih Arrive Meruan</p>	Estate Personnel

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	4 of 23	

	8.40 9.00		<p>Opening Meeting Audit Process (Site visit)</p> <ul style="list-style-type: none"> • Principle 1: Management commitment and responsibility • Principle 2: Transparency • Principle 3: Compliance to legal requirements • Principle 4: Social responsibility, health, safety and employment condition • Principle 5: Environment, natural resources, biodiversity and ecosystem services • Principle 6: Best practices 	
	12.30pm 1.00pm		<p>Lunch Continue Audit Process (Document review, Policies, local law compliances, deduction and pay slip, Safety and health procedures, environment procedure, minimum wages monitoring, social benefits)</p>	
	4.00pm 6.00pm		<p>Closing Meeting</p> <p>End of Day 2 Depart to Rosebay Apartment and Dinner</p>	

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	5 of 23	

4 th May 2018	7.00 am 8.00 am 8.15 am	AK & DM	<p>Rosebay Enterprise Estate MS 2530-3-2013 Part 3 Breakfast Opening Meeting Audit Process (Site visit)</p> <ul style="list-style-type: none"> • Principle 1: Management commitment and responsibility • Principle 2: Transparency • Principle 3: Compliance to legal requirements • Principle 4: Social responsibility, health, safety and employment condition • Principle 5: Environment, natural resources, biodiversity and ecosystem services • Principle 6: Best practices <p>Document review, Policies, local law compliances, deduction and pay slip, Safety and health procedures, environment procedure, minimum wages monitoring, social benefits)</p> <p>12.00 pm</p> <p>Lunch</p> <p>12.30 pm</p> <p>Continue Audit Process</p> <p>3.00 pm</p> <p>Auditor discussion and Preparation for Closing Meeting</p> <p>4.00pm</p> <p>Closing Meeting</p> <p>6.00pm</p> <p>End of MSPO Audit Depart to RH Hotel and Dinner</p> <p>End of Day 3</p>	Estate Personnel
4 th May 2018		DM	<p>Sibu-Kuching Flight:MAS (9.15pm-10.pm)</p>	Estate Personnel (Spapa, Meruan & Rosebay)

Location and Maps

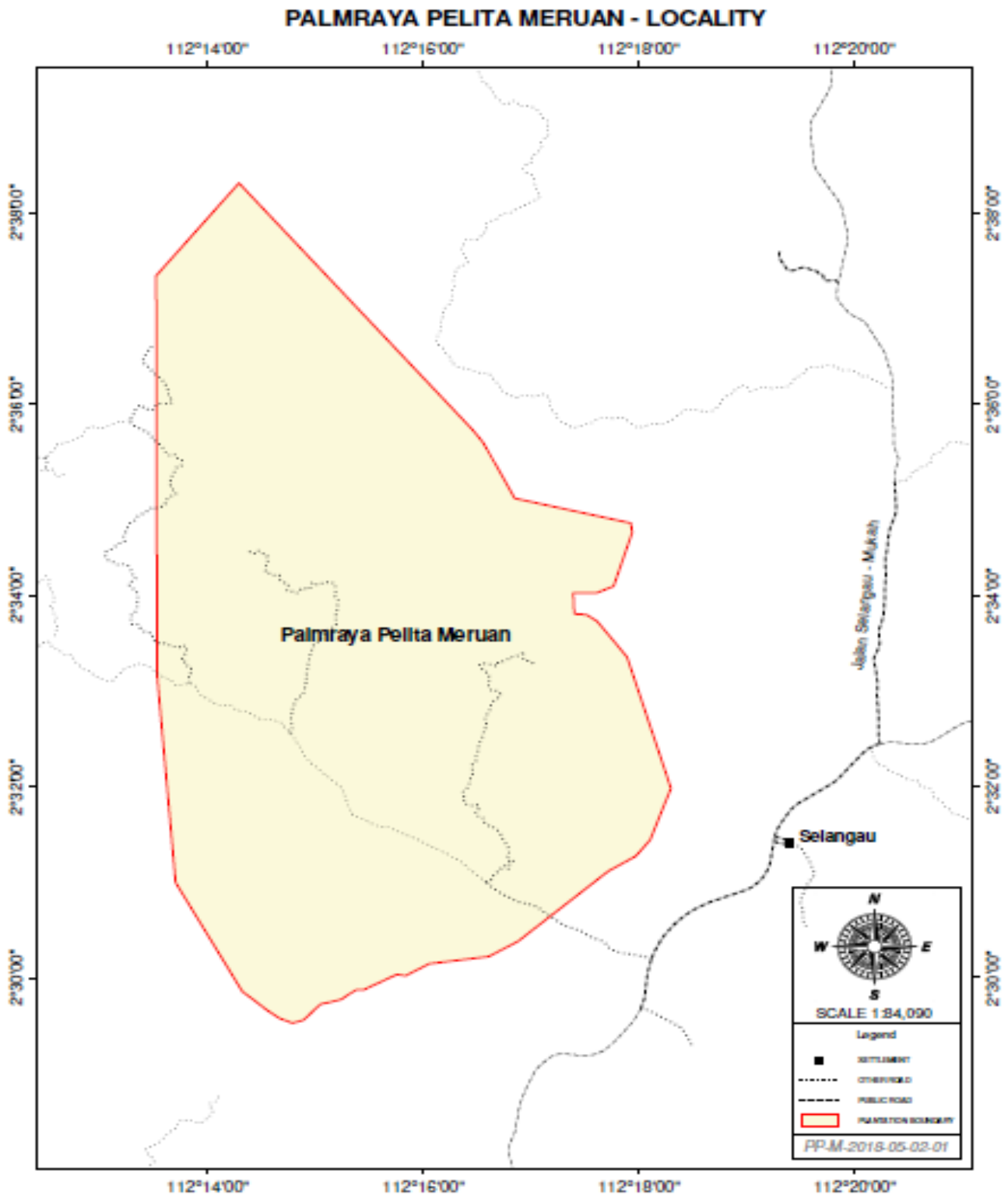
Palmraya Pelita Meruan Plantation Sdn Bhd project located in southwest of Pekan Selangau in the Gigis Land District in Sibul Division, Sarawak. The project size covers a gross area of 5,023.27 ha is about 140 km from Bintulu and 70 km from Sibul town. The GPS locations of the state are shown in Table 1.

Table 1: Palmraya Pelita Meruan GPS Location

No.	Estate	Coordinate	Ha
1	Palmraya Pelita Meruan Plantation Sdn Bhd	N02° 31'15" E112° 3'33"	5,023.27

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL		Document:	GP 7003A	Issue n°:	10	Page n°:	7 of 23

Palmraya Pelita Meruan Plantation Locality Map



Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	8 of 23	

Description of Production Capacity

The FFB are sourced from the estate which are directly managed by Palmgroup Holdings Sdn Bhd. The crop yield from the estate as mention in **Table 2** below.

Table 2: FFB Production

Estate	FFB Production (MT)	
	Jan2017-Dec2017 (Actual)	Jan2018-Dec2018(Projection)
Palmraya Pelita Meruan Plantation Sdn Bhd	81,982.99	96,089.13

Area of Statement

The supplying estate detail of production area (mature/immature) are listed in **Table 3**.

Table 3: Area Statement of the Supplying Estates

Name of estate	Title Area (ha)	Plantation area (ha)				
		Immature	Production	Conservation	*Land Issue	**Others
Palmraya Pelita Meruan Oil Palm Plantation	Title: 5,023.27 Planted: 4,880.88	NIL	4880.88	NIL	247.03	142.39
*Land issue is included in total production **Others : Transmission tower, Quarry, Roads, line site, rives, water catchment area, office building ,etc						

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/palmraya-pelita-meruan-plantation-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 estate office. Detail can be referred to **Appendix 1**:

Stakeholders Contacted and Interview

1. NCR Area Development Committee Chairman (ADC): Mr Henry Ibat
2. Representatives from Community: Tuai Rumah Layang anak Nangkai

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	9 of 23	

3. Local Contractor: Tuai Rumah Mujah anak Lengau

Comment on MS2530-3 Compliance Status:

<p>Comment on Principle 1</p>	<p><u>Policy on Implementation of MSPO –</u> Palmgroup Holdings Sdn Bhd has established a policy on sustainable palm oil production.</p> <p>The policy has been signed by Mr. Tiong Chiong Hee, Managing Director of Palmgroup Holdings Sdn Bhd on 20th April 2016.</p> <p><u>Internal Audit –</u> Noted the Internal Audit Plan for MSPO by Sustainability Unit for the year 2018. The Internal Audit was done in accordance to the plan.</p> <p>Sighted report of MSPO Part 3 Internal Audit dated: 5th – 8th Dec 2017 (1st Internal Pre-Audit) 9th – 12th January 2018 (2ⁿ Internal Audit)</p> <p>The report was produced by Agronomic and Sustainability Department prior to MSPO stage 1 audit.</p> <p><u>Management Review –</u> Management review meeting (TQM Committee Meeting) has been done 4 times for the year 2018. Those meeting were conducted on 17th January, 21st February, 16th March and 16th April.</p> <p>Sighted the management had discussed the findings that have been raised during the Stage 1 MSPO Audit during the 3rd meeting.</p> <p><u>Continual Improvement -</u> The estate had established an action plan for continual improvement on social, safety and health and environmental impact of the company. Action plan evidence during the audit is as below:</p> <ol style="list-style-type: none"> a. Social Mitigation Plan dated 2nd February 2018 prepared by Calvin Redin which covers the following: <ul style="list-style-type: none"> - Social risk - Action required - Indicator to monitor - Monitoring point - Timeline - Responsible person b. Occupational Safety & Health Plan for 2018 <ul style="list-style-type: none"> - Daily Task - Monthly Task - Quarterly Task - Annually Task
-------------------------------	---

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	10 of 23	

	<ul style="list-style-type: none"> - Records keeping and filing c. Environmental Management Plan dated 15th April 2018 prepared by Calvin Redin covering for: <ul style="list-style-type: none"> - Impact - Parameter to monitor - Monitoring point - Frequency d. Waste Management Plan for 2018 e. Rain Water & Water Management Programme for 2018
<p>Comment on Principle 2</p>	<p><u>Transparency of documents relevant to MSPO requirements –</u> The estate management will communicate all information requested by relevant stakeholders as per memo: <i>Maklumat untuk tatapan umum</i> dated 15/5/2017 such as:</p> <ol style="list-style-type: none"> 1. Safety & health plans 2. Plans & impact assessments relating to environment and social impacts 3. Pollution prevention and reduction plans 4. Details of complaints and grievances 5. Negotiation procedures 6. Continual improvement plans <p><u>Transparent method of communication and consultation –</u> The company has established a procedure for consultation and communication with the relevant stakeholders as evident in the Communication and Consultation Procedures dated 21st December 2015 and approved by the Managing Director, Mr Tiong Chiong Hee.</p> <p><u>Traceability –</u> The estate will deliver to RH Selangau POM. When this mill breaks down, the estate will then deliver to Palmgroup POM. The traceability platform can start implementing at the estate level and continue to mill.</p> <p>Delivery of FFB from estate will be accompanied with FFB Delivery Chit which includes information of:</p> <ol style="list-style-type: none"> a. Field No.- Phase, Block b. Total Bunches Quantity c. Weight of FFB d. Drivers Name e. Any deductions <p>Guidelines on Traceability Procedures as per document ref no. PGHSB/SOPP/001/2017 as prepared by General Manger, Mr Chew Tee Lim.</p> <p>Responsibilities for personnel at Mill and Estates are stated on page 2 & 3.</p> <p>Flowchart of mass balance supply chain procedure (mill) in Appendix 2.</p>

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	11 of 23	

<p>Comment on Principle 3</p>	<p><u>Regulatory requirements –</u> All activities in the estate are in compliance with all applicable local, state and national laws. Example of available licenses/permits in the estate are:</p> <ol style="list-style-type: none"> MPOB Licence: 503677402000 Trading Licence: No.A553263 valid until 25/6/2018 Certificate of registration(Levi) for buah Kelapa Sawit No: 002658, Kod Tarif: 1207992090 <p>The estate has compiled all applicable laws in Law, Regulations and Guidelines. The following folders has include among others:</p> <ol style="list-style-type: none"> Sarawak Labour Ordinance Sarawak Land Code Safety & Health- OSHA 1994 Sarawak Wild life Protection Ordinance 1998 Employment (Restriction) Act 1968 (Act 353) Factories & Machinery Act 1967 (Act 139) Minimum Wages Order 2016 Scheduled wasted regulation 2005. <p>The list has been updated in by Mr Calvin Redin. (Safety Officer).</p> <p><u>Legal land use rights –</u> Palmraya Pelita Meruan was established in 2004. It is a joint venture Native Customary Right (NCR) Land estate. Joint Venture Agreement with LCDA : 24 October 2005 Total NCR Participants: 782 Surrendered Area (Ha): 5,023.27</p> <p>The person in charge of land matter for the estate is Madam Linyung Emparan.</p> <p><u>Customary rights –</u> The NCR participant has fill in the Kementerian Kemajuan Tanah Form (KKT) to inform on their NCR land giving their consent to the plantation to develop their land. Example of NCR participant (fill in KKT) Name : Tan ak Balai KKT/NCR/96 Area: Pemakai Menua Ulu Dijih Form certified by : Tuai rumah, Area Development Committee Chairman and Penghulu</p> <p>There is 247.03 Ha land dispute or customary rights issues in the estates. Records of land disputes by both parties have been kept by Estate Liaison cum Survey Manager (ELCS department). Area Development Committee (ADC) which comprises of landowners and local leaders are responsible to communicate with the dispute parties. The latest ADC meeting discusses the land issue was conducted in March 2018. Any land issue</p>
-------------------------------	---

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	12 of 23	

	will be managed by PELITA as a government representatives.
Comment on Principle 4	<p><u>Social Impact Assessment</u> – SIA document is yet to be done. The management has appointed a consultant to prepare the document (Wild Asia). The SIA targeted to be completed : June 2018 Draft report for Social Impact Assessment (SIA) for Palmgroup Holdings Sdn Bhd was submitted to the management on 13th March 2018.</p> <p>Significant social impacts were sighted as a result of estate production activities. These will need to be addressed through a phased approach to ensure continuity in improvement and efforts towards minimising these impacts.</p> <p>A list of 5 significant risk area were identified and assessed. These have been group into 6 categories of impact:</p> <ul style="list-style-type: none"> ➤ Hiring of waters in relation to legal and national legislation compliance ➤ Work conditions covering human rights issued and national legislation compliance ➤ Housing or workers in relation to legal and national legislation compliance ➤ Health and safety with regards to workers and women groups ➤ Workforce suppliers in relation to legal and national legislation compliance ➤ External stakeholder engagement <p>In most area, there have been steps taken to address these key issues however proper documentation, communication and assessment of worker understanding needs to be emphasized. A summary of how the company has performed and recommendations to improve on these significant risk areas have been provided.</p> <p><u>Complaints and grievances</u> – A system for dealing with complaints and grievance is available in the Complaint & Grievance Procedures Guidelines (PGHSB/SOPP/002/2015) which was signed by the Managing Director Mr Tiong Cheong Hee on the 5th May 2015.</p> <p><u>Commitment to contribute to local sustainable developments</u> – The estate management is committed to the contribution towards local development. Example of contribution activities conducted are as follows:</p> <ol style="list-style-type: none"> a. Road shared by community. b. Local workers (Meruan area) have been employed. 31 from a total of 54 estate staff is Meruan origin. c. Incentive RM 60 /ha/quarter to the participant of the NCR project.

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	13 of 23	

	<p>Total participant of NCR now is 782 with total area surrendered 4891 ha.</p> <p>Interview with TR Mujah Ak Lengau, TR Layang Ak Nangkai & En Henry Ibat Ak Lidang (ADC Chairman). The Area Development Committee (ADC) comprises of the landowners and management of the estate. Minutes of meeting for ADC AGM dated 26/10/2017.</p> <p><u>Employees health and safety –</u> PHSB documented the “Safe Operating Procedures in Plantation – V03 dated on May 2014” that consist of safety and health guidelines in plantation based on the OSH Act 1994 and Factory and Machinery Act 1967 (Act 139). An environmental , Occupational Safety and Health Policy signed by Mr. Tiong Chiong Hee (Managing Director) on 5th January 2010.</p> <p><u>Employment conditions –</u> The policy on good social practices has been indicated in the “Human Right Policy” established by the Palmgroup Holdings Sdn Bhd management dated 5th May 2017. The policy stated that are committed to conduct our business in a manner that respects, support and uphold the human rights practice in Malaysia, and in compliance with the relevant legal requirements and etc.</p> <p><u>Training and competency –</u> The Training Plan named “Palmgroup Holdings Staff & Annual Training List for Year 2017-2018” is available. Below are the training records sampled during the time of audit:</p> <ol style="list-style-type: none"> 1. Harvesting, Pruning & FFB Standard (24.01.2018) 2. Harvesting FFB, MSPO Requirement, Safety & Health (14.03.2018) 3. RTE Training Awareness MSPO and Implementation (18.04.2018) 4. New Technologies Training (New Holland Tractor) (10.04.2018) <p>The training for water treatment plant operator plan sighted available and was informed conducted by the estate management. However, the training record was not available during the time of audit (Mr Umpau anak Nangkai).</p> <p><u>Major 1</u> <u>Principle 4.4.4.2</u></p> <ol style="list-style-type: none"> 1. Awareness and training for estate workers on safe working practices to be done continuously. Several cigarette butt were found at diesel pump and diesel tank area. 2. During workshop visit it was observed the estate best practices was not fully implemented.
--	---

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	14 of 23	

	<p>a) No first aid kit available at workshop. This is against the estate SOP for workshop.</p> <p>b) No final discharge to contain the contaminated water after washing PPE such as Apron, gloves and CKS by sprayer. The construction work to build the facility still in progress during site visit.</p> <p>c) Safety data Sheet for several chemical in the chemical store was not available (zinc chloride (1a), chemical coagulant ,etc)</p> <p>d) Spillage kit for chlorine was not available as per according to its safety data sheet.</p> <p>e) Class 1 pesticides shall not mix with other type of chemical. It was found that monocrothopos (1b) and zinc chloride (1a) stored mix with other chemical. The management of type 1a and 1b Should follow the management SOP as per mention in RSPO/MSPO Manual 4.6</p> <p>f) Flammable material (lubricant) stored mix with acetylene and oxygen tank</p>
<p>Comment on Principle 5</p>	<p><u>Environmental management plan</u> – An environmental policy and management plan is available during the site visit and was signed by MR TIONG CHIONG HEE (MANAGER DIRECTOR), Dated 21st November 2016.</p> <p><i>NREB EIA Approval Ref No.: (12) NREB/6-4/101 Dated 9th February 1999</i></p> <p>In EIA approval, it is stated that the Plantation should carry out Environmental Monitoring Report (EMR) in a quarterly basis. During the audit conducted, the latest EMR report was reported to NREB covering November 2017 to January 2018 (4th Quarter 2017), prepared by Envisar Sdn Bhd. With report Title “Environmental Monitoring Report (EMR) for The Palmraya Pelita Meruan Oil Palm Plantation, Gigis Land District, Sibul Division, Sarawak.</p> <p>One of the approval component in the EIA report mentioned in item; (iii) Pesticides/ Weedicides Used The analyses on pesticides/ weedicides shall be carried out when the proposed project has been implemented at 6 months interval and shall include both surface water and sediment analyses.</p> <p>However, during the audit conducted on 3rd May 2018, the parameter analyses for pesticides/ weedicides not available in the 4th Quarter 2017 report. In line with that, Meruan estate had taken necessary measure to inform the environment consultant regard this matter. Reply letter had taken place on 18th April 2018 by the environmental consultant, which mentioned the parameter to include for 2nd and 4th Quarter year.</p> <p>Continual improvement programmed was available in File Principle 1 (4.1) Management Commitment and responsibility. The issues had been discuss such as:</p> <p>1) Water quality management.</p>

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	15 of 23	

	<ul style="list-style-type: none"> - Water quality monitoring - Maintain buffer zone - Avoid spraying beside the drain <p>2) Soil erosion, slope and sedimentation pollution.</p> <ul style="list-style-type: none"> - Maintain cover crop, soft weeds on the slope of drains, bunds and roads. - Proper slope/ roads design. - Pruned fronds stacking properly. - <p>3) Domestic waste Management</p> <ul style="list-style-type: none"> - Frequency of waste collection at each point. - No domestic waste burning. - Land fill is proper managed according to guideline. - No fertilizer or plastic beg left at the field. <p>4) Scheduled waste management</p> <ul style="list-style-type: none"> - Disposal of schedule waste is carried out in compliance to the Scheduled Waste Management <p><u>Efficiency of energy use and use of renewal energy –</u> The record for usage of fossil fuel is available and can be found in file name “Efficiency of energy use and use of renewable energy 2017. The recording was available starting 1st October till 31st December 2017 for all machineries. However, full record of diesel usage is available in system recorded of company with name “Costing Record”.</p> <p><u>Waste management and disposal –</u> All waste generated in the oil palm plantation are categorize as: biomass waste, domestic waste and sewage from human activities, scheduled waste from workshop and chemical store, and the construction waste.</p> <p>It was observed that the scheduled waste was recorded in the Despatch Note which are from several areas of Meruan Plantation Estate such as workshop, store, office, mess, staff quarters (A, B and C) and Executive quarters. One of the waste record was available in scheduled waste store, ticket No.: 00703 dated 9.03.2018 with items scrap metal and “<i>minyak kotor</i>”.</p> <p><u>Reduction of pollution and emission –</u> The company has prepared the Environmental Management Plan with File No. MSPO: 4.5.1.3 indicator 3 that consider mitigation of negative impacts as well as enhancement of beneficial actions. The impacts discuss as follow:</p> <ul style="list-style-type: none"> a) Water quality Management b) Soil erosion, slope and sediment pollution c) Domestic waste management d) Schedule waste management
--	---

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	16 of 23	

- e) Manage hydrocarbon waste properly
- f) Chemical Management
- g) Labour line
- h) Rare, threaten & endanger species
- i) Air quality management

One of the evidence improvement plan taken to ensure effectively implemented and monitored such as Despatch Note of scheduled waste dated on 9th March 2018 with items scrap metal and minyak kotor (2,500L) collected by Kien San Metal Sdn Bhd (registered collector and transporter for scheduled waste).

Natural water resources –

It was observed that the estate used rain water as drinking water and gravity feet water as bath, wash cloths and etc. Rain water harvesting through is implemented at every household for domestic use.

Natural vegetation is observed along the riparian area.

Within water Monitoring Plan, the impact on water Quality Management was listed.

1. Water Quality Monitoring
2. Buffer zone Management
3. No chemical Application near water body
4. Sediment pollution management

Water management Plan: Implementation start 1st February 2018 was made available.

The components in the plan are

1. Access to water usage
2. Contamination and Prevention

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

Referring to the Environment Impact Assessment (EIA) report, the information of flora and fauna can be found in the EIA report in CHAPTER 4.

Water catchment area has been established within the estates which supply raw water to the main water tank. The water gravity area was located at Block 9.

Zero burning practices -

Zero burning policy is adopted for the Palmgroup Plantations Sdn Bhd as per mention in the estate environmental policy.

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	17 of 23	

	<p>For the Palmraya Pelita Meruan Estate EIA, stated burning should be avoided unless necessary. Prior approval must be obtained from the Sarawak NREB.</p> <p><u>Major 2</u> <u>Principle 4.5.3.3</u></p> <p>Standard Operating Procedure for handling used chemicals is available in the OSH Policy and Safe Operation Procedure (SOP). Inline to ensure the estate follow with SOP for handling of used chemicals, the estate manager attended the “Seminar Pemantapan Pengurusan Buangan Terjadual Tahun 2017” on 29 November 2017 at RH Hotel, Sibul, Sarawak organized by the Department of Environment (DoE). The certificate was available in File MSPO: 4.5.3.1 indicator 1 Schedule Waste Record.</p> <p>During the conducted audit, it was observed that there were empty containers (herbicides) located at the back site of the workers camp at Phase 2. It shows that scheduled waste management is not fully implemented.</p>
<p>Comment on Principle 6</p>	<p><u>Site management</u> – Palmraya Pelita Meruan Plantation Sdn. BMP and Policies version 1 Revision 2014 was sighted and reviewed at Palmgroup Holdings Sdn. Bhd. The document has been divided into 7 BMPs and Policies:</p> <ol style="list-style-type: none"> a. Control of Tirathaba Bunch Moth (PGHSB/BMPP/01/2014) b. Termite Management in Peat Soil (PGHSB/BMPP/02/2014) c. Oil Palm Nursery Management (PGHSB/BMPP/03/2014) d. Water Management in Peat Soil (PGHSB/BMPP/04/2014) e. Weeding (PGHSB/BMPP/05/2014) f. Oil Palm Fertilizer Management (PGHSB/BMPP/06/2014) g. Management in oil palm agro ecological system (PGHSB/BMPP/07/2014) <p><u>Economic and financial viability plan</u> –</p> <ul style="list-style-type: none"> • ‘Budget for the Year estates has been established in order to demonstrate attention to economic and financial viability at Palmraya Pelita Meruan Sdn. Bhd • Financial Budget for year 2018 / 2019 are made available. <p><u>Transparent and fair pricing dealing</u> – The pricing mechanism is set by Marketing Department. The estate is only delivering FFB to RH Palm oil Mill at Selangau (14 km)</p> <p><u>Contractor</u> –</p>

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	18 of 23	

	<p>The contractor detail are made available and properly filed. Palmraya Pelita Meruan have 23 contractors covering several work such as transportation, maintenance and supplier.</p> <p>From estate management and document verification, it is available in the contractor job award clause that the contractor understand the requirement towards MSPO.</p>
--	---

7. Nonconformities

MS2530-3:2013 Part 3

NonConformity	N° 1 of 2		Major 1			
	Date Recorded>	3 rd May 2018	Due Date>	3 rd July 2018	Date Closed>	2 nd July 2018
Department / Function:	Administrative		Standard Ref.: Indicator		MS2350-Part 3 4.4.4.2	
Document Ref.:	Criterion 4: Employees safety and health		Issue / Rev. Status:		Closed	
Details of Nonconformity:	<p>1. Safe working practices are not fully implemented.</p> <p>2. Best Practices on chemical handling are not fully implemented.</p>					
Objective Evidence:	<p>1. Awareness and training for estate workers on safe working practices to be done continuously. Several cigarette butt were found at diesel pump and diesel tank area.</p> <p>2. During workshop visit it was observed the estate best practices was not fully implemented.</p> <p>a) No first aid kit available at workshop. This is against the estate SOP for workshop.</p> <p>b) No final discharge to contain the contaminated water after washing PPE such as Apron, gloves and CKS by sprayer. The construction work to build the facility still in progress during site visit.</p> <p>c) Safety data Sheet for several chemical in the chemical store was not available (zinc chloride (1a), chemical coagulant ,etc)</p> <p>d) Spillage kit for chlorine was not available as per according to its safety data sheet.</p> <p>e) Class 1 pesticides shall not mix with other type of chemical. It was found that monocrothopos (1b) and zinc chloride (1a) stored mix with other chemical. The management of type 1a and 1b Should follow the management SOP as per mention in RSPO/MSPO Manual 4.6</p> <p>f) Flammable material (lubricant) stored mix with acetylene and oxygen tank</p>					

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	19 of 23	

Close-out evidence:	<p>1. Awareness and training for estate workers on safe working practices has to be done continuously. Several cigarette butts were found at diesel pump and diesel tank area.</p> <p>The management had taken necessary action to ensure safe working practices to be done continuously. (Refer Appendix 1: Housekeeping to clear the cigarette butts, and Appendix 2: Fire Awareness Training (diesel pump & diesel tank area))</p> <p>2. During the workshop visit it was observed that the estate best practices was not fully implemented.</p> <p>a) No first aid kit is available at workshop. This is against the estate SOP for workshop which requires the availability of a first aid kit. Appendix 3 First Aid Box Workshop Appendix 4 First Aid Inventory Appendix 5 Workshop First Aid Training</p> <p>b) Safety data Sheet for several chemical in the chemical store was not available. Spillage kit for some chemical material was not available as per according to its safety data sheet. The management had done an arrangement to ensure Safety Data Sheet(SDS) up to date and proper tools to handle spillage if occur. (Please refer Appendices 7 and 6) Appendix 7 SDS Update Appendix 6 Chemical Spill Kit</p> <p>c) Some pesticides shall not mix with other type of chemical. It was found that pesticides stored mix with other chemical. Corrective action was taken by management, please refer Appendix 8 Appendix 8 Housekeeping of Pesticides.</p> <p>d) Flammable material (lubricant) stored mix with acetylene and oxygen tank. It was observed the matter above was solved with proper manner by management please refer Appendix 9. Appendix 9 Acetylene Oxygen Tanks</p>
---------------------	---

NonConformity	N° 2 of 2		Major 2			
	Date Recorded>	3 rd May 2018	Due Date>	3 rd July 2018	Date Closed>	2 nd July 2018
Department / Function:	Administrative		Standard Ref.: Indicator		MS2350-Part 3 4.5.3.3	
Document Ref.:	Criterion 5: Waste Management and Disposal		Issue / Rev. Status:		Closed	
Details of Nonconformity:	Scheduled waste management is not fully implemented.					
Objective Evidence:	Standard Operating Procedure for handling of used chemicals available in the OSH Policy and Safe Operation Procedure (SOP)					

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	20 of 23	

	However, during audit, it was observed there was empty containers dump at undesignated area located at the back site of workers camp (Phase 2).
Close-out evidence:	The management had taken necessary action to managed the empty container and store it at an appropriate place, whilst providing training for management of hazardous chemical empty container. (Refer to Appendix 10 Management on Hazardous Container). Memo on handling of empty containers and chemical waste was circulated on 7 th June 2018 to all (Appendix 11 MEMO on all empty chemical container)

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
- 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 Palmgroup Holdings Sdn Bhd personnel, especially the ground staff contribute to the smoothness and successful of the audit process.
- The spirit of unity and enthusiasm of the personnel towards achieving MSPO certification is impressive.
- The unit has dedicated staffs who are assets to the company. Their cooperative, knowledgeable and hospitality are commendable
- Organised documentation & highly commitment towards certification.

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	21 of 23	

OBSERVATIONS: MS2530-3:2013 Part 3

Observation	N° 1 of 2		OBS 1			
	Date Recorded>	3 rd May 2018	Due Date>	Nil	Date Closed>	Nil
Department / Function:	Administrative		Standard Ref.: Indicator		MS2350-Part 3 4.4.5.11	
Document Ref.:	Criterion 5: Waste Management and Disposal		Issue / Rev. Status:		Nil	
Objective Evidence:	Standard Operating Procedure for handling of used chemicals available in the OSH Policy and Safe Operation Procedure (SOP) However, during audit, it was observed there was empty containers dump at undesignated area located at the back site of workers camp (Phase 2).					
Close-out evidence:	During line site visit at Phase 2 (Kem Waja and Wira, it was identified that the domestic water waste are not channeled into proper collection drain. As a result, the back area of the workers quarters are smelly and wet. It was proposed a small collection drain to be constructed to trap domestic water waste especially from kitchen. Appendix 12 Domestic Water Waste PH2					

Observation	N° 2 of 2		OBS 2			
	Date Recorded>	3 rd May 2018	Due Date>	Nil	Date Closed>	Nil
Department / Function:	Administrative		Standard Ref.: Indicator		MS2350-Part 3 4.4.6.1	
Document Ref.:	Criterion 5: Waste Management and Disposal		Issue / Rev. Status:		Nil	
Objective Evidence:	The training for water treatment plant operator plan sighted available and was informed conducted by the estate management, However, the training record was not available during the time of audit (Mr Umpau anak Nangkai)					
Close-out evidence:	The water treatment plant operator was attend the training course for subject matter (Please refer Appendix 13 Training Report for water treatment plan operator)					

Appendix 1: List of Stakeholders Contacted

Stakeholder	Type of Stakeholder	Issues raised	Comments/Action Taken
Mr Henry Ibat	External Stakeholders NCR land Development Area	The stakeholders are generally happy with the company especially on the CSR (road	The audit team has verified such comments and confirmed on training has been conducted accordingly.

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	22 of 23	

	Development Committee	repair, incentives, festival assistance etc) However, the ADC would like more training to be conducted especially to local employees. This increase their skills and knowledge)	The management ensure that more training to be conducted in the future to increase the organization workers skills.
Tr Lalyang ak Nangkai	External stakeholders Community leader	Generally, the community are satisfied with the estate assistance on road repair and employment opportunities to the locals.	Nil
Tr Mujah ak Lengau	Local Contractor (Transport)	In general, the contractor are satisfied with job opportunities available.	Nil
Mr Calvin Redin	Internal Safety and Health Coordinator	No issue was raised	Nil

Signed on behalf of Palmgroup Holdings Sdn Bhd	Signed on behalf of SGS Malaysia Sdn Bhd
<p>Mr. Randi Ak Guang Deputy Estate Manager 21st September 2018</p>	<p>Mr. Dickens Mambu Regional Head Certification (Sarawak) Manager, Palm Oil Base (East Malaysia) 21st September 2018</p>

Job n°:	MY04992	Report date:	24.08.2018	Visit Type:	Main Assessment	Visit n°:	1
CONFIDENTIAL	Document:	GP 7003A	Issue n°:	10	Page n°:	23 of 23	