

## Malaysian Sustainable Palm Oil (MSPO) Summary Report

<b>Organization:</b>	Southern Realty (Malaya) Sdn. Bhd. – 003199-A		
<b>Address:</b>	<b>Estate Location Address:</b> No TST16, Cawangan, Serahan Mel Rawang, 48000 Rawang, Selangor, Malaysia <b>Head Office Address:</b> Southern Realty (M) Sdn. Bhd. Wisma Southern, 6 <sup>th</sup> Floor, Nos. 26-34, Jalan Dato Hamzah, 41000 Klang, Selangor, Malaysia.		
<b>MSPO Standard(s) Used:</b>	<b>MS2530-3:2013 Part 3:</b> General principles for oil palm plantations and organized smallholders	<b>Accreditation Body(s):</b>	Department Standards of Malaysia
<b>Representative:</b>	Mr Ravindran Subramaniam – Plantation Controller <a href="mailto:ravin@southern.com.my">ravin@southern.com.my</a> +60 12 637 5746  Mr. Koielepullai AL Jabamany – Estate Manager <a href="mailto:koielepullai49@gmail.com">koielepullai49@gmail.com</a> +60 19 272 4901  Ramli bin Sulaiman – Account Supervisor <a href="mailto:wefinsrasul@gmail.com">wefinsrasul@gmail.com</a> +60 11 1080 7816		
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<b>Website:</b>	<a href="http://www.southern.com.my/">http://www.southern.com.my/</a>		
<b>Site(s) audited:</b>	Waterfall Estate	<b>Date(s) of audit(s):</b>	25 <sup>th</sup> & 26 <sup>th</sup> March 2019
<b>Audit Scope:</b>	Production of Oil Palm Fresh Fruit Bunch (FFB) in compliance to the MSPO Certification Standard <b>MS2530-3:2013 Part 3</b>		
<b>Mill Capacity:</b>	Nil	<b>Total Area (Certified):</b>	517.19 ha
<b>Visit Certification Assessment:</b>	Main Assessment (Stage 2)	<b>Number of Sites:</b>	1 estate
<b>Lead auditor:</b>	Afiq Othman	<b>Additional team member(s):</b>	Nil
<b>Certificate Number:</b>			
<b>Date of Issue:</b>		<b>Date of Expiry</b>	
<b>This report is confidential and distribution is limited to the audit team, client representative and the SGS office.</b>			

## 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

1. Production of Oil Palm Fresh Fruit Bunch (FFB) in compliance to the MSPO Certification Standard **MS2530-3:2013 Part 3**

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 Certification

Currently **Southern Realty (Malaya) Sdn. Bhd. – Waterfall Estate** is being certified with other certification scheme as below:

Current Certification (Please tick the certification you are currently certified)			
<input type="checkbox"/>	ISO 9001 (only for mill)	<input type="checkbox"/>	HACCP
<input type="checkbox"/>	EMS 14001 (only for mill)	<input type="checkbox"/>	RSPO
<input type="checkbox"/>	OHSAS 18001 (only for mill)	<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:

## 4. Assessment Process and Audit Programme

### 4.1. Sampling Method (not applicable)

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> <p style="text-align: center;"><math>S = r\sqrt{n}</math></p> <p style="text-align: center;">Risk Factor: <b>Not Applicable</b></p> <p>Since this is an individual certification. Sampling method is not applicable.</p>

The methodology for objective evidence collection included physical site inspection, 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 2 audit days (2 man-days) and involving an 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.

Date	Time	SGS Team	Organisational and Functional Units/ Processes and Activities	Key Contact

Job n°:	MY05325	Report date:	5 <sup>th</sup> April 2019	Visit Type:	MA	Visit n°:	2
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25 <sup>th</sup> & 26 <sup>th</sup> March 2019	A.M	ALL		Audit Team & Estate Management
	0830		Audit Team arrive at Waterfall Estate	
	0900		<u>Opening Meeting (Only on 25<sup>th</sup> March)</u>  Safety briefing by Waterfall Estate & brief presentation of Waterfall Estate introduction  Opening slides by SGS Team	
	0900-1300		<u>Site Visit (Only on 25<sup>th</sup> March) &amp; Documentation Review</u> Buffer zone, boundary area, HCV or conservation area, landfill, operation (harvesting/ spraying/ manuring) area, water treatment plant, storage area, workshop and labour quarters and stakeholder consultation	
	P.M 1300-1400		Lunch Break	
	1400-1600		Continue Audit – Documentation Review	
	1630-1700		<b>Audit Closing Meeting</b>	
	1730		<b>Depart from Waterfall Estate</b>	

#### 4.3. Certification Body

Auditor	Role	Qualification, Education, Working Experience.
Afiq 'Aliyuddin Othman	Lead Auditor	<ul style="list-style-type: none"> <li>- MSPO Certified Lead Auditor</li> <li>- BSc. (Hons) Marine Technology</li> <li>- A year experience working in Ministry of Natural Resources and Environment</li> <li>- 5 years experiences working for Sime Darby Plantation Berhad as Sustainability and Quality Management.</li> </ul>

#### 4.4. Audit Planning Matrix

Area / Department / Process / Function	Standard	Visits:	MA (Stg 2)	SA1	SA2	SA3	SA4
				Dates:	25-26/3/2019		
		Auditor(s):	1. Afiq Othman				
Waterfall Estate	MS2530-3:2013 Part 3: General principles for oil palm plantations and organized smallholders		X	O	O	O	O

\*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.

#### 5. Previous Audit Results (not applicable)

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

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

#### 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"/> <b>has</b> <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: <b>0</b> Major <b>0</b> 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"/> <b>Granted</b> / <input type="checkbox"/> Continued / <input type="checkbox"/> Withheld / <input type="checkbox"/> Suspended until satisfactory corrective action is completed.		

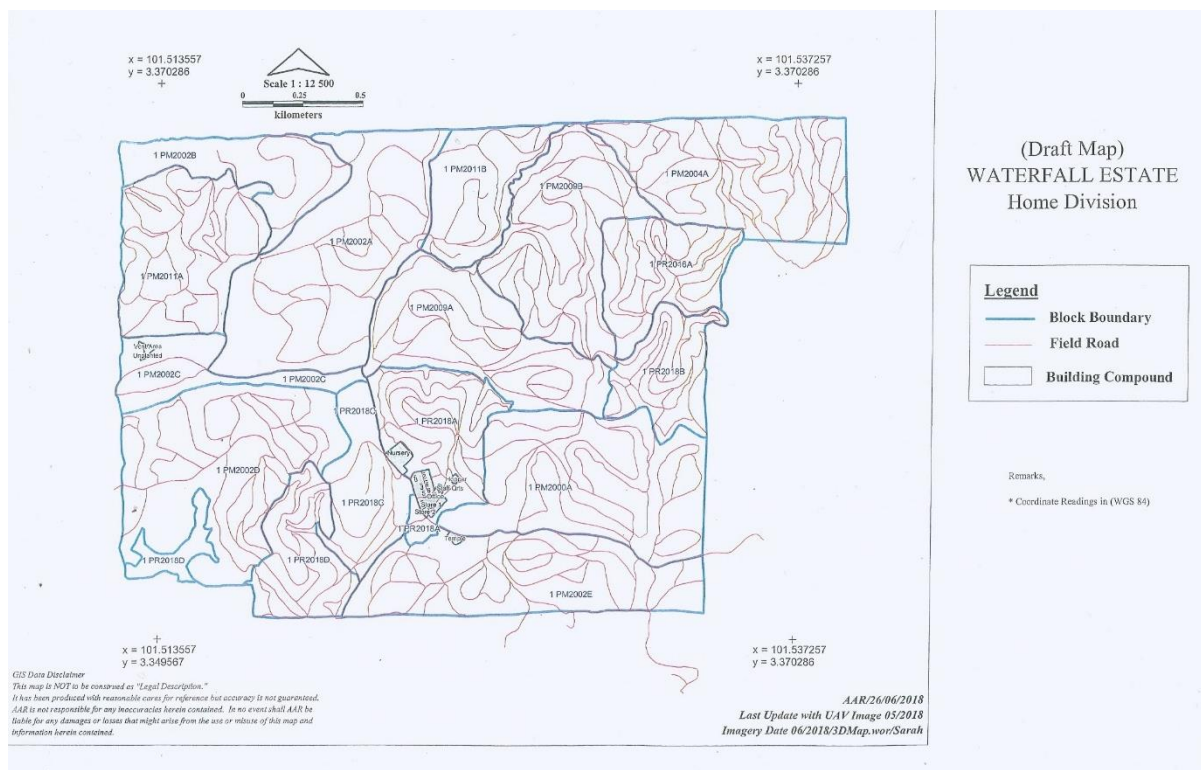
## 7. Significant Audit Trails Followed

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

Estate/ Mill	Location Address	Geo-Coordinate (GPS)
		Latitude, Longitude
Waterfall Estate	No TST16, Cawangan Serahan Mel Rawang, 48000 Rawang, Selangor, Malaysia.	N 3°21'17.44" E 101°31'25.82"

**Table 1: Address and Coordinates of Waterfall Estate**



**Figure 1: Map of Waterfall Estate**

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### Description of the supply base

Waterfall Estate was initially owned by another private owner. It was bought by Southern Realty (Malaya) Sdn. Bhd. In 1975. Since then the estate is being maintained with a total manpower of 13 workers came from a different race and different nationality such local, Indonesian and Bangladeshi. The estate located in Rawang nearby to Nirvana Memorial Park Rawang. Currently being planted with only oil palm crops. The crops are being supplied to Golconda Palm Oil Mill which is owned by the same entity.

Estate	FFB Production (MT) Period:	
	Actual FY (2017/2018)	Estimated (FY 2018/2019)
Waterfall Estate	10,086.88	11,410.00
<b>TOTAL FFB Produced</b>	10,086.88	11,410.00

**Table 2: FFB Production (Actual & Estimated)**

### 7.2. Area of Plantations

Certified Area Statement (Ha)						
Estate	Titled Area	Planted (Ha)		Conservation	HCV	Others
		Immature Area	Mature Area			
Waterfall Estate	517.19	93.48	418.85	0	0	4.86
<b>TOTAL</b>	517.19	93.48	418.85	0	0	4.86

**Table 3: Hectare Statement of Waterfall Estate**

### 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.

### 7.4. Comment on MS2530-3 Compliance Status

<p><b>Comment on Principle 1</b></p>	<p><u>Policy on Implementation of MSPO –</u></p> <p>The company has established MSPO policy entitled “<i>Polisi Kelestarian</i>” dated on 1<sup>st</sup> June 2018 signed by Mr. Nick Low, Senior Director of Industrial and Plantations. The policy emphasizes the company commitment towards sustainable development and continuous improvement in plantation operation. It is being communicated through</p>
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	<p>several ways such as by displaying the policy at office, awareness training, induction programme and stakeholder meeting.</p> <p><u>Internal Audit –</u></p> <p>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></p> <p>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><u>Continual Improvement -</u></p> <p>The company has identified Continues Improvement Plans for several criteria such as environmental, social, safety and health.</p> <p>To run the estate’s operations more efficiently. the estate recently installed a weighbridge and planning to introduce Mechanization System for FFB Evacuation tentatively in Dec 19. Several representatives were sent to Dafa Estate in Lundu Sarawak for knowledge exchange programme to learn more about the mechanization operations.</p>
<p>Comment on Principle 2</p>	<p><u>Transparency of documents relevant to MSPO requirements –</u></p> <p>Consultation and Communication Procedure has been established by the company with process flow of communication process included in the procedure.</p> <p>Stakeholder meeting done twice in 2018 targeted for neighbouring communities, government bodies and suppliers.</p> <p>The company uses stakeholder meeting as one of the medium to communicate necessary information to relevant stakeholders. Any additional information will be communicated to stakeholder upon request as long as not subjected to private and confidentiality.</p> <p>Noted “peti cadangan” and complaints forms being made available in front of the office. Explained by the management, stakeholders may submit their official request through various mediums such as letter, memo, phone, email or even come by the estate office to extend their intentions. Copies of complaint and grievance form has been provided to</p>

	<p>stakeholders during the last stakeholder meeting. The workers have been briefed on how to lodge complaints to the estate management</p> <p><u>Transparent method of communication and consultation –</u></p> <p>SOP Established Stakeholder Consultation and Communication Procedure Ref No PRO-P2C2/CC Rev R00 dated 1/6/18. Process flow of communication included in the procedure.</p> <p>A social Management Officer was appointed by Estate Manager to be responsible of consultation and communication with relevant stakeholders. Relevant stakeholders have been identified by establishing lists of stakeholders categorizing government bodies, suppliers, buyers and internal stakeholders.</p> <p>As of the date of audit, no specific complaint was recorded. However, the estate distributed feedback forms to its stakeholders during stakeholder meetings mentioned above. All communication records such as feedback forms resulted from the stakeholder meetings are being retained appropriately.</p> <p><u>Traceability –</u></p> <p>The company has established Traceability. Based on records reviewed, it shows that the estate is implementing traceability system as per established procedure.</p> <p>Personnel was appointed (Estate Manager) by Plantation Controller to ensure that the SOP is being implemented accordingly. The appointed personnel will record all information pertaining traceability in Daily Crop Record as part of continuous monitoring. As the record's name suggested, it is being recorded on daily basis. Noted all records of sales, delivery or transportation are being maintained appropriately.</p>
<p><b>Comment on Principle 3</b></p>	<p><u>Regulatory requirements –</u></p> <p>It was found that the operation is in compliance with the applicable local, state, national and ratified international laws and regulations based on interview, document review and site visit.</p> <p>The estate is maintaining Legal Register which was created on 1/6/18. Ever since the establishment. The estate has been maintaining and updating the legal register. Noted the new Minimum Wages Order 2018 which had been made effective January 2019 was included into the register. Together with it, the requirement of Employment Insurance System and SOCSO for foreign workers were also included.</p> <p>Sighted several licenses and permits such as MPOB License (refer appendix 3), diesel permit and Jabatan Tenaga Kerja Water Supply Permit during the audit. The Southern Group has appointed a representative from HQ to take charge on monitoring compliance and to track and update the changes in regulatory requirements. The appointed personnel will inform the estate should there be any changes in the requirements.</p> <p><b>OFI #1</b></p>



	<p>New weighbridge recently installed in the estate. Calibration will be done in April 2019 as explained by the estate manager as the weighbridge contractor is currently in the midst of installing lightning arrestor. Calibration will be done once the weighbridge has been fully operational. The calibration record will be verified in the next audit.</p> <p><u>Legal land use rights –</u></p> <p>The estate managed to present all land titles for the plantation area. All legality and ownership documents were found to be well maintained. Record of quit rent evident also shown that payment was made in timely manner and no outstanding payment. The estate consists of 15 field blocks with a total of 400.24 ha planted and 511.03 ha for overall land as per land title.</p> <p>Sighted a boundary marker has been installed. According to boundary marker map sighted, 8 markers were installed. Sampled from field 02E, bordering with smallholder Mr. Long. Fencing system available along the boundary and also boom gate to control road access (opens and closes from 6am-10pm). Noted the operations of estate does not diminish other land users right. The estate has clearly demarcated the area by fence and trench. Based on the estate’s communication records no issue pertaining land use right was reported.</p> <p><u>Customary rights –</u></p> <p>Not applicable.</p> <p>There are no issues or encumbered by customary rights in the estates. The estate will respond according the “Inquiry Register Book &amp; Complaints/Grievances Record Book should any cases arise in future. Genting Group (Headquarters) will be referred for any issues of customary rights.</p>
<p>Comment on Principle 4</p>	<p><u>Social Impact Assessment –</u></p> <p>SIA conducted internally by Social Management Officer. It was done to identify positive and negative impacts. Every feedback is being recorded and addressed accordingly by the estate management.</p> <p>Noted from the inputs given by engaged stakeholders, no negative impact was highlighted.</p> <p>Social Management Plan – Available. The plan was meant to mitigate negative impacts and to promote positive impacts identified. Since no negative feedbacks given by the stakeholders engaged during the SIA, it was used only to promote positive impacts identified.</p> <p><u>Complaints and grievances –</u></p> <p>SOP Established Stakeholder Consultation and Communication Procedure dated 1/6/18. Process flow of communication included in the procedure. Complaint and grievance dealing process is a subset of the SOP mentioned earlier. The procedure specified on suggested period should be taken to resolve any complaint received.</p>

	<p>The relevant stakeholders have been made aware of the complaints and grievance mechanism. It was communicated during series of stakeholder meetings and briefing with workers. Copies of feedback form were provided during the meetings and briefings done. It also made available at the estate office.</p> <p>Noted all the complaint and feedback forms from Social Impact Assessment and Stakeholder Meetings are being retained accordingly.</p> <p><u>Commitment to contribute to local sustainable developments –</u></p> <p>The estate managements have been actively helping and contributing to the local communities in vicinity. It was found that all Corporate Social Responsibility Records are being maintained well by the estate managements.</p> <p><u>Employees health and safety –</u></p> <p>Sighted “Polisi Keselamatan dan Kesehatan Pekerjaan” signed by Dr Nick Low dated 1/6/18. The establishment of the policy has been communicated through trainings and stakeholder meetings conducted. Each worker was provided with copy of policies established.</p> <p>OSH Plan was sighted during the audit. The plan consists of the requirement of indicator 4.4.4.2 of this standard.</p> <p>HIRARC has been established covering all activities in the estate such as harvesting, spraying, manuring etc. CHRA Report available in the estate as a documented result of the assessment. A new assessment has been conducted on 24/3/19 as the existing report no longer valid. Number of sprayers/ manurers have been sent for medical surveillance on 22/2/19 in accordance to existing CHRA Report requirement. Based on the results noted that they are fit to work.</p> <p><b>OFI #2</b></p> <p>According to email correspondence between CHRA Assessor and WFE, noted that a CHRA new report will be ready 30-45 days after the assessment date. The completion of the report will be verified in the next audit.</p> <p>Training programme 2019 was sighted. Based on sampled training record noted that the training has been conducted as planned. Further assessed during interview session with several workers interviewed admit that they have been given training on safe working procedure.</p> <p>Sighted PPE issuance record is being well maintained in “PPE Issuance Book”. Among PPE provided is Safety Helmet, Glove, Safety Shoes, Sickle Cover. During site visit to the activity area observed workers were adequately equipped with PPE. The workers claimed the management provided them with the necessary PPE. Broken or unfit PPE will be replaced for free by the management.</p>
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	<p>Safe Work Manual has been established. The manual covers various activities including operational and non-operational activities. Safety manuals for storage of chemical and empty container, spraying manual, issuance of chemical, rat baiting and chemical mixing were made available during the audit.</p> <p>Sighted committee OSH organisation chart of the estate has been established. The number of management representatives and worker representatives are well balanced. Sampled appointment letters from estate are available among management representatives and worker representatives.</p> <p>OSH Committee established in the estate is relatively new. It was established in Dec 2018. Hence the OSH meeting was only conducted once. Explained by the management, the next meeting will be conducted in April 2019.</p> <p>Sighted ERP for Fire, Injury/ illness, chemical spillage and other chemical related incidents and electrical shock. Personnel in charge of chemical storage was found to be understood on the ERP for chemical spillage.</p> <p>The estate has a competent first aider in the estate which is the Hospital Assistant. Internal First Aid Training was also conducted for the workers.</p> <p>No accident recorded in year 2018. Current practice, JKPP 8 is being submitted by HQ into MYKKP due to internet problem. Manual version of JKPP 8 has been given to HQ for online submission. The copy of submission was then reverted by HQ. it was submitted through MYKKP on 25/1/19.</p> <p><u>Employment conditions –</u></p> <p>Several Policies have been established to ensure the company is operating on good social practices regarding human rights in respect of industrial harmony such as Equality/ no discrimination, No child labour, No sexual harassment and Freedom of Association.</p> <p>Based on observation and interview session noted that no discriminatory practices in the estate.</p> <p>The estate has started paying worker according to the new Minimum Wages Order 2018 starting January 2019. Besides ensuring the workers are being paid based according to requirement, the estate also monitors salary payment made by contractor to its workers. Copies of payment evidence being provided by the contractor for record keeping.</p> <p>The management had established records that provide an accurate account of all employees. “Employee Registration Card” is being used to entail all required details for all employees and contractors.</p> <p>Noted from sampled employment contracts, the workers have been given fair contracts and have been signed by both parties employee and employer. Working hours were reflected in each employment contracts.</p> <p>As for checkroll workers, attendance is being recorded into attendance book. Contract workers attendance is being monitored progressively.</p>
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	<p>Example, Driver work progress will be monitored through weighbridge ticket records, Sprayer work progress will be monitored through actual implementation. OT given to upkeep workers or other daily rate task.</p> <p>Other forms of social benefits offered by the employer to employees such as free accommodation, free electricity and clean water supply, annual bonus for workers and free medical treatment.</p> <p>Visited quarters area, noted facilities are adequate. Equipped with 2 rooms and a toilet. Free electricity and water supply (Syabas, treated water and rain water). Fire extinguisher available. During the visit noted that some old roofs have been replaced. Drainage system is being repaired and upgraded. Interviewed contract workers staying at the quarters saying that the condition of the house is good.</p> <p>No union member among the estate workers. However, the management has expressed their stance that they will not obstruct any desire of the workers to join union or to form worker's association. Memo was evident at morning briefing area to support their stand point.</p> <p>Noted no workers younger than 18 years old were employed.</p> <p><u>Training and competency –</u></p> <p>Sighted training plan for 2019 being developed into several programmes. Training Plan for 2019 has been established. Training needs analysis was established prior to developing training programme. Noted from the training needs, the estate has identified the applicability of each training type against job functions available.</p>
<p>Comment on Principle 5</p>	<p><u>Environmental management programme –</u></p> <p>The company has established “Environmental Policy” dated on 1<sup>st</sup> 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><u>Efficiency of energy use and use of renewal energy –</u></p> <p>The estate closely monitors the usage non-renewable energy such diesel usage and electricity. They even estimate the usage for the coming year</p> <p><u>Waste management and disposal –</u></p>

	<p>Waste sources has been identified for several types of waste such as scheduled waste from estate operation and domestic waste from labour line and office.</p> <p>Waste Management Plan was developed to ensure all wastes identified are being managed responsibly and efficiently.</p> <p>To provide a standard guideline and to meet the requirement of scheduled waste management, the estate has established a specific procedure for such activity.</p> <p>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.</p> <p>A system of handling domestic waste has been in placed which is through RORO Bin. Collection by appointed contractor will be done regularly.</p> <p><u>Reduction of pollution and emission –</u></p> <p>Polluting activity assessment was done together with Aspect Impact Analysis Assessment. Together with the analysis, the mitigation action plan of each identified polluting activities was also included in the AIA.</p> <p><u>Natural water resources –</u></p> <p>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><u>Status of rare, threatened or endangered species and high biodiversity value area –</u></p> <p>Biodiversity assessment done by appointed consultant. Noted the estate has only been provided with draft report as the assessment was done not too long before the audit date. Based on the draft report, several wild animals and birds with vulnerable and endangered categories were detected within the plantation.</p> <p><b>OFI #3</b> Flora species in the estate is yet to be mentioned in the biodiversity report reviewed despite not having protected plant species in the estate. The estate management had asked the consultant to do so. Explained by the consultant, it will be included in the final report which will be made available soon.</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><b>OFI #4</b></p>
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	<p>The biodiversity management plan is yet to be established. Explained by the management, such plan will be established and included together with the finalised version of Biodiversity Report.</p> <p><u>Zero burning practices</u> -</p> <p>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.</p>
<p>Comment on Principle 6</p>	<p><u>Site management</u> –</p> <p>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 with appropriate soil and water conservation were 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> –</p> <p>Business plan has been established to demonstrate attention to economic and financial viability through long-term management planning. 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 company has just completed its replanting programme in 2018. The auditor was informed that no replanting activity will be carried out in 2019. The next replanting activity is expected to take place in year 2023.</p> <p>Periodically, the business plan is being monitored through several identified methods such as Daily Production Reports, Monthly Estate Production Performance Report.</p> <p><u>Transparent and fair pricing dealing</u> –</p> <p>Sighted contract agreements between the estate and appointed contractors for outsourced services such as for harvesting work and FFB Transportation.</p> <p>The estate is supplying to Golconda Palm Oil Mill located in Kapar, Klang which happened to be coming from same entity as the estate. All</p>

	<p>delivery, sale and payment is being coordinated by the Southern Realty (Malaya) Sdn Bhd office where the estate is operating under. Hence the estate does not involve with any transaction to the palm oil mill as it is being handled by the head office.</p> <p>However, should there be any direct payment to be made by the estate, the transaction will take place on the 7<sup>th</sup> of the month or earlier if 7<sup>th</sup> falls on Sunday.</p> <p><u>Contractor</u> –</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>
<p><b>Comment on Principle 7</b></p>	<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>

## 8. Nonconformities

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

No Non-Conformity identified during this audit

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

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

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

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

## 9. General Observations & Opportunities for Improvement

### 9.1. Observations

OBS #	Indicator	Observation/Opportunity for Improvement					
		Date Recorded>	26 Mar 19	Due Date>	-	Date Closed>	-
OBS 1	4.3.1.1	<b>Details/Requirements:</b> All operations are in compliance with the applicable local, state, national and ratified international laws and regulations.					
		<b>Evidence:</b> The weighbridge in estate was recently installed as of the date of audit. explained by the manager that calibration of the weighbridge will be done in April 2019 as the weighbridge contractor is currently in the midst of installing lightning arrestor to complete the installation. The calibration evidence to be verified in the next audit.					

OBS #	Indicator	Observation/Opportunity for Improvement					
		Date Recorded>	26 Mar 19	Due Date>	-	Date Closed>	-
OBS 2	4.4.4.2	<b>Details/Requirements:</b> The occupational safety and health plan shall cover the following:  b) The risks of all operations shall be assessed and documented.					
		<b>Evidence:</b> CHRA Report available in the estate dated 13/3/14 DOSH Reg No. SL/06/04/6304. A new assessment has been conducted on 24/3/19 as the existing report no longer valid. According to email correspondence between CHRA Assessor and the estate, noted that the new CHRA report will be ready 30-45 days after the assessment date. The availability of the new report will be verified in the next audit.					



OBS #	Indicator	Observation/Opportunity for Improvement					
		Date Recorded>	26 Mar 19	Due Date>	-	Date Closed>	-
OBS 3	4.5.6.1	<b>Details/Requirements:</b>					
		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>a) Identification of high biodiversity value habitats, such as rare and threatened ecosystems, that could be significantly affected by the grower(s) activities.</p> <p>b) Conservation status (e.g. The International Union on Conservation of Nature and Natural Resources (IUCN) status on legal protection, population status and habitat requirements of rare, threatened, or endangered species), that could be significantly affected by the grower(s) activities.</p>					
		<b>Evidence:</b>					
		Observed the estate has appointed a consultant to conduct biodiversity assessment and come up with biodiversity report.					
		The consultant visited the estate on 5/2/2018. A <b>draft report</b> was available during the audit. However, it was noted that “Flora” species in the estate is yet to be mentioned in the biodiversity report reviewed despite not having protected flora species in the estate. The estate management had asked the consultant to do so. Explained by the consultant, it will be included in the final report which will be made available soon.					

OBS #	Indicator	Observation/Opportunity for Improvement					
		Date Recorded>	26 Mar 19	Due Date>	-	Date Closed>	-
OBS 4	4.5.6.3	<b>Details/Requirements:</b>					
		A management plan to comply with Indicator 1 shall be established and effectively implemented, if required.					
		<b>Evidence:</b>					
		The biodiversity management plan is yet to be established. Explained by the management, such plan will be established by the biodiversity consultant and included together with the finalised version of Biodiversity Report.					

**Appendix 1: List of Stakeholders Contacted (Not applicable during Surveillance Assessment)**

Stakeholders Details	Relationship	Stakeholder's Input / Comments	Clients Feedback / Response
Muniandy	Contract General Worker working in the estate	<ul style="list-style-type: none"> <li>- Payment made in accordance piece rate agreed. Payment made timely manner on every 7<sup>th</sup> of the month.</li> <li>- PPE provided by the estate management and can be replaced if broken for free.</li> <li>- He was provided with necessary training for operation wise.</li> <li>- Generally, he was pleased with the estate management</li> </ul>	Noted by the management
Kutubuddin Bin Badaruddin	Neighbouring resident	<ul style="list-style-type: none"> <li>- He has been the neighbour since the last 40 years</li> <li>- He thanked the estate for letting the residents to use estate road</li> <li>- The estate is actively maintaining the road for the convenience of the road users.</li> <li>- He always gets invited if the estate is holding any event such as "makan-makan" and other celebrations.</li> <li>- He believes that all neighbouring residents are happy with the estate and never been given</li> </ul>	Noted by the management

		difficult times by the estate.	
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**Appendix 2: MPOB License**

MPOB License Number (Mill/ Estate)	Scope of Activity	Expiry Date
<u>Waterfall Estate</u> 501537802000	Menjual dan mengalih FFB	31-03-2020

**-End of Report-**