

Malaysian Sustainable Palm Oil (MSPO)

Summary Report

Type of audit : Stage 2 MSPO Audit

Organization:	SOUTHERN REALTY (MALAYA) SDN BHD - MERBAU ESTATE		
Address:	Estate Location Address: Pejabat Ladang Bukit Ijok LOT 563, 45800 Jeram, Selangor Darul Ehsan Malaysia Postal Address: As above		
MSPO Standard(s) Used:	MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders	Accreditation Body(s):	Department Standards of Malaysia
Representative:	1) Mr Ravindran Subramaniam – Plantation Controller 2) Mr. Jayadevan Pillay – Estate Manager		
Email: Telephone:	1) Mr Ravindran Subramaniam – Plantation Controller ravin@southern.com.my +60 12 637 5746 2) Mr. Jaya Devan Pillay a/l M.Murugiah – Estate Manager jyadevan76@yahoo.com Bukitijok_estate@yahoo.com +60 10-9167160		
Site(s) audited:	single site	Date(s) of audit(s):	11 th Apr 2019
Audit Scope:	Production of Oil Palm Fresh Fruit Bunch (FFB) in compliance to the MSPO Certification Standard MS2530-3:2013 Part 3		
Mill Capacity:	n.a	Total Area (Certified):	457.92 ha
Visit Certification Assessment:	Main Assessment	Number of Sites:	1
Lead auditor:	James S H Ong	Additional team member(s):	En Afiq Othman
Certificate Number:			
Date of Issue:		Date of Expiry:	

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 MSPO Certification

Production of Oil Palm Fresh Fruit Bunch (FFB); Production in compliance to MS2530-3:2013 Part 3

This is a single -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 Certification

Currently **SOUTHERN REALTY (MALAYA) SDN BHD - MERBAU ESTATE** is not being certified with other certification scheme as below:

Current Certification (Please tick the certification you are currently certified)			
<input type="checkbox"/>	ISO 9001	<input type="checkbox"/>	HACCP
<input type="checkbox"/>	EMS 14001	<input type="checkbox"/>	RSPO
<input type="checkbox"/>	OHSAS 18001	<input type="checkbox"/>	ISCC
<input type="checkbox"/>	ISO 22001	<input type="checkbox"/>	GMP Plus
<input type="checkbox"/>	HALAL	<input type="checkbox"/>	KOSHER
<input type="checkbox"/>	Co-GAP	<input type="checkbox"/>	None / Others: RSPO NEXT

4. Assessment Process and Audit Programme

4.1. Sampling Method

Sampling Methodology and Rationale
<p>Sampling of the estates to be audited has been conducted in accordance to the Risk Management (MPOB/MSPO/RMP/06) documents as below:</p> $S = r\sqrt{n}$ <p>Risk Factor: LOW (1.0)</p> $S = 1.0 (\sqrt{1}) = 1$ <p>1 estate to be visited</p> <p>Since this is a single site audit , one (1) estate the estate has been visited during the Surveillance Assessment 1 audit according to the formula stated in MSPO Risk Management Document.</p>

The assessment was conducted based on random samples and therefore nonconformities may exist which have not been identified. The methodology for objective evidence collection included physical site inspection,

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	2 of 28

observation of tasks and processes, interview with workers, families and stakeholders, documentation review and monitoring data. Detailed audit plan can be referred below.

4.2. Audit Plan

The assessment was conducted in **01** audit day and involving **01 Estate**. The audit covers documentation review, internal procedures, management system, field inspection as well as identification of any significant issues for both environment or social issues.

Organization:	SOUTHERN REALTY (MALAYA) SDN BHD - MERBAU ESTATE		
Address:	Lat,Long: : N 3°14'14" E 101°23'2" Pejabat Ladang Bukit Ijok, LOT 563, 45800 Jeram, Selangor Darul Ehsan Malaysia Contact person: 1) Mr Ravindran Subramaniam – Plantation Controller email : ravin@southern.com.my Mobile: +60 12 637 5746:		
Visit Number:	MSPO Stage 2 Main Assessment	Actual Visit Date:	11 th April 2019
Visit Due by Date:	-	For auditor information only	
Lead Auditor	James S H Ong , SGS (Malaysia) Sdn Bhd Mobile: +6012 3736605 email : james.ong@sgs.com		
Team Member(s):	En Afiq Othman Mobile : +6 013 3545 321 Email: afiq.othman@sgs.com		
Additional Attendees and Roles	-		
Standard(s):	MS2530-3:2013 Part 3: Oil Palm Plantations & organised Smallholders		
Scope	Estate 457.92 Hectare		
Audit Language:	English & Bahasa Melayu		
Audit Scope:	Production of FFB in compliance to the MSPO Certification Standard MS2530-3:2013 Part 3		

Date	Time	Auditor	Organisational and Functional Units/ Processes and Activities	Key Contact
11/04/19	7:00 a.m		Meet up @ Tesco Puncak Alam for breakfast and transport arrangement	
	7:30 a.m		Travel and arrival at Merbau Estate (MRE)	

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL		Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA	Issue n°:	10	Page n°:	3 of 28

	8:00 a.m		Opening Meeting by MRE , SGS (Malaysia) Sdn Bhd and audit briefing		
	9:00 – 12:30		JO	AO	
			MS 2530-3-2013 (Part 3)		
		JO , and AO	Site visit – - Field operation & interview workers , contractors - Environmental – waste , water , soil management , biodiversity - Linesite & Boundary - Storage , chemical Handling - PPE / Safety		
			Document review		
			<ul style="list-style-type: none"> • Principle 1 Management commitment and responsibility • Principle 3: Transparency • Principle 4: Social responsibility, health, safety and employment condition 	<ul style="list-style-type: none"> • Principle 2: Compliance to legal • Principle 5: Environment, natural resources, biodiversity and ecosystem services • Principle 6: Best practices • Principle 7 	
	12:30 – 1:30		Lunch		
	1:30 – 5:00	JO and AO	Document review , interview with relevant workers , representative		
	5:00		Finalising MA Findings and CAR Form Presentation		
	5:30 p.m		Closing Meeting presentation Findings for MRE and recommendation Question and discussion		
	6:00		Travel out of Merbau Estate		

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	4 of 28

4.3. Certification Body_Auditor Profile

Auditor	Role	Qualification, Education, Working Experience.
James S H Ong	Lead Auditor	James S H Ong, a Bachelor of Agriculture Science holder. He has many years working experience in agriculture sector in Malaysia and has been working in estates as well in the agrochemical and fertilizer industry. He is well versed with Good Agricultural practices .He has undergone ISO 14001 and RSPO Lead Auditor and RSPO Supply Chain training and involved in a number of audits on oil palm plantations, supply chains and traders. He is also involved in ISCC audits.
Afiq Othman	Auditor	En , Afiq Othman is a Bachelor holder in Marine Technology . He was a member of the Sime Darby Sustainability Department involved in internal audit as well as preparation of the Units for certification . Upon joining SGS (M) Sdn Bhd he completed the EMS and QMS Lead Auditor Course , MSPO Lead Auditor Course , Level 2 PEFC course . He has also completed the hours to qualify to be a MSPO Lead Auditor . .

4.4. Audit Planning Matrix

Area / Department / Process / Function	Auditor(s):	Visits:	Stage1	MA (Stg 2)	SA1	SA2	SA3	SA4
		Dates:	14/2/19	11/4/19				
		1. MSR 2. Afiq	1. James S H Ong 2. Afiq Othman					
		Standard MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders						
	Principle 1	x	x	O	O	O	O	
	Principle 2	x	x					
	Principle 3	x	x					
	Principle 4	x	x					
	Principle 5	x	x					
	Principle 6	x	x					
	Principle 7	n.a	n.a					

*For each completed visit, mark "X" in the box for each department or process covered. For planned visits, indicate with an "O" in the box for each process to be covered.

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	5 of 28

5. Previous Audit Results

Not applicable as this is a Main audit

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.

6. Audit Findings Summary and Recommendations

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.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
The organization has demonstrated effective implementation and maintenance / improvement of its management system.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
The organization has demonstrated the establishment and tracking of appropriate key performance objectives and targets and monitored progress towards their achievement.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
The internal audit program has been fully implemented and demonstrates effectiveness as a tool for maintaining and improving the management system.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
The management review process demonstrated capability to ensure the continuing suitability, adequacy and effectiveness of the management system.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Throughout the audit process, the management system demonstrated overall conformance with the requirements of the audit standard.	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
The audit team concludes that the organization <input checked="" type="checkbox"/> has <input type="checkbox"/> 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:	0	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:		
<input checked="" type="checkbox"/> Granted / Recommended <input type="checkbox"/> Continued / <input type="checkbox"/> Withheld / <input type="checkbox"/> Suspended until satisfactory corrective action is completed.		

7. 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:

7.1. Details of Certified Entity

SOUTHERN REALTY (MALAYA) SDN BHD - MERBAU ESTATE is located in the district of Kuala Selangor , ljdk in the State of Selangor , Malaysia.

Based on their historical old records , it was established on 07 April 1958

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	6 of 28



SOUTHERN REALTY (MALAYA) SDN BHD - MERBAU ESTATE is surrounded by the villages of Kampung Bukit Hijau

Table 1 is the Address and the GPS coordinate of the audited site

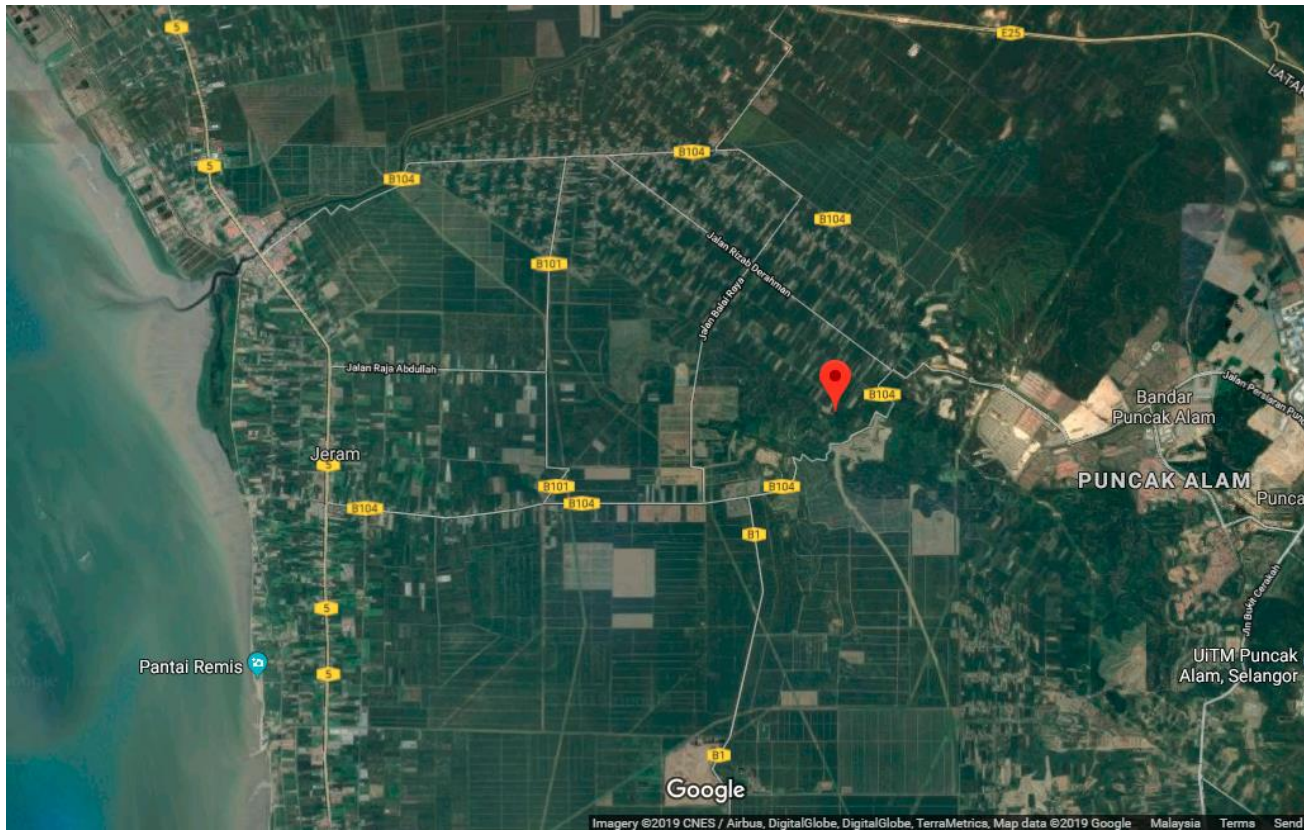
Table 1: Address and Coordinates of Estate audited

Estate	Location Address	Geo-Coordinate (GPS)
		Latitude, Longitude
SOUTHERN REALTY (MALAYA) SDN BHD - MERBAU ESTATE	Pejabat Ladang Bukit Ijok LOT 563, 45800 Jeram, Selangor Darul Ehsan Malaysia	N 3°14'14", E 101°23' 2"

Please refer to **Figure 1** for the overall location and **Figure 2** for the estate map

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	7 of 28

Figure 1: Overall location Map of SOUTHERN REALTY (MALAYA) SDN BHD - MERBAU ESTATE



Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	8 of 28

Figure 2: Overall Map of SOUTHERN REALTY (MALAYA) SDN BHD - MERBAU ESTATE



Description of Supply Base

The FFB harvested within the estate will be delivered to be processed in Golconda Palm Oil Mill. The actual and estimated crop production are listed in **Table 2** below.

Table 2: FFB Production

Estate	FFB Production (MT) Period: Jan – Dec	
	Previous Actual FY (2018)	Budget /Estimate / Projection (FY 2019)
SOUTHERN REALTY (MALAYA) SDN BHD - MERBAU ESTATE	7,829.21	8,437.00
TOTAL FFB SENT TO PALM OIL MILL	7,829.21	8,437.00

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	9 of 28

7.2. Area of Plantations

Table 3: Hectare Statement of Supplying Estates

Certified Area Statement (Ha)						
Estate	Titled Area (Ha)	Planted (Ha)		*Conservation (Ha)	HCV/ High biodiversity value (ha) (Ha)	** Others (Ha)
		Immature Area (Ha)	Mature Area (Ha)			
SOUTHERN REALTY (MALAYA) SDN BHD - MERBAU ESTATE	457.92	0	442.40	2.00	0	13.52
Total	457.92	0	442.40	2.00	0	13.52

* Please describe if information available

* e.g Conservation area : riparian reserve, waterways , forest buffer zone , , etc

** Others : non-crop area : road, linesite ,office , workshop, TNB power lines etc

7.3. Stakeholder Consultation and List of Stakeholders Contacted

Stakeholder consultation took place in the form of meetings and interviews. The interviews and meetings were intended to obtain input from the stakeholders followed by an evaluation of the relationship between the stakeholder and the company. See **Appendix 2** for stakeholder's details and comments.

Below is the 30 day public notification on the SGS website .

<https://www.sgs.com/en/certified-clients-and-products/fcm/malaysia/southern-realty-malaya-sdn-bhd-merbau-estate>

7.4. Comment on MS2530-3 Compliance Status

Comment on Principle 1	<p><u>Policy on Implementation of MSPO –</u></p> <p>As reported in 4.1.1.1, The company has established MSPO policy entitled “<i>Polisi Kelestarian</i>” dated on 1st June 2018 signed by Mr. Nick Low, Senior Director of Industrial and Plantations. The policy emphasizes the company commitment towards sustainable development</p>
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Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	10 of 28

	<p>and continuous improvement in plantation operation. It is being communicated through several ways such as by displaying the policy at office, awareness training, induction programme and stakeholder meeting.</p> <p><u>Internal Audit –</u> As reported under 4.1.2.1, Internal Audit was planned to be conducted at least once not exceeding a year period. This requirement was clearly indicated in the Internal Audit Procedure developed. Noted the audit was carried according to the audit plan evident during the audit. Internal Audit Report was produced at the end of the audit and brought up to the management and reviewed accordingly. Observed the root causes and corrective actions were identified for each non-conformance raised and closed within permitted the timeframes.</p> <p><u>Management Review –</u> As reported in 4.1.2.3, A series of management review meeting was done prior to the stage 2 audit. First management review done after internal audit has been conducted while the second meeting was done after external stage 1 audit. The last meeting was held to discuss on all critical and non-critical findings and to discuss on the timeline require to implement all corrective actions.</p> <p>Management review was done twice prior to MSPO Stage 2 audit.</p> <p>Noted the 1st was conducted on 27/12/18. It was conducted after Internal Audit has been carried out to discuss on the outcome from the internal audit and the status of corrective actions taken.</p> <p>The 2nd meeting was held on 1/3/19 to discussed on the findings raised during MSPO Stage 1 audit (external) and to discuss if any complaints have been made by stakeholder.</p> <p><u>Continual Improvement -</u> As reported in 4.1.4.1 , The company has identified Continues Improvement Plans for several criteria such as environmental, social, safety and health.</p> <p>As the day of audit, noted no new technique being implemented in the estate.</p>
Comment on Principle 2	<p><u>Transparency of documents relevant to MSPO requirements –</u> As reported in 4.2.1.1 Bukit Ijok SOP Established Stakeholder Consultation and Communication Procedure Ref No BIE-PRO-P2C2/CC Rev R00 dated 1/6/18. Process flow of communication included in the procedure.</p> <p>Merbau SOP Established Stakeholder Consultation and Communication Procedure Ref No MRE-PRO-P2C2/CC Rev R00 dated 1/6/18. Process flow of communication included in the procedure.</p> <p>Stakeholder meeting done twice in 2018. Conducted on 1) 15/3/18 Neighbourhood , communities, school, temple</p>

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	11 of 28

2) and 29/3/18 targeted for neighboring, suppliers, contractors and government bodies.

The meetings were conducted for both Bukit Ijok and Merbau Estates.

However an **OBSERVATION 01** is raised under 4.2.1.1
(refer to Section 9.3 for details)

Also reported under 4.2.1.2 , management documents for the estate are made publicly available upon request and during the stakeholder meeting.

- a. Records of Request and response
- b. Policy
- c. Social Impact Assessment
- d. Land titles
- e. Records of Complaints and Grievances

All management documents requested by external stakeholders will be handled by Social Management Officer (SMO).

For land titles and other documents where this is prevented by commercial confidentiality, the 'Stakeholder complaints & Grievances Feedback Form ' will be used or an email sent to the Plantation Department Office , HQ for approval.

Transparent method of communication and consultation –

As reported in 4.2.2.1 , the company has established a procedure for consultation and communication with the relevant stakeholders as per in the Stakeholder Consultation and Communication Procedure (Ref No.: MRE-PRO-P2C2/CC) dated 01 June 2018

In 4.2.2.2, it is also reported , Social Management Officer appointment letter dated 1/6/18 – Mr. Rethnakumar Rajkumar , field supervisor , appointed by Estate Manager Mr. Jayadevan Pillay. The appointee in charge for both estates Bukit Ijok and Merbau since the management team is among the same members.

Traceability –

As reported in 4.2.3.1 , Bukit Ijok /Merbau Estate Traceability Procedure established dated 1/6/18 ref no BIE/MRE-PRO-P2C3/TP rev no R00. Prepared by Mr. Rajesh and approved by Mr. Jaya Devan

Documentation sighted related to traceability as per SOP:

From every block the count of the bunches is reported by the tractor driver using a tally counter .

Then the tractor will be delivered to be weighed at the WB station

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	12 of 28

	<p>A WB ticket is generated e.g 010891 Block 1M 11A , 658 bunches , 5080 MT</p> <p>The WB personnel will record in the 'FFB from Field ' Book ' e.g on the 8th April, 3668 bunches recorded.</p> <p>A total weight is generated ; 010901 , BIE Seal 729385 Wt: 27670 kg FFB Despatch Note: 97166 is also generated with seal 729385 Upon receipt at the mill , Golconda POM, a Mill WB ticket is generated WB Ticket No: 589681 Date; 8/4/19 Supplier: Ijok Estate Weight: 28,510 kg</p> <p>BIE / MRE uses the Estate weight to pay the workers NOT the mill weight . This is recorded in the ' Harvesters Attendance Records Form ' for the month .</p> <p>Field No. Form available Harvester Attendance Record can be seen from QC harvesting Record QC Harvesting Record Form available (BIE-FOM-P2C3/HAR) Dispatch Note well maintained Daily Crop Records available Monthly Field Bunches Performance available.</p> <p>The appointed PIC for traceability, Mrs. Indra will ensure that the SOP is being implemented accordingly.</p>
Comment on Principle 3	<p><u>Regulatory requirements</u> – As reported in 4.3.1.1 , Ref: PPE-LST-P3C1/LRR 1/6/18 , Rev 00</p> <p>1) Local Act / Regulation / guidelines – 30</p> <p><u>Ladang Bukit Ijok</u> MPOB License 508871502000, 570.49 ha, <i>Menjual dan Mengalih FFB#</i> valid thru 30/6/19 MPOB License 506715711000, Nursery, valid thru 30/11/19 Noted air compressor permit is being applied through MYKKP and it's '<i>Kebenaran Memasang Jentera (No. Kelulusan : SL/19/PTI/27399</i> dated 18 March 2019 form JKPP , Selangor. Now awaiting their inspection on 18/4/19 Diesel permit currently is being applied through BLESS System. The diesel is currently being stored in the estate despite that the permit is yet to be granted by the authority . <i>Ulasan Permohonan Lesen Perniagaan – Permit diesel (Simpan) untuk Kerja Ladang</i> dated 5/4/19 for 12,000 lits Receipt for diesel permit No. Bill 03001212 dated 28/3/19 Visit by Bomba on 10/4/19 Weighbridge calibration record. Borang D Serial No:180106 for 60 MT .</p>

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	13 of 28

	<p>Valid from 22/11/18</p> <p><u>Merbau</u> MPOB License 501283202000, 442.40 ha, Menjual dan Mengalih FFB# valid thru 31/3/20</p> <p><u>Legal land use rights –</u> As reported in 4.3.2.1 , BIE consist of 17 blocks with a total of 523.28 ha planted out of a titled land of 605.3076 ha</p> <p>MRE consist of 22 blocks with a planted hectareage of 442.40 ha out of the titled ha , 457.30 ha . The planted hectarage exceeds the MPOB license hectarage which is 347.65 ha.</p> <p>Merbau Sighted boundary marker installed. 14 markers installed. Map available. Noted the operations of estate do not diminish other land users right.</p> <p>Bukit Ijok Sighted boundary marker installed. 4 markers installed. Map available. Noted the operations of estate do not diminish other land users right.</p> <table><tr><th>No Hakmilik</th><th>Hectarage (ha)</th><th>Quit Rent</th><th>Grant</th></tr><tr><td>0054142 (Merbau)</td><td>457.30</td><td>available</td><td>available</td></tr><tr><td>0051660 (Bkt Ijok)</td><td>605.3076</td><td>available</td><td>available</td></tr></table> <p><u>Customary rights –</u> As reported in 4.3.3.1,there is no issue or encumbered by customary rights in the estates. Scale maps prepared by AAR sighted for : 1) Bukit Ijok Estate 1:15,000 2) Merbau Estate 1:12,500</p>	No Hakmilik	Hectarage (ha)	Quit Rent	Grant	0054142 (Merbau)	457.30	available	available	0051660 (Bkt Ijok)	605.3076	available	available
No Hakmilik	Hectarage (ha)	Quit Rent	Grant										
0054142 (Merbau)	457.30	available	available										
0051660 (Bkt Ijok)	605.3076	available	available										
Comment on Principle 4	<p><u>Social Impact Assessment –</u> As reported in 4.4.1.1 , Verification during the audit showed that there is evidence that the Social Impact Assessment that has been conducted by the company covering the estate within the company's certification scope (Social Impact Assessment – Ref No. BIE/MRE-FOM-P4C1/SIA) that</p>												

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	14 of 28

	<p>include the following to ensure identification , timetable and action taken to response :</p> <ol style="list-style-type: none"> 1) Stakeholder 2) Feedbacks 3) Stakeholder area of concern 4) SC No. 5) Positive/ negative 6) Need control measure? Yes/ No? 7) Action completion date 8) Status <p>Observed that the Assessment has been conducted on 29 March 2018 covering 73 stakeholders such as local authorities , smallholders , local communities, workers and the suppliers. Based on the SIA no negative issues were raised. Feedbacks were noted e.g MPOB, DOSH Selangor , SRJK(T) Ladang Bt ijok and IJM land (developer)</p> <p><u>Complaints and grievances –</u> As reported in 4.4.2.1 , Complaint and grievance dealing process is being included in the SOP mentioned above.</p> <p>Bukit Ijok & Merbau Estate SOP Established Stakeholder Consultation and Communication Procedure Ref No BIE/MRE-PRO-P2C2/CC Rev R00 dated 1/6/18. Process flow of communication included in the procedure.</p> <p>However under 4.4.2.4, OBSERVATION 02 is raised . (refer to Section 9.3 for the details)</p> <p><u>Commitment to contribute to local sustainable developments –</u> As reported in 4.4.3.1 , CSR record recorded in the BIE/MRE-DOC - P4C3/CSR</p> <ol style="list-style-type: none"> 1. Gotong-royong dated 11/8/18 – provide tractor and trailer to transport out collected rubbish, equipment for gotong royong and food. 2. Jan 2019 - Grass cutting Temple Sri Maha Mariamman 3. Jan 2019 _ SRJK(T) Ladang Bt Ijok donation of A4 papers <p><u>Employees health and safety –</u> As reported in 4.4.4.2, OSH Plan sighted ref no BIE-DOC-P4C4/HSP and MRE-DOC-P4C4/HSP dated 1/6/18 ref R00.</p> <ol style="list-style-type: none"> a) OSH policy communicated on 11/2/19. Each worker was provided with copy of policies established. b) HIRARC has been established covering 20 activities in the estate created on 23/2/18. Each process is recorded in the HIRARC form BIE-FOM-P4C4/HI that records the following <ul style="list-style-type: none"> - Activity - Hazard
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Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	15 of 28

	<ul style="list-style-type: none"> - Potential harm / consequence - R/NR - Current prevention and protective measures - Risk evaluation (L , S , Score 0 - Risk level <p>Training programme 2019 sighted (refer to 4.4.6.1.). Sampled spraying training record in 2018 dated 2/10/18 conducted by third party.</p> <p>c) Sighted PPE issuance record is being well maintained in "PPE Issuance file ". Among PPE provided is Safety Helmet, Glove, Safety Shoes, Respirator , goggles , wellington boots Sickle Cove e.g on 2/1/19 Ms R. Radhamani S.Rajoo and Wahyu</p> <p>d) Sighted Safe Work Manual established dated 1/11/18 Version 1. The manual covers various activities including operational and non-operational. Safety manual for storage of chemical and empty container, spraying manual, issuance of chemical, rat baiting and chemical mixing. Sighted CHRA report dated 3/4/14. The assessment was conducted by LHL Risk Management Services. DOSH Reg. No. SL/06/04/5520. Chemical register available. 8 employees were sent for medical surveillance as required by CHRA Report. They were sent to Klinik Ng and Singh (registered OHD). From the test result released on 20/10/18 for 5 employees (fit to work) whereas another 3 results is yet to be received as they were sent at a later date than the other 5 employees.</p> <p>e) Available. Management Rep Appointment Letter of Dr. Gunaseelan a/l/ Seenivasan dated 1/6/18. appointed responsible person(s) for workers' safety and health. The appointed person(s) of trust have knowledge and access to latest national regulations and collective agreements . He has the following :</p> <ol style="list-style-type: none"> 1) Hospital Assistant Grade 1 2) Dip. In Human Resource Management 3) Cert. occupational Safety and Health 4) Homeopathy Medical Science (B.H.MS in Homeopathic medical Science <p>f) OSH meeting conducted as the following dates 25/5/18, 24/8/18 and 21/11/18. The latest meeting was conducted on 20/02/19 The meeting combined 3 estate Bukit ijok, Merbau and Golconda. Issues discussed:</p> <ul style="list-style-type: none"> - Laporan kemalangan - Emergency response Team - First aid box - Work place inspection - Gender & Environment <p>g) Sighted ERP for Fire, Injury/ illness, chemical spillage and other chemical related incidents and electrical shock.</p> <p>h) First aider Mr. Gunaseelan, HA. Internal first aid training conducted on 9/6/18.</p> <p>i) No accident recorded in year 2018. Current practice, JKPP 8 is being submitted on 28/01/19 . No. Ruj JKPP 8/32987/2018 .</p>
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Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	16 of 28

Employment conditions –

As reported in 4.4.5.1 , The policy on good social practices has been indicated in the “Labour Right and Ethics Policy” that is signed by the Industrial and Plantation Senior Director on 01 June 2018. The policy emphasizes on

1. Equality/ no discrimination
2. No child labour
3. No sexual harassment
4. Freedom of association

. Sighted briefing for contractor workers dated 11/2/19 targeted for workers.

As reported in 4.4.5.3,

Sampled permanent worker payslips for Jan 19:

1. Lacham AP Munian (Sprayer) – RM1438.54 (daily rate)
2. Herman (Indonesia)(Harvester) - RM2076.00 (piece rate)
3. Sumon (Bangladesh)(Harvester) - RM2076.72 (piece rate)

Payment made in accordance to Min Wage Order 2018.

In March 2019 , out of 39 workers , only 1 worker did not achieved the minimum wage per month .

However based on the days P.Radhamani Rajoo was present , for 21 days (Feb 25 – March 25) , she was paid the correct minimum wage of RM42.31 per day

As reported in 4.4.5.4 , Sampled of contractors engaged Xin Yong Tractors Earth Works and L Selvee Transport:

1. Subramaniam (JCB Driver) – Jan 19, RM2,530.05
2. Annathurai Arumugam (Transporter) – Jan 19, RM,2663.60

Based on sample , all the workers were paid based on the legal minimum

As reported under 4.4.5.5 , Such record has been established as “Employee Registration Card” entailing all required details for all employees and contractors.

Although Employment Contract and Appointment Letter for the workers are available .

Sighted Contract Agreement for permanent workers:

1. Lacham AP Munian (Sprayer). Date joined 6/2/94
2. Indonesian Herman (Harvester). Date joined 25/11/18
3. Bangladesh Uddin Md Sumon (Harvester). Date joined 30/11/18
4. R.Radhamani a/p Rajoo (general worker) . Date joined : 1/1/2005

As reported in 4.4.5.11 Quarters are being provided for the estate workers with basic electricity and water supply

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	17 of 28

	<p>The estate has started to repair the drainage system so that waste-water channelled to the main drain.</p> <p>They have removed the extensions and started to separate the chicken and goat 'housing ' from the house compound. The carpenter was seen repairing the door during the audit.</p> <p>Based on the 2019 Budget about 250K is budgeted under account code G06 for various upgrade and maintenance for housing ,new housing , weighbridge , workshop etc .</p> <p>The labour cost required for the line-site was also budgeted.)</p> <p>As reported under 4.4.5 13, The management of the estate is respecting the right of the workers to form or join union that is described in the documented "Labour Right and Ethic Policy" established by the management of Bukit Ilok and Merbau Estate.</p> <p>11 out of all workers are union members represented by Union representative A. Marayee A/P Angamuthu (spray operator).</p> <p>Interview with A. Marayee showed that she is satisfied with the management</p> <p><u>Training and competency –</u> As reported in 4.4.6.1 , sighted training programme for 2019 during the audit FOM-P4C6/TP Rev R00. Noted in the programme several trainings have been listed taking into considerations of environment, safety, health and social aspects. Noted no training was conducted for 2019 as of the audit date. The soonest training planned was in March 2019.</p>
Comment on Principle 5	<p><u>Environmental management programme –</u></p> <p>As reported in 4.4.5.1 , The company has established "Environmental Policy" dated on 1st June 2018 signed by Industrial and Plantation Director, Dr. Nick Low to exhibit the commitment towards conserving and preserving environment.</p> <p>"Environment Management Plan" has been established through establishment of environmental objectives, identification of negative impacts from Aspect Impact Analysis, establishment of mitigation actions required for negative impacts and monitoring necessity.</p> <p>Addition to the Environmental Management Plan, the estate has established Continual Improvement Plan comprises of all actions planned to improve their operations in terms of all aspects such as environmental, safety, health and social.</p> <p>Several trainings covering environmental aspects have been planned and conducted to ensure that all employees understand the policy and</p>

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	18 of 28

objectives of the environmental management and improvement plans and are working towards achieving the objectives.

Periodically the management will hold a meeting together with other employees to discuss on environmental issue being faced by the estate. Meeting minutes are being retained appropriately for future reference.

However an **OBSERVATION 03** is raised under 4.5.1.2
(see Section 9.3 for details)

Efficiency of energy use and use of renewal energy –

As reported under 4.5.2.1 , the estate closely monitors the usage non-renewable energy such diesel usage and electricity. They even estimate the usage for the coming year to ensure the consumption is at optimal level and not over consume. No renewable energy being adopted in the estate at the point of audit.

Waste management and disposal –

As reported in 4.5.3.1 , Waste sources have been identified for several types of waste such as scheduled waste from estate operation and domestic waste from labour line and office and by-products from the estate operations.

Waste Management Plan was developed to ensure all wastes identified are being managed responsibly and efficiently.

To provide a standard guideline and to meet the requirement of scheduled waste management, the estate has established a specific procedure for such activity.

To ensure that waste management is being kept minimal, the estate practices recycle where applicable such as reusing empty chemical container for chemical mixing purpose and recycling other recyclable items.

Domestic waste is being disposed at designated RORO Bin located at the linesite and being managed properly to avoid from unpleasant environment. Appointed contractor will come and collect every fortnight. However, the contractor will come should the management requested to have the rubbish collected earlier than scheduled.

By-products such empty bunch and fronds being used to recycle nutrients in the field through natural decomposition.

Reduction of pollution and emission –

As reported under 4.5.4 1, polluting activity assessment was done together with Aspect Impact Analysis (AIA) Assessment. Together with the analysis, the mitigation action plan of each identified polluting activities was also included in the AIA.

Natural water resources –

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	19 of 28

	<p>As reported in 4.5.5.1, Water Management Plan has been established. The plan covers assessment of water usage and sources, monitoring of outgoing water from the estate despite not having river or natural streams flow in the estate, establishment of buffer zone wherever deemed necessary by the management, practicing rain water collection and recycling excess water from chemical mixing activity for the next chemical mixing purpose</p> <p>Three (3) sampling points have been identified to monitor water flowing out from the estate (not river or natural stream). Noted water samples are being sent to accredited third party lab for testing. It is done on quarterly basis. Latest samples sent in April 2019 but the lab has yet to return with the result.</p> <p>Only result sighted was from January 2019. Noted the BOD from sampling point 3 was above 2,000mg/l.</p> <p>As explained by the management, it may be due to the appointed personnel who carried out the water sample collection task was not competent which may have influenced the result of the water sampling result. The management may want to consider to engage competent person to carry out the sampling task and to get more information on water monitoring requirement</p> <p>As a result , an OBSERVATION 04 is raised under 4.5.5.1 (see Section 9.3 for details)</p> <p><u>Status of rare, threatened or endangered species and high biodiversity value area –</u></p> <p>Appropriate signages of illegal hunting and fishing have been erected to discourage such activities. They were available at estate main entrance and in certain area in the plantation fields</p> <p>Observed the estate appointed SRZ Corporation Services as consultant to published biodiversity report for all southern estate.</p> <p>The consultant visited the estate on 5/2/2019. As the day of audit, the estate was only provided with draft report. The consultant has yet to return with the finalised audit report.</p> <p>Noted from the report, the biodiversity assessment was only done for Mammalians, Reptilians, Amphibians and Avifauna. No evidence of assessment has been done for floral species.</p> <p>Due to incomplete assessment , an OBSERVATION 05 under 4.5.6.1 (see Section 9.3 for details)</p> <p><u>Zero burning practices –</u></p>
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Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA	Issue n°:	10	Page n°:	20 of 28	

	As reported in 4.5.7.1 , Zero Burning commitments were reflected in the established Environment Policy mentioned earlier. To top it off, the prohibition of adopting burning method is also being mentioned in Replanting SOP of the company. Noted no traces of open burning in the estate either at replanted field or housing area.							
Comment on Principle 6	<p><u>Site management –</u> As reported in 4.6.1.1, Standard Operating Procedure on Good Agricultural Practice has been established consisting 21 types of operational activity. Based on observation of the auditor during site visit to the field, noted that the field management is in accordance to the SOP. Further verification through interview with harvesting contract workers exhibit good understanding of the company standards. The implementation is being monitored periodically through internal audit and visit by Plantation Controller.</p> <p>The land being occupied by the estate is mostly flat area. However, there were some areas that have identified as hilly areas. A proper terracing system was found to be in place.</p> <p>Apart from having field block map, the physical identification on the ground was found to be available.</p> <p><u>Economic and financial viability plan –</u> As reported in 4.6.2.1 , Business plan has been established to demonstrate attention to economic and financial viability through long-term management planning. The past 2 years performance was reviewed. The operational plan of 2 years ahead 2020 and 2021 was made available during the audit. From the business plan reviewed noted that the plan not only covers operational plan and budgeting but also on other indirect general charges and other indirect expenses.</p> <p>The estate has been having replanting programme prior to this audit.</p> <p>No replanting activity was done at the point of audit.</p> <p>Periodically, the business plan is being monitored through several identified methods such as Daily Production Reports, Monthly Estate Production Performance Report and Quarterly Performance Report.</p> <p>.</p> <p><u>Transparent and fair pricing dealing –</u> As reported in 4.6.3.1, Sighted contract agreements between the estate and appointed contractors for outsourced services such as for machinery works and FFB Transportation.</p> <p>The contract agreement between the estate and contractor was made available and signed by both sides. Noted that pricing mechanism was documented in the agreement. Payment to the contractor done on monthly basis. Noted no complaint ever received from the contractor regarding late payment etc.</p>							
Job n°:	MY05327	Report date:	110419		Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA			Issue n°:	10	Page n°:	21 of 28

	<p><u>Subcontractor</u> –</p> <p>As reported in 4.6.4.1 :</p> <p>From all sampled contract agreements made between the estate and appointed contractors, noted that it has been agreed and signed by both parties. Observed that all sampled contracts containing special clause on MSPO adherence and compliance requirement</p>
Comment on Principle 7	<p><i>Note: the whole Principle 7 is not applicable for this audit as there is no new planting in the plantations area.</i></p> <p><u>High biodiversity value</u> –</p> <p><u>Peat land</u> –</p> <p><u>Social and environmental impact assessment</u> –</p> <p><u>Soil survey</u> –</p> <p><u>Planting on steep terrain and/or on marginal and fragile soils</u> –</p> <p><u>Customary land</u> -</p>

7.5 Comment on MS2530-4 Compliance Status

Not applicable for farm audit

8. Nonconformities

8.1. Non-Conformity Statement MS2530-3:2013 Part 3

No non-conformity raised in this estate .

Note: The same workers and management are managing Bukit Ijok Estate and Merbau Estate .

8.2. Non-Conformity Statement MS2530-4:2013 Part 4

Not applicable for farm audit

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	22 of 28

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 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 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

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.

9. General Observations & Opportunities for Improvement

9.1. Positive Observations

Refer to Bukit Ijok Estate Report . The same workers and management are managing Bukit Ijok Estate and Merbau Estate.

9.2. Opportunities for Improvements

Refer to Bukit Ijok Estate Report. The same workers and management are managing Bukit Ijok Estate and Merbau Estate.

9.3. Observations (Part 3)

Observations	N° 1 of 5	<input type="checkbox"/> Major	<input type="checkbox"/> Minor
Department / Function:	Stakeholder consultation	Standard Ref.: Indicator	4.2.1.1
Document Ref.:	MS2530-3:2013 Part 3	Issue / Rev. Status:	

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	23 of 28

Details	The management shall communicate the information requested by the relevant stakeholders in the appropriate languages and forms, except those limited by commercial confidentiality or disclosure that could result in negative environmental or social outcomes.
Details of Observation:	<p>Bukit Ijok SOP Established Stakeholder Consultation and Communication Procedure Ref No BIE-PRO-P2C2/CC Rev R00 dated 1/6/18. Process flow of communication included in the procedure.</p> <p>Merbau SOP Established Stakeholder Consultation and Communication Procedure Ref No MRE-PRO-P2C2/CC Rev R00 dated 1/6/18. Process flow of communication included in the procedure.</p> <p>Stakeholder meeting done twice in 2018. Conducted on 1) 15/3/18 Neighbourhood , communities, school, temple 2) and 29/3/18 targeted for neighboring, suppliers, contractors and government bodies.</p> <p>However the estate did not have any contribution / involvement from their own workers during the annual stakeholder meeting</p> <p>The meetings were conducted for both Bukit Ijok and Merbau Estates.</p>

Observations	N° 2 of 5	<input type="checkbox"/> Major	<input type="checkbox"/> Minor
Department / Function:	Annual stakeholder meeting	Standard Ref.: Indicator	4.4.2.4
Document Ref.:	MS2530-3:2013 Part 3	Issue / Rev. Status:	
Details	Employees and the surrounding communities should be made aware that complaints or suggestions can be made any time.		
Details of Observation:	<p>The audit team notes that the local communities has been made aware of the complaints through the stakeholder meeting conducted on 15/3/18 and 29/3/18</p> <p>However their 2019 annual stakeholder meeting is planned in June 2019 and it is overdue as the last meeting was in March 2018 .</p> <p>Reason: due to MSPO audits</p>		

Observations	N° 3 of 5	<input type="checkbox"/> Major	<input type="checkbox"/> Minor
Department / Function:	EMP	Standard Ref.:	4.5.1.2

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	24 of 28

		Indicator	
Document Ref.:	MS2530-3:2013 Part 3	Issue / Rev. Status:	
Details	<p>The environmental management plan shall cover the following:</p> <p>a) An environmental policy and objectives; b) The aspects and impacts analysis of all operations.</p>		
Details of Observation:	<p>Environmental objectives were sighted from Environmental Management Plan, Doc-P5C1/EMP.</p> <p>However, the objectives identified were found to be vague. The management may want to specify each of the objective to become more specific, measurable, attainable, realistic and timely.</p>		

Observations	N° 4 of 5	<input type="checkbox"/> Major	<input type="checkbox"/> Minor
Department / Function:	Water sampling	Standard Ref.: Indicator	4.5.5.1
Document Ref.:	MS2530-3:2013 Part 3	Issue / Rev. Status:	
Details	<p>The management shall establish a water management plan to maintain the quality and availability of natural water resources (surface and ground water). The water management plan may include:</p> <p>b) Monitoring of outgoing water which may have negative impacts into the natural waterways at a frequency that reflects the estate's current activities.</p>		
Details of Observation:	<p>3 sampling points have been identified to monitor water flowing out from the estate (not river or natural stream). Noted water samples are being sent to accredited third party lab for testing. It is done on quarterly basis. Latest samples sent in April 2019 but the lab has yet to return with the result.</p> <p>Only result sighted was from January 2019. Noted BOD from sampling point 3 was above 2000mg/l.</p> <p>As explained by the management, it may be due to the appointed personnel who carried out the water sample collection task was not competent which may have influenced the result of the water sampling result. The management may want to consider to engage competent person to carry out the sampling task and to get more information on water monitoring requirement.</p>		

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	25 of 28

Observations	N° 5 of 5	<input type="checkbox"/> Major	<input type="checkbox"/> Minor
Department / Function:	High biodiversity value habitats	Standard Ref.: Indicator	4.5.6.1
Document Ref.:	MS2530-3:2013 Part 3	Issue / Rev. Status:	
Details	<p>Information shall be collated that includes both the planted area itself and relevant wider landscape-level considerations (such as wildlife corridors). This information should cover:</p> <p>a) Identification of high biodiversity value habitats, such as rare and threatened ecosystems, that could be significantly affected by the grower(s) activities.</p>		
Details of Observation:	<p>Observed the estate appointed SRZ Corporation Services as consultant to published biodiversity report for all southern estate.</p> <p>The consultant visited the estate on 5/2/2018. As the day of audit, the estate was only provided with draft report. The consultant has yet to return with the finalised audit report.</p> <p>Noted from the report, the biodiversity assessment was only done for Mammalians, Reptilians, Amphibians and Avifauna. No evidence of assessment has been done for floral species.</p>		

9.3. Observations (Part 4)

Not applicable for farm audit

Appendix 1: Multi –Site Address List

Not applicable as this is a single site audit

Site name / Address	Audit Dates	Activities at this site
-	-	-

Appendix 2: List of Stakeholders Contacted

Stakeholders Details	Relationship	Stakeholder's Input / Comments	Clients Feedback / Response
Stakeholder's name	e.g. contractors,	Comments given by	Response by auditee

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	26 of 28

and designation if any	local community, authority etc.	stakeholder	
Harvesters	Internal Stakeholders	Housing no issue Payment no issue	Not required
Mr Gunaseelan , Hospital Assistant	Internal Stakeholder Hospital Assistant	Sufficient medical items , housing inspection done	Not required
Nila a/p Gopalu	Internal Stakeholder, worker	Housing is good	Not required
A. Marayee A/P Angamuthu	Union representative	Pay, rates , OK Estate support Union .	Not required
Madurai Veeran a// Kathan	worker	O/T calculated correctly	Not required
A.Sivanathan	External stakeholder. _Teacher SJK (Tamil) Bukit Ijok	Estate is supportive, provide stationeries, grass cutting , road	Not required


Appendix 3: MPOB License

Estate/Mill	MPOB License Number	Scope	Expiry Date
SOUTHERN REALTY (MALAYA) SDN BHD - MERBAU ESTATE	508871502000	Menjual dan Mengalih	30/06/2019

Appendix 4: Acknowledgement of Internal Responsibility and Formal Sign-off Assessment Findings

SGS (Malaysia) Sdn Bhd and client acknowledge and confirms acceptance of the Report contents and including the assessment findings. SGS (Malaysia) Sdn Bhd and client accept the responsibility for addressing the opportunities of improvement detailed in this report.

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL		Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA	Issue n°:	10	Page n°:	27 of 28

Signed on behalf of SOUTHERN REALTY (MALAYA) SDN BHD - MERBAU ESTATE	Signed on behalf of SGS (Malaysia) Sdn Bhd
<p>Name:</p> <p>Position :</p> <p>Date :</p>	 <p>Name: James S H Ong</p> <p>Position: Lead Auditor</p> <p>Date : 13/05/19</p>

-End of Report-

Job n°:	MY05327	Report date:	110419	Visit Type:	MA	Visit n°:	2
CONFIDENTIAL	Document:	GS0304 (MY05327) SOUTHERN REALTY (MALAYA) SDN BHD- Merbau Estate MSPO MA		Issue n°:	10	Page n°:	28 of 28