



PUBLIC SUMMARY REPORT

RSPO ANNUAL SURVEILLANCE ASSESSMENT (ASA01) And SCHEME SMALLHOLDER INITIAL ASSESSMENT

PT INTI INDOSAWIT SUBUR – UKUI GROUP Riau Province, Sumatra, INDONESIA

Report Author

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SUMMARY

BSi has conducted first annual surveillance assessment of PT Inti Indosawit Subur operations comprising two mills, two oil palm estates, scheme smallholders, support services and infrastructure. BSi concludes that PT Inti Indosawit Subur – Ukui group operations and the scheme smallholders comply with the requirements of RSPO Principles & Criteria: November 2007 and Indonesia National Interpretation Working Group (INA NIWG) Indicators and Guidance: 2008.

The two palm oil mills were also assessed against the RSPO Supply Chain Certification Standard for the compliance to the requirement for the CPO mills. It is found that the mills have implemented Mass Balance SCCS requirement to ensure traceability of the incoming and out-going product.

BSi recommends that Ukui Group which consist of Ukui I mill, Ukui II mill, Ukui estate, Soga estate and the Scheme Smallholders included and be approved as a producer of RSPO certified sustainable palm oil and maintain the existing certificate.

ABBREVIATIONS USED

AMDAL	Analisis Mengenai Dampak Lingkungan
B3	Chemical waste store
BOD	Biological Oxygen Demand
BPN	Badan Pertahanan Nasional
CD	Community Development
CLA	Collective Labour Agreement
CPO	Crude Palm Oil
CSR	Corporate Social Responsibility
DPPL	Dokument Pengelolaan dan Pemantauan Lingkungan Hidup (Environment management And monitoring document)
EFB	Empty Fruit Bunch
EMS	Environmental Management System
ERT	Endangered, Rare and Threatened
ESIA	Environmental Social Impact Assessment
FFB	Fresh Fruit Bunch
FSC	Forestry Stewardship Council
GPS	Global Positioning System
HCV	High Conservation Value
HGU	Hak Guna Usaha
HO	Head Office
IPM	Integrated Pest Management
ISCC	International Sustainable Carbon Certification
ISO	International Standards Organisation
ISPO	Indonesia Sustainable Palm Oil Foundation
IUCN	International Union for Conservation of Nature
MSDS	Material Safety Data Sheet
NGO	Non Government Organisation
OER	Oil Extraction rate
OHS	Occupational Health and Safety
PK	Palm Kernel
PMP	Project Management Plan
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
PPKS	Pusat Penelitian Kelapa Sawit
PT IIS	PT Inti Indosawit Subur
R&D	Research and Development

RKL	Rencana Pengelolaan Lingkungan (Environmental Management Plan)
RPL	Rencana Pemantauan Lingkungan (Environmental Monitoring Plan)
SEIA	Social & Environmental Impact Assessment
SOP	Standard Operation Procedure
SPSI	All Indonesian Workers Union

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation Used

The operations of the mills and their supply bases of FFB were assessed against the RSPO INA-NIWG: May 2008 of the RSPO Principles and Criteria: 2007

1.2 Certification Scope

The scope of Certification covers two (2) Palm Oil Mills and the supply base comprising two (2) company owned oil palm Estates and Scheme Smallholder.

1.3 Location and Maps

The Ukui Group Estates and Mills are located in Pelawan District, Riau Province, Indonesia (Figure 1). The GPS location of the mills is shown in Table 1.

Table 1: Mills GPS Locations

MILL	Longitude	Latitude
Ukui I	102°02'45"E	00°10'00"N
Ukui II	102°11'38"E	00°17'12"N

1.4 Description of Supply Base

Oil palm fruit is sourced from company owned and managed two estates, scheme smallholders and from third party.

The Ukui Group's budgeted FFB productions (certified) for the year 2012 are listed in Table 2a and 2b as shown below.

Table 2a: Ukui I Mill FFB Supply Details

Source	Budgeted FFB (mt) for 2011	Actual FFB (mt) for 2011	Budgeted FFB (mt) for 2012
Ukui I Supply Base			
Ukui estate	113,315	113,637	111,669
Soga estate	-	-	-
Sub-total	113,315	113,637	111,669
Scheme Smallholders:			
KUD Sumber Makmur		29,725	36,018
KUD Bina Usaha Baru		12,062	13,570
KUD Bakti		9,391	9,856
KUD Karya Bersama		22,010	19,328
KUD Sawit Subur		21,568	19,976
KUD Bina Sejahtera		25,152	27,312
KUD Sumber Bahagia		23,377	27,823
KUD Bukit Potalo		7,732	10,474
KUD Usaha Baru		6,176	10,474
Sub-total	176,535	157,193	174,831
Total Ukui I supply	289,850	270,830	286,500

Table 2b: Ukui II Mill FFB Supply Details

Source	Budgeted FFB (mt) For 2011	Actual FFB (mt) for 2011	Budgeted FFB (mt) for 2012
Ukui II Supply Base			
Soga Estate	131,001	132,111	139,230
Sub-total	131,001	132,111	139,230
Scheme Smallholders			
KUD Tani Subur		16,975	18,811
KUD Karya Tani		19,182	18,624
KUD Mekar Abadi		13,406	13,679
KUD Trani Maju		25,857	23,639
KUD Tani Bahagia		30,867	31,607
KUD Usaha Tani		35,148	31,008
Sub-total	130,755	141,416	137,368
Total Ukui II supply	261,756	273,527	276,598

Ukui Smallholder scheme was developed as a condition of the PT IIS – Ukui Group plantation development. These scheme smallholders was assessed by BSI to include into the existing scope of the Ukui I and Ukui II RSPO certificate as part of the company's commitment to bring the associated smallholders into the existing RSPO certificate. The scheme smallholders were assessed in late December 2011 based on the RSPO P&C for the scheme smallholders. There was a Stakeholder Notification posted on the RSPO website for the stakeholders to give their comments about the expansion of the Ukui I and Ukui II RSPO certification and inclusion of the Scheme Smallholders. There was no comments neither feedback received within the 30 days notification period.

In this summary report, the findings of the scheme smallholders are incorporated because the certification unit are already certified and was assessed as part of the first annual surveillance assessment which was conducted in late March 2012.

The scheme smallholders comprise fifteen cooperative and management advice on best practices given by the scheme manager from PT IIS. There are 6,768 members in these smallholder schemes covering an area of 13,536 ha planted with oil palm. The scheme smallholder contributes about 46% of the total FFB processed in the two certification units (mills).

The Ukui Group smallholder scheme was originated from government land in late 1980s as part of transmigration project. The smallholders palms were planted at the same time with the Ukui Group own estates.

In order to bring these smallholders scheme into the existing certificate, PT IIS – Ukui Group started to communicate all the RSPO certification requirements to each of the cooperatives since the Ukui Group initial certification assessment to ensure they can come into the certification within three years as per RSPO requirement.

BSI audit team visited a sample of the cooperatives during the initial certification assessment and checked

their status and gap between certification requirements. During that time it was concluded that they need close some of the gaps prior to bring them into certification standard.

During this time, a separate assessment was conducted to assess the scheme smallholders and it was found that they have closed the gaps. The scheme smallholders' assessment was conducted prior to the annual assessment to ensure that the smallholders will have sufficient time to close out any non conformity prior to the annual assessment, so that these scheme smallholders can be included into the existing certificate. There was two major nonconformities was found during the scheme smallholders assessment. This was closed prior to the annual assessment of the two certification units. During the annual assessment, the evidence of the major nonconformities was checked and verified further.

It is noted that PT IIS – Ukui Group scheme smallholder management team provided training on all the RSPO requirements to the smallholders to achieve this certifiable standard and achieved the certification standard well ahead of the three years mark.

1.5 Date of Plantings and age profile

PT IIS – Ukui Group own estates were planted between 1987 and 2003. The smallholder scheme was planted between 1987 and 1995. About 80 % of the palms are at prime mature stage and still in the first planting cycle. A replanting programme has been developed for the replanting of palm aged more than 25 years. The age profiles of the palms are shown in Table 3a and 3b below.

Table 3a: Own estate's Age profile of palms

Age (years)	% of Planted area Soga Estate	% of Planted area Ukui Estate
21 – 30	14.8	39.3
11 – 20	82.3	53.2
4 - 10	2.9	7.5
Total	100.00	100.00

Table 3b: Scheme Smallholders' Age profile of palms

Age (years)	Total Planted Area (ha)	% of planted area
1987	1,650	12.19
1988	2,750	20.32
1989	2,958	21.85
1990	3,534	26.11
1991	1,372	10.13
1993	284	2.10
1994	200	1.48
1995	788	5.82
Total	13,536	100.00

1.6 Other Certifications Held

PT IIS which managing the scheme smallholder has implemented an Environmental Management system and was awarded ISO 14001 Certification on 10th June

2008 – Certificate Number ID05/65250 – expiry date 10 June 2014. Both palm oil mills are certified under ISCC certification on 6th October 2011 Certificate number a) Ukui I Mill: DE-B-BLE-BM-10-100-20110496 and b) Ukui II Mill: DE-B-BLE-BM-10-100-20110497. The company owned estates obtain ISCC Statement of conformity since 6th October 2011.

1.7 Organisational Information / Contact Person

PT IIS contact details as follows:

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Contact Person: Ms. Asrini Subrata
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Email: asrini_subrata@asianagri.com

1.8 Time Bound Plan for Other Management Units

PT Inti Indosawit Subur is a member of RSPO and has been involved in the Roundtable process since 2006; RSPO Membership No: 1-0022-06-000-00.

There are 19 palm oil mills and 28 estates own by PT IIS. PT IIS also have 11 plasma smallholder schemes covering approximately 60,000 ha. PT IIS already submitted the time bound plan to BSI during the initial assessment of this Ukui Group. **Appendix A** shows the time bound plan which includes the smallholders. Once the palm oil mill is certified, expansion of the palm oil mill certificate is carried out by including the smallholders into the existing certificate.

BSI assessment team consider the time bound plan is challenging and still relevant to their management. During this annual surveillance assessment and scheme smallholder assessment as part of the scope expansion, it is noted that some changes were made to the time bound plan by bringing forward some of the assessment earlier than the original plan. BSI audit team found that the company comply with the Time bound Plan. The details are shown in **Appendix A**.

BSI also assessed the requirement for partial certification and concluded that:

1. There are no unresolved significant land disputes.
2. No replacement of primary forest or loss of HCV. New land acquisition follows the RSPO NPP process including public notification of new planting.
3. No labour disputes that are not being resolved through an agreed process.
4. No evidence of noncompliance with law noted.

1.9 Area of Plantation

The area of palms at company owned estates and smallholders are listed in Tables 4a and 4b. There are no immature areas in estates and smallholders area.

Table 4a: Estate and Area of Palms

Estate	Mature (ha)	Immature (ha)
Ukui	4,271	0
Soga	5,130	10
Total	9,401	10

Table 4b: Scheme Smallholders members and Area of Palms

Scheme Smallholder	Mature Area (ha)	Number of members
KUD Sumber Makmur	1,562	781
KUD Bina Usaha Baru	616	308
KUD Bakti	448	224
KUD Karya Bersama	864	432
KUD Sawit Subur	908	454
KUD Bina Sejahtera	1,236	618
KUD Sumber Bahagia	1,206	603
KUD Bukit Potalo	494	247
KUD Usaha Baru	494	247
KUD Tani Subur	780	390
KUD Karya Tani	734	367
KUD Mekar Abadi	574	287
KUD Trani Maju	962	481
KUD Tani Bahagia	1,366	683
KUD Usaha Tani	1,292	646
Total	13,536	6,768

1.10 Approximate Tonnages Certified

The approximate tonnages certified reported during initial certification was based on the budget for the year 2010. During this expansion of the scope, the approximate tonnage certified includes the production from the scheme smallholder based on the budget for the year 2012. The detail is shown in Table 5.

Table 5a: Approximate CPO Tonnages Certified during initial certification and actual production

Mill	CPO			
	2010 Budget	2010 Actual	2011 Budget	2011 Actual
Ukui I	28,384	24,601	26,062	26,120
Ukui II	33,205	28,725	30,130	30,544
Scheme Smallholder*		62,595	67,339	65,251
Total	61,589	115,921	123,531	121,915

* Not Certified during Initial Certification

Table 5b: Approximate PK Tonnages Certified during initial certification and actual production

Mill	PK			
	2010 Budget	2010 Actual	2011 Budget	2011 Actual
Ukui I	6,281	5,620	5,892	5,972
Ukui II	7,277	6,621	6,943	6,972
Scheme Smallholder *		14,849	16,110	15,719
Total	13,558	27,090	28,945	28,663

* Not Certified during Initial Certification

Table 5c: Approximate Tonnages Certified during First Annual Surveillance and Smallholder Assessment

Mill		2012 Budget	
		CPO	PK
Ukui I	Ukui Estate	25,851	5,807
	Scheme Smallholder	38,376	9,091
Ukui II	Soga Estate	32,510	7,310
	Scheme Smallholder	30,564	7,212
Total		127,301	29,420

1.11 Date of Certificate Issued and Scope of Certificate

The scope of the certificate includes the production from the company owned estates and scheme smallholders which processed at the Ukui I and Ukui II Palm Oil Mills. After the approval of the summary report by RSPO, the certificate will include the production from the scheme smallholder as part of the certified supply base beside the existing two estates.

2.0 ASSESSMENT PROCESS**2.1 Certification Body**

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BSi is a leading global provider of management systems assessment and certification, with more than 60,000 certified locations and clients in over 100 countries. BSi Standards is the UK's National Standards Body. BSi provides independent, third-party certification of management systems. BSi has a Regional Office in Singapore and an Office in Kuala Lumpur, Jakarta and Thailand.

2.2 Qualification of the Lead Assessor and Assessment Team**Senniah Appalasamy – Lead Assessor**

He holds degree in Resource Economics from Agriculture University of Malaysia and Master in Business administration from University of Rockhampton majoring in Human Resource Management. He has vast experience in Plantation crop management covering oil palm plantation, rubber, cocoa and pepper for more than 10 years. He is also experience in manufacturing sector as a quality controller and production management. He is involved in RSPO implementation and assessment since 2008 as a team member and subsequently as a lead auditor with RSPO approved certification body covering assessment with RSPO P&C, RSPO SCCS and RSPO NPP in Malaysia and Indonesia. He has completed ISO 9001:2008, RSPO SCCS training and ISCC lead auditor training. Beside RSPO, he is also

qualified as ISCC lead auditor. He have experience in other standards i.e. Global Gap (Fruit, vegetable and aquaculture) and GMP B+ as team member.

Aryo Gustomo–Team Member

He holds degree in Agriculture science majoring on Agronomy graduated from Bogor Agriculture University. He is a specialist in oil palm plantation with agronomy background. He had more than 5 (five) years working experienced related to oil palm industries i.e. as Plant breeder/agronomist in one of the Malaysian oil palm seed producer and as a field assistant in oil palm Plantation Company in Indonesia. He had been involved in several RSPO certification audits as a lead auditor/auditor during his career with one of the RSPO approved certification body. Trainings he has completed includes ISO 9001, 14001, RSPO Lead auditor courses, RSPO SCCS training as well as training on HCV identification and management. Currently he works for BSi Group Singapore Pte Ltd as a RSPO scheme manager for ASEAN and one of the RSPO lead auditor/auditor.

Iman K. Nawireja – Team Member

He has combination of a BSc in Agriculture and Resource Economics from one of the most reputable universities in Indonesia, further Master in Communication, and now pursuing Doctoral degree in Rural Sociology provides extensive and multi-disciplinary capabilities. He has completed lead auditor training in ISO 9001: 2000 and RSPO Lead Auditor training. He is also member of RSPO Indonesian Smallholders Working Group (INA SWG). He has assisted with field studies on socio-economic aspect of agriculture, effect of resources development projects on farmer and community welfare, health status, and social change, environmental and social assessments of 10 oil palm projects (total of 126 project days) during the past 6 years. He has conducting audits of oil palm plantation companies against the RSPO P&C in Indonesia, Malaysia, and PNG both as team member and as leader assessor.

This summary report was reviewed by Mr. Chia Soon Leong. He is one of the BSi internal reviewer who has involved in report reviewing and certification decision. He has completed RSPO Lead Auditor training as well.

2.3 Assessment Methodology, Programme, Site Visits**2.3.1 Assessment and Inclusion of Scheme Smallholders**

The assessment was conducted in two stages. Stage 1 assessment was conducted between 19 and 22 December 2011 to assess the compliance of the Scheme Smallholders. The assessment programme is included in **Appendix C**. This assessment was conducted using the National Interpretation for Scheme Smallholders Republic of Indonesia: October 2009, Version 1. The Scheme Smallholder assessment is conducted prior to the Annual Surveillance Assessment so that the operating units will have sufficient time to close out any nonconformity.

BSi Audit team conducted an assessment of the scheme smallholders operation comprising fifteen cooperatives by sampling five cooperatives based on the RSPO sampling formula ($0.8 \sqrt{Y}$ whereby Y is number of cooperatives). This sampling strategy was developed based on the RSPO sample size, the geographical location of the cooperatives and number of smallholder members. The RSPO sampling formula also used for the selection of members to be assessed. The cooperatives sampled were Sumber makmur, Bina Sejahtera, Usaha baru, Karya Tani and Tani Bahagia.

The assessment programme includes assessment against all the applicable RSPO indicators as per the National Interpretation for Scheme Smallholders Republic of Indonesia: October 2009, Version 1. The methodology for collection of objective evidence includes physical inspection of the scheme smallholders' cooperatives facilities, members' plots, interview with members, staff, workers and review of documents. The block inspection was align with the harvesting schedule in order to inspect the operation and interview the smallholder and harvester. The assessment was based on random sample and therefore nonconformity may exist which have not been identified.

2.3.2 Annual Surveillance Assessment

The annual surveillance assessment was conducted on 20 - 23 February 2012 against the RSPO Principle & Criteria: November 2007 and Indonesia National Interpretation (INA NIWG): 2008. The assessment programme included in the **Appendix D**. The annual surveillance was conducted to assess the continuous compliance of the two certified mills and its supply bases. The overall scope of the assessment includes Ukui I mill, Ukui II mill, Ukui estate, Soga estate and the scheme smallholders.

Since the scheme smallholders was already assessed earlier, during the surveillance assessment, the scheme smallholders were visited again to verify the evidence of closure of the major nonconformities raised during the earlier assessment of the scheme smallholder.

The main approach of the surveillance assessment was to audit the two certified mills and the two estates covering all the aspects of the standard required for the surveillance assessment. The methodology for collection of objective evidence includes physical site inspection, observation of operation in the field, interview with workers and staff, interview with external stakeholders and review of records and documents. The assessment was based on random sampling and therefore nonconformities may exist which have not been identified.

Mr. Chia Soon Leong, who has been involve in BSi RSPO activities and one of the internal reviewer, reviewed this report for conformance with BSi Procedure, RSPO Certification System and RSPO Procedure for Annual Surveillance Assessment.

2.4 Stakeholder Consultation and a List of Stakeholders Contacted

During the Scheme Smallholder Assessment and Annual Surveillance Assessment stakeholder consultation was conducted involving internal and external stakeholders. During the Scheme Smallholders assessment external stakeholders were notified by posting the Stakeholder Notification letter on the RSPO website, company website and BSi website because this was an expansion of the scope of the existing certificate. During the assessment meeting were held to discuss issues related to environment and social performance. During the stakeholder notification period, BSi did not receive any response in writing from stakeholders.

During the annual surveillance assessment, meetings held with the local internal and external stakeholders to seek feedback on the performance of the company performance with respect to RSPO requirements and aspects that they consider need improvements. Stakeholders included those immediately linked with the operation of the company such as workers, staff, smallholders, contractors, government officials, and NGOs, whose activities covers same geographical area as the Ukui Group. Stakeholder consultation took place in the form of meetings and interviews without the present of the management members of the company.

It is noted that during the Scheme Smallholder assessment and Annual Surveillance Assessment there was no negative comments or complaints received. The list of stakeholder contacted is included as **Appendix E**.

2.5 Date of Next Surveillance Assessment Visit

The next surveillance assessment visit is planned in January 2013. This surveillance assessment will include the two certified mills, two estates and the scheme smallholders which has been included in the certified scope.

3. ASSESSMENT FINDINGS

The assessment findings are reported in two parts. Section 3.1 is referring to the finding of the Annual Surveillance Assessment covering the two certified mills and estates. Section 3.2 is referring to the findings of the Scheme Smallholder assessment.

During the Scheme Smallholders assessment there were two major nonconformities identified. There were two minor nonconformities and eight observations identified. The evidence for closing out the major nonconformities was verified during the Annual Surveillance Assessment. The detail is explained in the summary of the findings below.

During the Annual Surveillance Assessment there were three minor nonconformities and ten observation identified. These minor nonconformities and observation will be followed up during the next annual surveillance assessment.

Based on the findings during the Scheme Smallholders assessment and Annual surveillance Assessment, BSI conclude that PT IIS – Ukui Group and its scheme smallholder comply with the requirements of the RSPO Principle & Criteria: November 2007 and Indonesia National Interpretation (INA NIWG): 2008.

BSI recommends that PT IIS – Ukui Group to maintain the existing certificate and include the Scheme Smallholder into the existing certificate as an expansion of the certified mill's scope.

3.1 Summary of Findings-Existing certified units

Principle 1: Commitment to transparency

Criteria 1.1: Oil palm growers and millers provide adequate information to other stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages & forms to allow for effective participation in decision making.

Respond to the stakeholder request are handled as per the existing SOP. It is handled by the Public Relation Officer and records are maintained. These records also incorporated with visitors information and information given to them.

Criteria 1.2: Management documents are publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes.

Documents related to RSPO are except those commercially confidential are available for stakeholder for onsite inspection. Copies of government related documents such as AMDAL, RKL, RPL and land ownership documents are available on request. Other documents include Social Impact Assessment, Safety and Health Plan and continuous improvement plans. These records are maintained for a minimum of three years and government related documents maintained as per requirement of law.

Principle 2: Compliance with applicable laws and regulations

Criteria 2.1 – There is compliance with all applicable local, national and ratified international laws and regulations.

Sample of legal documents were checked in the mill and estates as well as at the scheme smallholder cooperative. Land ownership documents are valid and mill license and permits are renewed periodically prior to the expiry. There are no any changes in the HGU compare to the initial assessment.

Palm oil mills comply with the machineries permit requirements. Sucofindo test boiler, genset emission and ambient air quality and the latest report confirm compliance to the legal requirements. Effluent BOD is

within the permitted level of 5000mg/L. Mill also continues monitor the drinking water quality whereby the latest result shows that e-coli and coliform not detected. Mill personnel are having competence certificate.

Company legal department continue carry out the tracking of any changes in the law and inform the relevant operating units if there is any changes related to the plantation operation.

Criterion 2.2 – The right to use the land can be demonstrated and is not legitimately contested by local communities with demonstrable rights.

PT IIS Ukui Group holds three HGU which was checked and verified during the initial assessment. It was checked again during this time. The HGU are (1) HGU No. 156/HGU/BPN/2004 dated 11 November 2004 covering an area of 6,727.64 ha valid until 31 December 2079. (2) HGU No. SK HGU 78 – HGU – BPN RI – 2008 dated 19 December 2008 covering an area of 2,704.22 ha. (3) HGU No. 115/HGU/BPN RI/2009 dated 8 September 2009 covering an area of 299.52 ha.

During the field visit the boundary stones were inspected. It is found that the boundary stones are visibly maintained and records of inspection is maintained at the estate. There were no encroachment issues noted or highlighted by the stakeholders who were interviewed during the stakeholders' consultation.

There was observation raised during the initial assessment indicating that the "SOP AA-GL 5005.1-RO" did not cover social issues. A formal letter was sent to Head SSL (Social Security & Licensing) by Group Manager (No. 005/GM-IIS/MEMO/02/12 on 17 February 2012) for the revision. However there is no updated SOP available during the assessment. The observation is upgraded as a minor NC against indicator 2.2.5.

Criterion 2.3 – Use of the land for oil palm does not diminish the legal rights of other users without their free, prior and informed consent.

It is noted that the land was initially an ex-logging area and was unoccupied during the development. However, it is noted that the villagers are aware of the plantation development and they were given opportunity to take part in the plasma development. Now these plasma scheme smallholders have a close relationship with the PT IIS management and during this assessment they are brought into the RSPO certification as well.

Land compensation issues are dealt with FPIC concept and the villagers are aware of the process as well. Document inspection and interview with local community reveal that FPIC concept is applied during the land compensation process which indicates that the local people are made aware of the company's intention prior to surrendering the land to the company.

Principle 3: Commitment to long-term economic and financial viability

Criterion 3.1: There is an implemented management plan that aims to achieve long-term economic and financial viability.

As per the initial assessment, PT IIS Ukui group has an annual budget and projection/forecast for a period of three years for the estates and mills. Annual budget is used as a guidance by the manager to ensure management plans in the budget are implemented to achieve the economic financial outcome. The annual budget includes operational cost and revenue, production and target, cost of production, OER, capital expenditure and allocation for the continuous improvement plans.

Replanting programme is available commencing in 2012 until 2017. The replanting programme is prepared by the estate managers as guidance to implement all type of replanting work such as felling, chipping, terracing, cover crop planting, planting of palms and maintenance up to maturity stages.

Principle 4: Use of appropriate best practices by growers and millers

Criterion 4.1: Operating procedures are appropriately documented and consistently implemented and monitored.

Estates have Agronomy Policy Manual dated 1 February 2009 and SOPs related to all the estate operations such as nursery, land preparation, planting, field maintenance, harvesting, FFB collection and transport. Palm Oil Mills have a separate manual which includes SOPs for each processing stations.

Implementations of the SOPs are monitored through field inspection by the estate managers, Agronomist, Plantation advisers, mill adviser and by RSPO internal audits. The most recent internal RSPO audit was carried out in October 2011. Corrective action plans are prepared for any findings and it is checked during the subsequent visits. Estates and mills carry out daily monitoring through field inspection records and mill inspection records. It is a routine that the estate and mill management prepare monthly reports and send to the company's head office for monitoring purpose as well.

Besides covering work related issues in the SOPs, all the SOPs also include safe working instructions for all type of work.

Criterion 4.2: Practices maintain soil fertility at, or where possible improve soil fertility, to a level that ensures optimal and sustained yield.

The company's Agronomy recommends fertilizer application. Recommendation is determined through annual leaf analysis which is carried out in January and February. Agronomy visits the estates prior to the final recommendation. Beside inorganic fertilizer, agronomy

also makes recommendation for organic fertilizers such as EFB and POME. Soil analysis is carried out once in every five years. The recent soil analysis completed in January 2010. This result is also taken into consideration for the fertilizer recommendation.

EFB is applied at the rate of 50 mt/ha per year on selected area with flat terrain and near to the mill to facilitate better application and control the transport cost. The area applied with POME remains same as initial audit. POME from Ukui I mill is applied at 264 ha and Ukui II maintained an area of 306 ha. The BOD level is within the allowed level of 5000mg/L. BOD result No. KU 02.02/UPT.P/110.2012 dated 27/1/2012 shows BOD is 341.1 mg/L.

Criterion 4.3: Practices minimise and control erosion and degradation of soils.

During field visit it is noted that only selective and circle herbicide spraying is carried out. Soft grass and fern is maintained to minimize erosion during heavy rainfall. Erosion is also controlled through frond stacking along the contour to minimize the speed of the running surface water during heavy rainfall. It is also noted that silt pits are constructed at the road side to minimize erosion and surface run-off.

Soil map is available at all the estate and scheme smallholder office. Majority soil is sandy clay loam. There is no peat or fragile soil.

Road maintenance is carried out internally. Operating units have their own road grader and compactor. Road maintenance includes road grading, compacting, pothole resurfacing, road side drain maintenance, culvert and bridge repairing.

Criterion 4.4: Practices maintain the quality and availability of surface and groundwater.

All the operating units monitor the use of water and the effects of their activities on water resources and waterways. Water management includes monitoring of water usage for processing in the mill, domestic water usage, monitoring of water quality used for processing and domestic household, waste water management and monitoring. Average water usage for the year 2011 was 1.08m³. Average water usage in January 2012 for processing was 1.15 m³.

Buffer zones are managed along the river. Incoming and outgoing river water quality is monitored to identify any pollution. Enhancement of riparian zones is carried out with planting of traditional local tree species along the riparian. To date total of 2600 trees were planted along the riparian. Signage to create awareness to protect river and riparian is visibly maintained. No any kind of agrochemical used along the riparian zone.

POME land application is monitored. BOD is below the allowable level of 5,000mg/L. BOD is analysed at external laboratory. Palm Oil Mill monitor the quantity

of POME discharged into furrows in the field with fulltime staff taking care of the application area.

Criterion 4.5: Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate Integrated Pest Management (IPM) techniques.

IPM is documented in SOP AA-APM-OP-1100.10-R1 of the Agriculture manual. This SOP describes all the IPM techniques and methods to be used by the estate in managing oil palm pest. The techniques include prevention through planting beneficial plants such as *tunera subulata* and *cassia cabanensis* along the road side. The total length of these beneficial plants exceeds 5,000 metres. Barn owl boxes are erected one box per 20 hectare to prevent and control rat population from increasing. Control measures are only decided based on early detection by conduction pest census by a team of trained staff and workers. Pesticide is only used when the threshold damage level exceed the threshold level. Staff and workers are given IPM training mainly of census methodology and identification of pest attack.

There is no pesticide usage noted during this assessment. Agrochemical used mainly is herbicide for the circle and selective weeding.

Criterion 4.6: Agrochemicals are used in a way that does not endanger health or the environment. There is no prophylactic use of pesticides, except in specific situations identified in national Best Practice guidelines. Where agrochemicals are used that are categorised as World Health Organisation Type 1A or 1B, or are listed by the Stockholm or Rotterdam Conventions, growers are actively seeking to identify alternatives and this is documented.

It is noted that only approved and registered agrochemicals which are permitted by the local relevant authorities are used. Agrochemical used are monitored each time it is used. Records includes active ingredients used, area treated, quantity applied per hectare, type of equipment used and number of applicators involve.

To ensure that applicators are trained, daily briefing is given each time agrochemical application is arranged. Type of chemical to be used is recommended by the R&D Department.

Inspection to the storage area confirms that agrochemicals are stored according to the product label and storage instruction. The store keeper understands the safety procedures and information on the MSDS.

Agrochemical waste materials and containers are collected and stored at the schedule waste store (B3). The schedule waste store have valid permit. Triple rinsing method is used before storing the empty containers in the B3 store. These containers are recycled for the same purpose to prepare pre-mixed agrochemical to be used in the field. The surplus waste

materials are disposed through permitted waste collector PT Emulsion Indo Nusa Indah.

Use of paraquat is on reducing trend. Records show reduction in usage from 4,438L in 2008 to 181L in 2010. Paraquat is gradually being replaced with Glyphosate. Beside paraquat there are no other Type 1A or Type 1B agrochemicals used.

All the agrochemical applicators go for medical checkup by the qualified doctor twice annually from PT Margie Andalan. The medical records confirm that there are cases of pesticide poisoning and it is found that all applicators are fit for the agrochemical application.

Company policy on prohibiting pregnant or breast feeding female workers from agrochemical application is implemented continuously. Interview with female workers and medical records confirm that pregnant female workers are transferred to work without any agrochemical handling such as office helper and housing site cleaners.

Criterion 4.7: An occupational health and safety plan is documented, effectively communicated and implemented.

OSH Plan, which includes a training programme and action plans with designated responsible person identified. All occupational hazards and risks have been assessed and identified.

Guidelines on accident and emergency procedures are available. Accident records are analysed by the Safety executive on site and target set is zero. Only minor thorn prick cases noted in the estate. Accidents details reported to labour department periodically. Safety measures explained to workers and included in safety training. Interviews with workers confirmed knowledge of the plans and procedures and first aid training records were inspected and also confirmed by interview. Safe working environments observed in mill and places of work.

Drivers are compulsory to attend competency training conducted by safety executive and they are holding driving permits. Safety helmet requirement complied by motor cycle riders. Jamsostek insurance covers any accidents during travelling to work and during work related accidents.

Fire-fighting team available in the estates and mills. Training is provided by internal safety executive and external trainers. Another separate risk assessment HIRARC conducted by the OSH department for all the operation chemical handling, workshop, field operation and other general work. Rating is given as low, medium or high. When the risk is high, preventive measures is developed to address the risk. Records checked include accident records, first aid training records and OSH meeting records.

Criterion 4.8: All staff, workers, smallholders and contractors are appropriately trained.

Annual training programme is developed to cover all level of management, workers, smallholders and contractors. Training Manager from the company's training school in Buatan involve in the planning as well.

Mill, estate and smallholder scheme manager maintain all the training records and this was checked and verified through interview with the staff, workers, smallholders and contractors interview.

Principle 5: Environmental responsibility and conservation of natural resources and biodiversity

Criterion 5.1: Aspects of plantation and mill management, including replanting, that have environmental impacts are identified and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored to demonstrate continuous improvement.

Initial environmental and social impact and aspect identification is in the form of AMDAL which was prepared in 1994. This was revised in 2009 due to the increase in the mill capacity from original 65mt/hr to 90 mt/hr. During this annual surveillance assessment periodic reporting of the AMDAL in the form of RKL and RPL was checked. Latest RKL/RPL was prepared for the period of July – December 2011. The RKL/RPL covers all the operating units including the scheme smallholders. The Ukui Group is also certified under ISO 14001 and part of environment related documents are integrated with ISO 14001.

Criterion 5.2: The status of rare, threatened or endangered species and high conservation value habitats if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and their conservation taken into account in management plans and operations.

Initial HCV assessment was carried out by Agriculture University of Bogor, Indonesia. As reported in the initial certification report, HCV 1.1 and 4.1 at riparian area covering 138.34 ha at Ukui estate and 90.09 ha at Soga estate identified. Now enhancement of the riparian in continuously carried out by planting jungle tree species. Other HCV identified are HCV 1.2, 2.3 and 6 covering an area of 3.97 ha at Ukui estate where ancestral graveyards were located. This includes the dipterocarp tree species which found at an area of 3.97 ha at Ukui estate. There are three types of shorea species found in this area i.e. *Shorea bracteolata*, *shorea leprosula* and *shorea teyysmanniana*.

All the HCV area are monitored and managed to ensure it is protected. All the HCV area are also protected and erected with signage to create awareness among staff, workers and community to protect this area. Interview with workers and community confirm that they are aware that HCV area exist and it is protected.

Monitoring is carried out by trained qualified full-time onsite staff. He has his own team to ensure that HCV areas are conserved and protected.

Criterion 5.3: Waste is reduced recycled, re-used and disposed of in an environmentally and socially responsible manner.

Waste products have been identified and documented. Plans to avoid pollution are in place to include careful mixing of agrochemicals, diesel tank bunding, dedicated schedule waste stores, concreted and bunded workshops, oil traps and controlled household waste disposal. Linesite discharge is also included in the plans. Hazardous waste is stored in a dedicated B3 store and disposed of by a licensed company in accordance with product label and existing regulation. There are records of all disposals of waste.

Documented waste products includes used oil, old battery, used laboratory chemical, clinical waste, effluent, EFB, smoke, dust, fibre and shell, empty chemical container, boiler ash, scrap iron, used tire, linesite waste, line site waste water. Operational waste products collected and stored in B3 schedule waste store and disposed through authorised collector PT Emulsion Indo Nusa Indah.

Empty agrochemical containers reused for preparing pre-mixed diluted chemical for circle spraying. EFB recycled and applied in the field as organic fertilizer. Shell and fibre is recycled at mill as renewable energy source. Mill waste water POME is also recycled for land application.

Criterion 5.4: Efficiency of energy use and use of renewable energy is maximised.

All energy used in the mill is monitored. Fossil fuel records are maintained and trends shown. CDM project to collect biogas from the mill effluent ponds is under consideration by the management as a continuous improvement plan to reduce green house gas emission.

Energy use records include accurate measurements of renewable energy use per tonne of FFB processed. Company already maximise the renewable energy use. All the shell and fibre is consumed internally.

Criterion 5.5: Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situation, as identified in the ASEAN guidelines or other regional best practice.

The company has procedures in place to assist in the event of fire in the field and facilities under Emergency Response Plan. Field visit, interview with workers, stakeholders, SOP's and manager interviews confirm that there are no open burning. No evidence of burning anywhere on any operating units found during field visit.

Training on fire fighting was carried out. Appropriate fire fighting equipment such as fire extinguishers, fire hydrant and mobile water tanks are available for the fire fighting purpose.

Criterion 5.6: Plans to reduce pollution and emissions, including greenhouse gases are developed, implemented and monitored.

Management of wastes generated by operating units includes collection, storing and disposing through authorised collectors. Once the polluting activity is identified, it is mitigated or collected and kept in the schedule waste store and recycle wherever possible such as Shell, fibre, EFB, effluent is recycled. CDM project is in the planning to reduce the greenhouse gas emission.

The mills have identified the sources of pollution and emissions. Various and regular measurements are taken of the emissions and pollutants. Measurements of emissions obtained are used to develop strategies for improvement and reduce emission. POME is treated in a series of effluent ponds and the final discharge is regularly monitored for BOD levels before goes for land application. No discharge to watercourse.

Principle 6: Responsible consideration of employees and of individuals and communities affected by growers and mills

Criterion 6.1: Aspects of plantation and mill management, including replanting, that have social impacts are identified in a participatory way and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.

Documented and implemented social impact assessments prepared in participation with affected parties for the palm oil mills, plantations and scheme smallholders.

Social Impact Assessment for PT IIS Ukui Group is available and conducted by external consultant. Positive and negative issues identified during SIA. Social Impact Assessment includes detail on positive and negative effects and documented affected parties. Stake holder consultation procedure is followed to further identify impacts. Stakeholder meeting record is available.

There was an observation raised during the last assessment concerning RKL/RPL reporting which related to communities involvement in the RKL/RPL preparation. Review to the latest RKL/RPL report indicated that the participation of local communities has not been sought during the preparation process. The observation is now upgraded to Minor NC against indicator 6.1.2.

There was an observation raised during the last assessment concerning RKL/RPL reporting which related to outgrowers impact in the RKL/RPL. Review to the latest RKL/RPL report indicated that the impact of the smallholders has not been included in the document. The

observation is now upgraded to Minor NC under indicator 6.1.5.

Criterion 6.2: There are open and transparent methods for communication and consultation between growers and/or millers, local communities and other affected or interested parties.

Open and transparent system of consultation and communication with local stakeholders and external stakeholders is available. An identified line of communication is developed for each operating units.

Policy and procedures of consultations with stakeholders is laid out. Records of communications and consultations are available. Stakeholder lists are available and are up dated. Minutes of meeting with stakeholders, record of request and action taken is recorded. Actions are taken in timely manner. Record of responses and follow up on social impact assessment documented. Public Relation officer at site communicates with the stakeholders.

Criterion 6.3: There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all parties.

Complaints and dispute resolution procedures which is demonstrably accepted by potentially affected parties is available. Procedure is fully available to all affected parties. This was confirmed by stakeholders during interview.

Complaint procedure for external and internal stakeholders includes flow chart of the procedure and this is displayed at all the notice board and has been informed to stakeholders. Complaint book available and records of all the complaints is recorded and updated with action taken. Complaints received by the manager and then send to the Public Relation Officer to handle the complaint if related to communities. Internal complaints are attended by the manager or the representative responsible for the issue.

Criterion 6.4: Any negotiations concerning compensation for loss of legal or customary rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.

Procedure for identifying and negotiations for legal and customary rights and a procedure for identifying people entitled to compensation is available.

Standard Operating Procedure on Land Compensations including procedures on identifications, calculations, and compensations is implemented. Interview with community received compensation gave positive feedback about the system. The compensation payment records available for verification.

Criterion 6.5: Pay and conditions for employees and for employees of contractors always meet at least legal or industry minimum standards and are sufficient to provide decent living wages.

Documented pay and conditions of employment is available for all employees on site at the operating units. Labour laws, union agreements and contracts of employment are in place and in the appropriate languages. Adequate housing, water supplies, medical, educational and welfare amenities are provided.

Documents show details of wages, allowances paid and working days. The pay is more than minimum wage rate. Collective agreement for the year 2012 was posted in front of the mill and estate communication board. The worker contract include every details of the worker, wage details, conditions relevant to local labour regulation and fringe benefits given by the company.

Company provide housing, electricity, water, medical facility, crèche, kindergarden, school, mosque, playground, community hall, field, ambulance, fire engine, school bus, organise family day and sundry shop. *Surat Perjanjian Kerja* (Working agreement) with external contractors including rights and obligation of both company and contractors, sanctions with annex Undang-Undang No.1 tahun 1970 regarding working safety.

Criterion 6.6: The employer respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.

Published statement recognizing freedom of association is available. Interview with workers union representative confirm that they have freedom to join workers union. Workers are members of labour union. Minutes of meetings with trade unions and worker representatives is checked and verified.

Policy for each mill and estate worker to Freedom of association including procedure is based on local law. Minute of meeting conducted between trade union and the management is checked and verified. No outstanding issues or disputes.

Criterion 6.7: Children are not employed or exploited. Work by children is acceptable on family farms, under adult supervision and when not interfering with education programmes. Children are not exposed to hazardous working conditions.

There is a documented and published company policy on workers age in accordance with national laws. Policy about worker age under SOP AA-HR-305-2-RO mentioned that the company's will employ worker age above 18, document check on workers register reveal that the workers are above 18 years old.

Criterion 6.8: Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation or age is prohibited.

There is a publicly available equal opportunities policy. No evidence of discrimination. Workers are treated equally with regard to working opportunities. This was confirmed by workers interview and feedback from stakeholder.

Policy on equal opportunity includes opportunity to get promoted, chance to work overtime etc. Equal opportunities policy based on Law no. 13 year 2003 sec. 31.

All employees has the same opportunities for promotions regardless of race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliations or age. Records of new employees show that the company accepts new employees based on their capabilities.

Criterion 6.9: A Policy to prevent sexual harassment and all other forms of violence against women and to protect their reproductive rights is developed and applied.

Policy on sexual harassment and violence against women is documented under Environment, Social, Health and Safety Policy. The company has set up a specific gender committee to facilitate the grievance mechanism to address sexual harassment issues.

Policy on Sexual harassment and SOP on sexual harassment handling available and includes Policy on Gender committee. Policy and SOP on protection of reproductive rights for each mill and estate is available. Gender committee comprised by all level of workers and it is for gender issues. Allowing maternity leave before and after giving birth is proof implementing reproductive rights. Maternity leave records available. Verified during interview with female employees.

Criterion 6.10: Growers and mills deal fairly and transparently with smallholders and other local businesses.

The pricing mechanism for FFB and other services provided to both the mill(s) and the estates is documented. Current and past prices for FFB are publicly available.

Prices is publicly put on the notice board at the mill and available for any stakeholder interested on the information. Pricing is based on government controlled pricing. Contract agreement includes details on price determination. All the pricing mechanism is documented and recorded. The FFB price available at both mills. Records of Working Agreement Letters for contractors and suppliers available at estates and mills. This includes requirement of labour law and safety.

Interview with contractors and smallholders confirm that they understand the contract that they are signing. They also confirmed that payments are made promptly.

Criterion 6.11: Growers and millers contribute to local sustainable development wherever appropriate.

The company makes contributions for local development and records are maintained. Surrounding communities are given assistance such as cash money, construction items, teacher's salary, educational equipment to school etc.

Principle 7: Responsible development of new plantings

No new planting planned on any estate included in the scope of this assessment.

Principle 8: Commitment to continuous improvement in key areas of activity

Criterion 8.1: Growers and millers regularly monitor and review their activities and develop and implement action plans that allow demonstrable continuous improvement in key operations.

PT IIS Ukui Group has implemented social and environmental management by conducting the assessment every half year with all the results and follows the recommendation from the Department of Environment and public relation. Objectives and targets have been developed and an improvement plan prepared. Environment improvement is integrated with ISO 14001. Concreting of drains which was progressing during initial is completed now.

The company is in the progress of implementing best practice for the segregation of wastes at source into composts, recyclables and non recyclable for disposal at landfills. This program will enable to reduce the quantity of waste disposed in landfills.

Riparian zones are already being established at both side of main rivers running through the plantation by planting jungle tress to enhance the biodiversity and act as a trap to capture any sediment from being discharged into the river. No maintenance regime is maintained to strengthen river banks to prevent erosion.

Paraquat is reduced and being replaced with manual weeding and using alternative herbicide such as glyphosate, using "L" shape frond staking to suppress the weed growth.

3.2 Summary of Findings-Scheme Smallholder

Principle 1: Commitment to Transparency

Criterion 1.1 Scheme Manager provide adequate information to other stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages & forms to allow for effective participation on decision making.

Scheme smallholders provide informations on environment, social, legal issues that publicly available to stakeholders. Log book to record requests for information includes date, who request information, responsible person handled and what information given.

Most of the request is for financial assistance. Information request from the Tax Department on production was received on 24 November 2011 and information was given by the head of KUD.

Criterion 1.2: Management documents are publicly available except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes.

Management documents such as land use right, social and environmental impact assessment report, organizational structure information are publicly available. Land title information is in section 2.2 below.

Principle 2: Compliance with applicable laws and regulations.

Criterion 2.1: There is compliance with all applicable local, national and ratified international laws and regulations.

Document audit and interviews with the PT. Inti Indosawit subur, Ukui Scheme Manager, Scheme smallholders (cooperative) Manager confirmed compliance with applicable.

List of regulations (Daftar perundangan terkait) includes:

1. Cooperative registration: Latest renewed No. 105/BH/PAD/DISKOP/IV.5/IX/2006 dated 5 September 2006.
2. SIUP: 090/04-16/Disperindag/VI/2006
3. Chemical store permit: 560/DTKT/2011/1084 dated 11 November 2011 for one year.
4. Building permit: NA
5. Tax payment No. 1.508.180.5-211
6. AMDAL: Dated November, 1994
7. Work contract: SPK for employee Masduri cheked. Comply with local regulation.
8. Land title as per in section 2.2 below.
9. Ijin operational/Ijin Peruntukan Bidang Usaha No. 137/KPPT/SITU/2011/393 dated 7 December 2011. (Tanda daftar Perusahaan: 041624700008 expiries on 6 June 2016)
10. Agreement between PT IIS and Plasma smallholder no. 44/SPKB/UKUI/XI/1992 dated

Scheme manager will inform the scheme smallholders (cooperative) if there are any changes in laws. Scheme manager conduct meetings with the cooperative members to ensure they comply. Summary of permits and licenses checked and recorded in regulation record book (Buku Regulasi yang berhubungan dengan perkebunan).

Scheme operation Comply to “Peraturan Menteri Pertanian No. 17/Permentan/OT.140/2/2010, UU 1 Year 1970 on OSH, UU no.5 Year 1990 on Conservation of Natural Resource and ecosystem, PP no. 7 year 1999 on Conservation of Fauna and Flora, PP no. 07 year 1973 on Pesticide use, distribution and storage, PP no.08 year 2001 on GAP.

Criterion 2.2: The right to use the land can be demonstrated and is not legitimately contested by local communities with demonstrable rights.

Smallholders are able to show legal ownership of the land or land-use rights (land certificate). Maps are available at the scheme smallholders (cooperative office) and the head of scheme understands the map. Scheme smallholders head keeps copy of the land title and individual members.

Boundary among farmers, cooperative level clearly identified and available in field. Smallholders are able to show the boundary during the field inspection and operate within their boundary.

Land title of smallholder Sriyono checked. Originally the land was belongs to his father. Since his father past away, the title was transferred to Sriyono. Document shows clear ownership. Land title number: 2453 for the area of 20,000 square metre.

Head of scheme smallholders’ and Scheme Manager investigate to ensure that the land is free from any claim. No disputes noted or highlighted during the interview with smallholders and surrounding community.

Criterion 2.3 Use of land for oil palm does not diminish the legal or customary rights of other users without their free, prior and informed consent.

Interview with the PT. IIS Ukui Group Scheme Manager, Head of Scheme Smallholders and members revealed that the land is not a customary land. Originally the land was from the government and allocated to the smallholders since late 1980s.

Principle 3: Commitment to long-term economic and financial viability.

Criterion 3.1: There is an implemented management plan that aims to achieve long-term economic and financial viability.

Annual plan developed by the head of scheme smallholders and their team with assistance from PT IIS scheme manager with 4 years projection (2011-2014) on business plan covering FFB Production, cost of planting (seedling, fertilizing, maintenance, harvesting) and nett profit.

Annual report prepared by the head of the scheme and his team. The annual report is audited by independent third party to verify the expense and income account.

This is also presented to all members during annual meeting.

Principle 4: Use of appropriate best practices by Scheme Manager.

Criterion 4.1 Operating procedures are appropriately documented and consistently implemented and monitored.

Scheme smallholders has copy of the standard operating procedur (Agriculture Manual) to implement Good Agriculture Practice. This includes nursery and seedling selection, fertilizing, spraying, pest control, IPM, harvesting, pruning, road maintenance and transport. PT IIS Scheme Manager also prepares another GAP manual which covers land preparation, planting, field maintenance, IPM, harvesting technique, fertilizer application technique, agrochemical handling etc.

Scheme Manager assisted by their own field assistant and assistant from PT IIS to conduct daily inspection and monitoring to ensure the procedures is implemented and there are records for fertilizing, spryng, census, etc.

Criterion 4.2 Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield.

Record of distribution of fertilizer from Scheme Manager to cooperative and further distributed to scheme smallholders/members through cooperative. Type of fertilizer (Urea, Kiserite, Dolomit, Borat, etc) and quantity (kg) is available. Fertilizer recommendation through annual leaf sampling and analysis. Application follows the recommendation. Record of application maintained in cooperative.

Production records for the past 3 years available. Table 5 above shows the production for 2010, 2011 and projection for 2012.

Application of Empty fruit Bunch (EFB) is carried out when there is EFB supply from mill and it is recorded. Records includes information on area applied and quantity. EFB applied on selected smallholder area at 35 mt/ha. SOP is available for EFB application and training given to members on the application method. Applied at inter row. Record at Karya Tani shows 42 ha applied with EFB.

Criterion 4.3 Practices minimise and control erosion and degradation of soils.

Re-planting will commence in 2016. Existing planting have terrace and “U” shaped frond staking to minimize erosion. Harvesting platform constructed on selected area. There are not peat land in Scheme Smallholder. Road side drain construction assisted by the Scheme Manager to ensure rain water goes into the drain and no water log on the road.

Criterion 4.4 Practices maintain the quality and availability of surface and ground water.

Training programme includes training on soil and water conservation and training was conducted by the scheme manager. There are records, list of attendance and photograph that training on water and soil conservation was conducted in November 2011.

There are terraces and “U” shapes stem of palm to reduce erosion implemented in fields and river side maintained naturally. No terrace but platforms build on slope area to facilitate harvesting and to allow water retention. Ground cover maintained with soft weed to avoid water surface run off. Road side drain and silt pit build along the road.

Monthly records of fertilizing and pesticides usage available with detail of balance stock, area applied, type and quantity (litre/gram).

Criterion 4.5 Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate integrated Pest Management (IPM) techniques.

Census on leaf eating pest and rat was conducted by scheme smallholders and documented. Last census was carried out on 5/12/2011. Beneficial plants planted are tunera subulata and antigonon. Barn-owl boxes constructed by the scheme smallholders (1 owl box covering about 20-25 ha).

Scheme smallholder members are able to explain the IPM and pest control measures including census of leaf eating pest (nettle caterpillar). They are also aware of the benefit of barn owl. Beneficial plants (*turnera* and *antigonon*) are planted and evidence noted during inspection of the smallholders block. No serious pest attack.

Criterion 4.6 Agrochemicals are used in such a way that does not endanger health or the environment. There is no prophylactic use, and where agrochemicals are used that are categorised as World Health Organisation Type 1A or 1B, or are listed by the Stockholm or Rotterdam Conventions, growers are actively seeking to identify alternatives, and this is documented.

Agrochemicals are registered and approved by the Department of Agriculture and Forestry 2010. There is type 1A and 1B agrochemical used. The members of the Scheme Smallholders have agreed to the PT IIS management to eliminate paraquat. At the moment paraquat use is minimized with manual slashing. No blanket spraying noted at the fields visited.

Record of pesticide used for the targeted weeds with appropriate dosage as per the recommendation on the label. Quantity used, method and time of application is advised and monitored by the scheme manager. PPE is implemented and given by the cooperative to spraying team.

Agrochemicals are stored at the cooperative store and stock records maintained by the cooperative. Application of agrochemicals in fields by spraying team which set up by cooperative management. Empty containers are kept and collected at the cooperative store, then delivery to PT. IIS for further disposal through the authorised dealer who is collecting the schedule waste together with PT IIS. Some of scheme smallholders members applied pesticide by themselves in the past. Now the scheme manager is organizing the pesticide application. Empty container is returned to cooperative store and subsequently sent to the central store at the Ukui estate. Last sent to the central store was on 13/12/2011. Record of delivery and acceptance by the estate is available and checked.

A Major nonconformity was assigned against indicator 4.6.4. There is a system in place for collection and safe disposal of empty pesticide containers at the scheme which subsequently send to the nucleus estate's permitted storage. However, during the interview with smallholders and document check, it was found that the nucleus estate permit does not allowed collection of empty pesticide containers from other sources including smallholders. This non conformity was closed on 20/2/2012. Please see section 3.3 for details.

Interview with scheme smallholders reveal that there is no toxicity cases. Record of training available, conducted by PT. IIS Scheme Manager, producer of pesticide and from Labour Dept. officer. Last training conducted on 14/4/2011 and attended by 105 farmers. Monthly record of type and volume of pesticide supplied to the smallholders available. Record includes detail of the plasma farmer, date of application, block number and quantity applied.

Criterion 4.7 An occupational health and safety plan is documented, effectively communicated and implemented.

OSH guidelines are developed and prepared by the PT IIS Scheme Manager. All the scheme smallholders have this document which covers safe operating procedure, training, PPE implementation, awareness posters and signage.

Complete training records checked and verified at the scheme smallholder office. Interview with the members of the scheme and seasonal harvesters confirmed that they have attended trainings and able to explain the safe working procedures.

Training includes OSH to cover harvesting, pesticide application and emergency procedure. First-aid box available at the office and field workers have access to first aid assistance. Workers in the field understand the emergency and OSH requirement related to their work. Training on OSH conducted on 15/8/2011 attended by 70 head of farmers group.

Fire fighting training on 24-25/10/2011

IPM Training on 11/6/2011

HCV training on 6/7/2011

Harvesting on 14/7/2011

First-aid training conducted on 22/9/2011 by qualified doctor.

Procedure and Emergency Response Plan was explained to the Smallholders by the PT IIS Scheme Managers and the smallholders able to explain clearly and understand.

During inspection and interview with smallholders, it is noted that there is no major or fatal accident.

Records of meeting held with the scheme smallholders organization were available. Meeting was combined with the scheme manager and attended by the group leaders. Last meeting was held on 19/8/2011 attended by 52 group leaders who subsequently disseminate the information to the farmers.

PPE provided by Cooperative and farmers group for all workers. Fire extinguisher and first aid box available at the office and store.

Criterion 4.8 All staff, workers, smallholders and contractors are appropriately trained.

Training Program identified according smallholders' need which was arranged by both PT. IIS Scheme Manager and Scheme Smallholders. Training includes GAP, pesticide application, soil and water conservation, IPM, HCV, harvesting, OSH, first aid, socialization on AMDAL, ERP, fire fighting, zero burning technique for replanting etc. Training is documented and kept at the scheme smallholders/cooperative office.

Principle 5: Environmental responsibility and conservation of natural resources and biodiversity.

Criterion 5.1 Aspects of plantation and mill management that have environmental impacts are identified, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.

Social-Environmental Impact Assessment (SEIA-AMDAL) incorporated with the estate documents and prepared separate section for the scheme smallholders. Document of SEIA available in place, PT. IIS Scheme Manager explains about AMDAL through training to smallholders. Process of the SEIA involve scheme smallholders through consultation. Copy of the assessment (AMDAL) is kept at the cooperative office. RKL/RPL prepared by scheme manager. Latest RKL/RPL dated January – June 2011 includes Plasma Smallholder. Copy is available at the scheme office and the head of scheme understand the information reported.

Criterion 5.2 The status of rare, threatened or endangered species and high conservation value habitats, if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and their conservation taken into account in management plans and operations.

Smallholders write down flora and fauna which has found and recorded in "Daftar temuan satwa liar- List of protected flora and fauna", that mention species, date, number of species and location. During interview found that smallholders have awareness to protect these flora and fauna. There is sign board showing protected species to create awareness among smallholders.

Sceme smallholders management has appointed team to identified protected species and smallholders able to demonstrate mitigation of conflict. One of the staff is appointed as HCV officer. She was trained by the PT IIS HCV officer. *A Minor nonconformity was assigned against the indicator 5.2.2. The smallholders have appointed dedicated person to monitor protected species, however the dedicated person is not aware of how to mitigate conflict with relevant protected species.*

Result of identification of protected species which found in the fields kept at the smallholders organization. There was no HCV found within the smallholder area. HCV assessment conducted by the RSPO approved assessors from Bogor Agriculture University dated May 2010.

Criterion 5.3 Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner.

Agrochemical waste management plan developed by the PT IIS Scheme Manager and scheme smallholders. Waste management information is posted on the cooperative office notice board. Agrochemical empty containers collected and sent to the estate central collection store and disposed through licensed collectors. Scheme smallholders are able to explain clearly of measures to dispose hazardous chemical empty containers. Interview with smallholders and stakeholders found no complaint related to disposal of hazardous chemical.

Criterion 5.4 Efficiency of energy use and use of renewable energy is maximised.

Guidance to improve the efficiency of energy use is given by the Scheme Manager to the members of the scheme during the monthly meeting. Smallholders carry out their operational works manually and none mechanised except for the FFB transport.

Criterion 5.5 Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situations, as identified in the ASEAN guidelines or other regional best practice.

Zero burning policy is available for the scheme smallholder and applicable for them similar to the PT IIS Ukui Group. Members of the scheme understand the policy. No replanting in near future but the understanding and awareness of zero burning technique during replanting is already explained to the scheme members and they are able to explain during interview. Emergency response procedure is available. All members were given briefing by the Head of smallholder group

and Scheme Manager. Awareness and understanding is noted during interview with smallholders. Fire extinguishers are available within the scheme office and accessible to the members in the scheme office. Fire fighting training was conducted by the Scheme Managers.

Training emergency responses procedure was conducted by PT. IIS Scheme Manager and during interview with smallholders, they have awareness and understand the procedure. Fire extinguishers available within the scheme office and accessible to the members. Water pump available in each cooperative.

Criterion 5.6 Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored.

Identification of pollution is carried out by the Scheme Manager with the participation of the scheme members. Copy of the identification is available at the scheme office. Pollutants identified are dust emission from the road and noise from transport and genset. The emission in the smallholders operation is mainly from the noise during FFB transportation by the truck. The drivers are advised and briefed to drive slowly when passing by the roads at the villages. Dust emission is identified during the drought season.

Principle 6: Responsible consideration of employees and of individuals and communities affected by scheme smallholders.

Criterion 6.1 Aspects of plantation and mill management that have social impacts are identified in a participatory way, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.

Social Impact Assessment document available and mentioned within frame references of AMDAL (Kerangka Acuan). All impact assessment conducted and referenced to the nucleus estate including monitoring of social impact (RPL/RKL). Implementation timetable described in master plan of continual improvement.

A Minor nonconformity was assigned against indicator 6.1.3. There is no timetable for management of social impacts in accordance with AMDAL.

Criterion 6.2 There are open and transparent methods for communication and consultation between growers and/or mills, local communities and other affected or interested parties.

Smallholders' organization has records on communication and consultation with local communities. All responses related to communication and consultations are well documented/recorded in details. Last consultation meeting was held on 7/5/2011 attended by the representative from community, representative from farmers group attended by 40

stakeholders. Annual meeting was conducted in September 2011. Regular communication and consultation with local communities conducted by Smallholders organisation and recorded in Logbook. Minutes of farmer group communication through forum, coordination meeting and annual meeting. Smallholders have a periodic meeting, known as annual general assembly. Smallholders organisation has a division which responsible on communication and consultation.

Criterion 6.3 There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all parties.

A system for complaints is in place at the smallholder organisation. The system has been described in mechanism resolution flow chart. Records are kept in logbook, minutes of meeting and respond recorded in the complaint and grievances book. No complaint was noted.

Criterion 6.4 Any negotiations concerning compensation for loss of legal or customary rights are dealt with through a documented system that enables indigenous peoples, local communities and other stake holders to express their views through their own representative institutions.

There are no disputes on land acquisition and ownership because the land belongs to farmers and they have land certificate.

Criterion 6.5 Wage and conditions for employees and for employees of contractors always meet at least legal or minimum industry standards and are sufficient to meet basic needs of personnel and to provide some discretionary income.

No full time workers employed in the office. Field work and harvesting is carried out by the smallholders themselves and sometime by seasonal part time workers. *However a major nonconformity was raised against indicator 6.5.1 (Documentation of employee pay rate). It is found that permanent workers paid less than minimum industry standard which are not comply with the regulation requirement. e.g. Clerical and administration staffs.* This non conformity was closed and verified during the ASA01. Details are in section 3.3 below.

Criterion 6.6 The employer respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.

Policy is available for freedom to join and form workers union. However interview with workers reveal that they did not form the union although they have the freedom to form and join trade union.

Criterion 6.7 Child labour is not used. Children are not exposed to hazardous working conditions. Work by children is acceptable on family farms, under adult supervision, and when not interfering with education programmes.

No child labour noted during the fields inspection. It is also highlighted by the smallholders that education is the priority for their children and they prefer them to go for sport activities during school holidays.

Criterion 6.8 The employer shall not engage in or support discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age.

No migrant workers are engaged by the smallholders. Amongst the scheme members, equal opportunity policy is similar to PT IIS Ukui Group. All the employees and scheme members are treated equally. Interview with employees and scheme members confirmed that they are treated equally and no any kind of discrimination.

Criterion 6.9 A policy to prevent sexual harassment and all other forms of violence against women and to protect their reproductive rights is developed and applied.

Prevention of Sexual Harassment policy is extended to the schemes by the management of PT IIS Ukui Group and the information is briefed to the members by the Scheme Manager and the Group Heads. Female employees in the office aware of the policy and confirmed they aware of the grievances procedure.

Criterion 6.10 Scheme Managers deal fairly and transparently with smallholders and other local businesses.

FFB Pricing is decided through the committee comprised by government Agriculture Department (Dinas Perkebunan), smallholder cooperative representatives and palm oil producers. Flow chart of the FFB pricing is available at the scheme smallholder office. The weekly FFB pricing is posted on the notice board at the office and this information is available to all the scheme members. FFB pricing, calculation of the payment and summary of the payment by scheme manager is posted on the notice board and available to all the scheme members. Interview with the scheme members revealed that it is very transparent and easy to understand. Smallholder's contract is only with the scheme manager who represent PT IIS Ukui Group and it is documented. No other outside contractors. Road maintenance is carried out by scheme manager and the contract is available and checked. Contract payments are through agreed deduction during the monthly payment. Payment to individual group leaders is paid by the scheme group head. Scheme members confirm that they are paid promptly. Contract on FFB transport between the farmers group and transporter is available. Sample checked no. 001/SPK/KT-SK/ TBS/1/2011 dated

1/1/2011. Record of payment is consistent with the contract agreement. Payment records checked and verified. No payment of credit payment because all the farmers already settle their loan. Road maintenance is mainly organized by the head of smallholder group. Seven years replanting programme is available although the replanting is due in 2016.

Criterion 6.11 Scheme Manager contribute to local sustainable development wherever appropriate.

Members of the scheme smallholder contribute monthly for welfare fund which is used for the surrounding local community development such as contribution to schools, mosque, orphanage home and for the village social activities.

Principle 7: Responsible development of new plantings. There is no new development. This principle is Not Applicable.

Principle 8: Commitment to continuous improvement in key areas of activity.

Criterion 8.1 Scheme Managers regularly monitor and review their activities and develop and implement action plans that allow demonstrable continuous improvement in key operations.

The continuous improvement plan includes training enhancement to the scheme members focusing on best agriculture management practices. The Scheme Manager in consultation with the scheme members developed improvement plan based on the social and environmental impacts.

3.3 Detailed identified Nonconformities, Corrective Actions and Auditor Conclusions

There were no nonconformities identified during the initial certification of the Ukui Group. There were seven observation was raised. The close out of the observation is listed in the following section below.

MINOR NONCONFORMITIES - ASA01

CAR reference AS01/2012/Ukui ASA01

2.2.5 There was observation raised during the initial assessment indicating that the "SOP AA-GL 5005.1-RO" did not cover social issues. A formal letter was sent to Head SSL (Social Security & Licensing) by Group Manager (No. 005/GM-IIS/MEMO/02/12 on 17 February 2012) for the revision. However there is no updated SOP available during the assessment.

CAR reference AS02/2012/Ukui ASA01

6.1.2 There was an observation raised during the last assessment concerning RKL/RPL reporting which related to communities involvement in the RKL/RPL preparation. Review to the latest RKL/RPL report indicated that the participation of local communities has not been sought during the preparation process. The observation is now upgraded to Minor NC.

CAR reference AS03/2012/Ukui ASA01

6.1.5 There was an observation raised during the last assessment concerning RKL/RPL reporting which related to outgrowers impact in the RKL/RPL. Review to the latest RKL/RPL report indicated that the impact of the smallholders has not been included in the document. The observation is now upgraded to Minor NC.

Observation for improvement – ASA01

There were seven observations raised during the initial certification assessment. However, only four observations were implemented successfully. Three observations were upgraded to non conformities. Details are in the section above. Along with these NC, 10 new observation were identified and listed below.

2.1.1 it is found that Soga Estate already apply for the SIO (for heavy vehicle operator) and waiting for the approval from Labour department. The management must ensure that the process is completed as required.

2.1.4 A mechanism to ensure compliance is available. Regular check every three month is carried out. However, it is not well implemented because expiry of the business permit was not detected prior to expiry.

4.3.5 During the field visit to block C98A it is noted that there are some sedimentation in the river. Although the management have strategy to minimise soil run-off, monitoring of the river condition will help to identify the source of soil sedimentation.

4.4.1 It is noted that the water analysis result data was available but the management team did not aware that it is need to analysed to ensure the result is suitable for the use at mill as per requirement.

4.6.1 It is found in the chemical storage at Soga estate that one of the Agrochemical's register number was expired (metsulindo) and was not detected by the management unit. The supplier has renewed his permit and the process of returning the expired register number is in progress.

4.7.1 It is noted that Safety and Health Policy was not well understood by some of the operators because there was misunderstanding in the storage instruction, noise mapping, triple rinsing, mitigating spillage. This is an area for improvement for the management to have socialisation of the policy.

5.1.2 RKL/RPL report has been prepared and submitted to government. It covers most of the required aspects of monitoring. However, can be improved on the following reason:

1. Regular report should refer to DPPL document instead ofAMDAL.
2. Company need to ensure that all aspects to be monitored as per DPPL requirement.

3. Ensure that RKL/RPL covers environment and social aspects or issues. No OSH issues include

5.2.3 Measures has been taken to preserve the HCV area within the management unit. However, visit to the HCV 6 (graveyard) found that improvement can be carried out by making regular cleaning and ensure that it is preserved.

5.3.3 It is noted that the operating units have mechanism to ensure the hazardous waste is sent to permitted storage area from the transit store as per the mechanism which in the process of implementation in Feb 2012. This will be further verified during next surveillance assessment.

Supply Chain Element for palm oil mill Module E 1.1

The company need to always update the operating units on the latest RSPO requirements and standards regularly to ensure that every operating units are aware of any latest requirements from RSPO such as SCCS requirement for CPO mill.

During the Scheme smallholder assessment there was two Major Nonconformities identified and the details as follows.

MAJOR NONCONFORMITIES-Scheme Smallholder

There were two Major Nonconformities identified during the Scheme Smallholder assessment. Detail of these nonconformities and evidence of the closure was verified during the Annual Surveillance assessment of the existing certification unit. Both Major Nonconformities was closed during the Annual Surveillance visit on 20th February 2012. With the close out of the nonconformity, the Scheme Smallholder is recommended for inclusion into the existing certificate. The detail of the nonconformities as follows:

CAR reference AS01/2011/Ukui SH:

4.6.4 Waste material from agrochemicals including pesticides containers are properly disposed in accordance with laws and regulations.

A Major nonconformity was assigned against this indicator. There is a system in place for collection and safe disposal of empty pesticide containers at the KUD which subsequently send to the nucleus estate's permitted storage. However, during the interview with some smallholders, it was found that the nucleus estate permit does not allowed collection of empty pesticide containers from other sources including smallholders.

Evidence of corrective action:

The company has received an approval letter from Environmental Agency No. 660/BLH/2011/1280 dated 28 December 2011 for the collection of additional hazardous waste sourced from the scheme smallholder. All the technical aspect of storage, store capacity, location of the store are in accordance to permit No. Kpts.660/BLH/2011/85.

Check to the sample of scheme smallholder waste stock record confirmed that now all of the hazardous waste was sent to company store at Ukui estate. For example at Scheme Smallholder Sumber Makmur about 46 pieces of empty pesticide containers were taken by estate on 16 December 2011 manifest number No. TPS/KUK/398. The major Nonconformity was closed on 20 February 2012.

CAR reference AS02/2011/Ukui SH

6.5.1 Documentation of employee pay rate

A Major nonconformity was assigned against this indicator. It is found that permanent workers paid less than minimum industry standard which are not comply with the regulation. e.g. Clerical and administration staffs.

Evidence of corrective action:

Any important decision including increase of salaries required a general assembly of scheme smallholder members. The general assembly was carried out at the of February (Tani Bahagia) and March (Sumber Makmur) in order to be in-line with RSPO requirement of 60 days close out, both KUDs hold extraordinary meeting on 26 December 2011 and 09 January 2012 respectively. The extraordinary meeting concludes an increase of all KUD workers to minimum wage of IDR 1,250,000 for Sumber Makmur (in accordance to Pelalawan District minimum wage) and IDR 1,425,000 for KUD Tani Bahagia (in accordance to Indragiri Hulu district minimum wage). Inspection to pay record and interview of workers confirmed that this policy have been implemented since January 2012. With this evidence the major nonconformity was closed on 20 February 2012.

MINOR NONCONFORMITIES-Scheme Smallholder

There were two Minor Nonconformities identified during the Scheme Smallholder assessment. Detail of these nonconformities is listed below. The closures of this Minor nonconformity will be verified during the next surveillance assessment.

CAR reference AS03/2011/Ukui SH:

5.2.2 Where protected species exist within the plantation, a dedicated person in smallholder's organisation structure shall be appointed to train smallholders on conservation including how to mitigate conflict with relevant protected species.

A Minor nonconformity was assigned against this indicator. The smallholders have appointed dedicated person to monitor protected species, however the dedicated person is not aware of how to mitigate conflict with relevant protected species.

CAR reference AS04/2011/Ukui SH:

6.1.3 An implementation timetable for management of impacts is available, which is in accordance with AMDAL

A Minor nonconformity was assigned against this indicator. There is no timetable for management of social impacts in accordance with AMDAL.

Observation for improvement-Scheme Smallholder

1.2.1 Keeping track on legal documents validity date will be to the advantage of the KUD. This will enable them to re-new the documents prior to the expiry.

4.3.1 U-shape frond stacking is not consistent with one area to another. It will be an advantage to the farmers to implement this standard practices at all the areas.

4.5.2 It is noted that all farmers are aware of IPM knowledge and able to explain biological control of leave eating pest and rodent control. However, implementation and planting of beneficial plants are very limited. Increasing the area of beneficial plant will be an advantage to the farmers.

4.6.1 The farmers must ensure the validity of registered and permitted agrochemical used by referring to Pesticide Guideline Book and agrochemical register number as regulated by the Minister of Agriculture on regular basis.

4.6.4 There is a need for improvement on the safety signage, secondary containment, and MSDS at the Agrochemical and fertilizer stores.

5.1.1 Smallholders are aware of the AMDAL documents, however understanding of the social and environmental impact identified in AMDAL need to be improved.

3.4 Noteworthy Positive Components

PT IIS is committed to bring the smallholders under their management into the RSPO certified scope. During this Annual Surveillance Assessment this was implemented successfully.

Riparian enhancement work is progressing well with trees planted along the riparian and checked during the initial assessment is now growing well.

During this assessment there was no any kind of disputes highlighted to the audit team. Interview with local community and government department officials further confirm that there is no any kind of disputes.

3.5 Issues Raised by Stakeholders and Findings with Respect to Each Issue

Appendix E contains list of stakeholders contacted. Methodology used was Focus group Discussion and conducted by the audit team member with social auditing background. Stakeholders consultation attended by participants from community representatives, Scheme Smallholders and their head of cooperatives, religious leaders, contractors, suppliers and government officials from Agriculture Office, Environment office, Workers Union (SPSI).

During the Scheme Smallholder Notification on the RSPO, Company and BSI website, there was no any comments or feedback received in writing. Interview with local NGO Scale-Up was very positive and some suggestion was given to the company for continuous improvement.

3.6 Acknowledgement of Internal Responsibility and Formal Sign-off Assessment Findings

Signed for on behalf of
PT Inti Indosawit Subur



.....
Mr. Omri Samosir
Head of Environment & Sustainability

Signed for on behalf of
BSi Group Singapore Pte Ltd



.....
Senniah Appalasamy
Lead Auditor

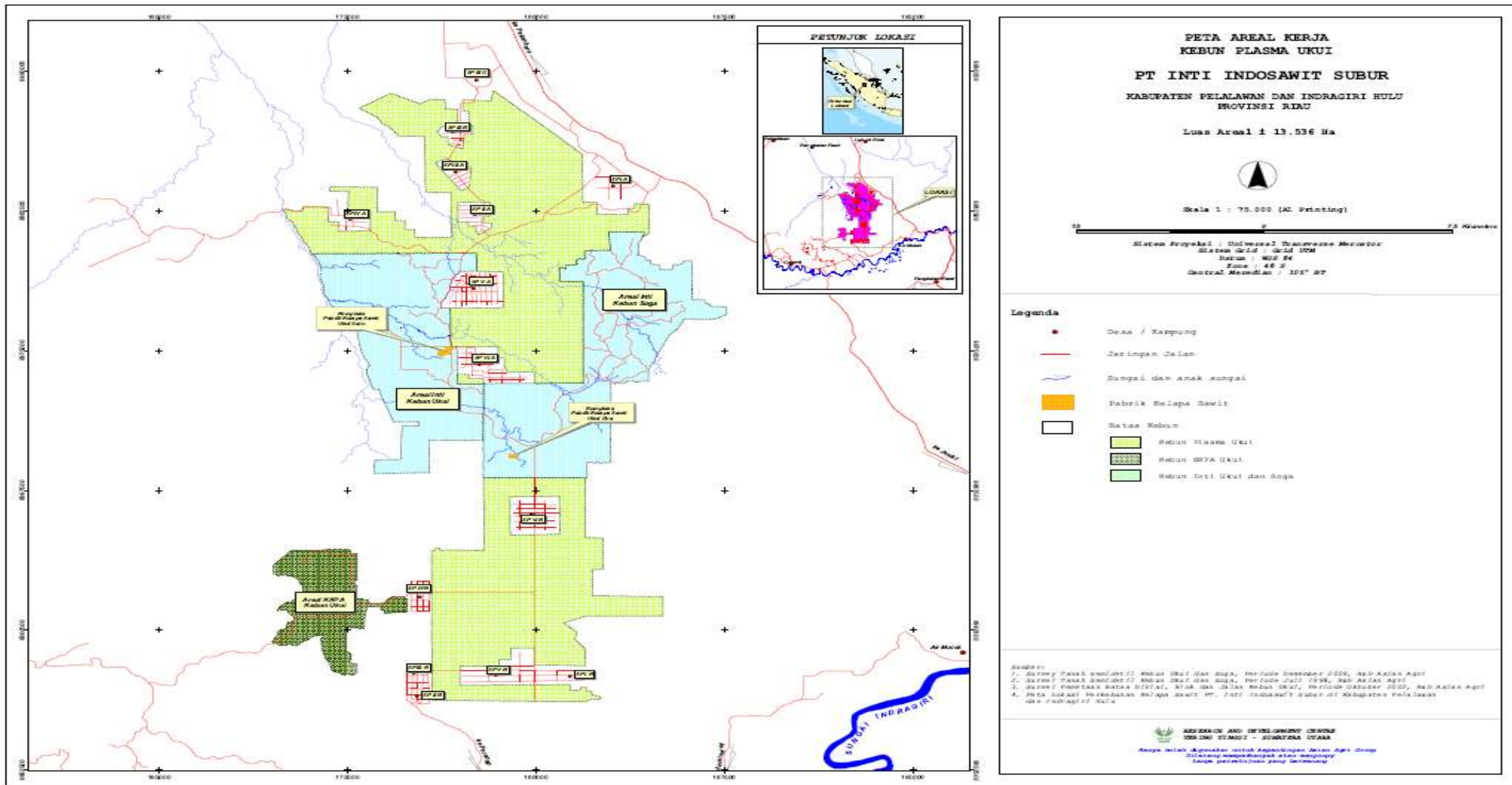


Figure 1: Location of Ukui Group Estate and Scheme Smallholder

Appendix A: PT Inti Indosawit Subur Time bound Plan

Name of Mill	Address	Time bound for certification	Status during ASA01
Buatan I	Delik & Pangkalan Kerinci Village, Bunut Langgam District, Pelalawan Regency, Riau	2010	Certified on 16 September 2010
Buatan II	Delik & Pangkalan Kerinci Village, Bunut Langgam District, Pelalawan Regency, Riau	2010	Certified on 16 September 2010
Ukui I	Ukui Village, Ukui District, Pelalawan Regency, Riau	2010	Certified on 1 March 2011
Ukui II	Ukui Village, Ukui District, Pelalawan Regency, Riau	2010	Certified on 1 March 2011
Tungkal Ulu	Pulau Pauh / Penyabungan / Merlung Village, Tungkal Ulu District, Tanjung Jabung Regency, Jambi	2011	Main audit completed 11-14 Oct 2011. Report is in progress.
Muara Bulian	Singoan / Bukit Sari / Bulian Jaya Village, Muara Bulian / Pelayung District, Batang Hari Regency, Jambi	2011	Main audit completed 11-14 Oct 2011. Report is in progress.
Topaz	Petapahan Village, Tapung District, Kampar Regency, Riau	2013	-
Taman Raja	Lubuk Bernai / Kampung Baru / Pelabuhan Dagang / Pematang Pauh Village, Tungkal Ulu District, Tanjung Jabung Regency, Jambi	2013	-
Segati	Langkan / Penarikan / Tambak / Soto Village, Langgam District, Pelalawan Regency, Riau	2014	-
Tanah Datar	Tanah Datar Petatal Village, Talawi District, Asahan Regency, North Sumatera	2015	-
Aek Nabara	S1-S3 / Sukadame Village, Bilah Hulu / Kota Pinang District, Labuhan Batu Regency, North Sumatera	2015	-
Teluk Panjie	Teluk Panjie Village, Kampung Rakyat District, Labuhan Batu Regency, North Sumatera	2015	-
Peranap	Simelinyang / Pauh Ranap / Sengkilo Village, Peranap District, Indragiri Hulu Regency, Riau	2016	-
Bungo Tebo	Tuo Sumai / Sungai Rambai Village, PWK Sumai / Tebo Ulu District, Bungo Tebo Regency, Jambi	2016	-
Tanjung Selamat	Kampung Padang Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatera	2017	-
Gunung Melayu I	Rahuning Village, Bandar Pulau District, Asahan Regency, North Sumatera	2017	-
Gunung Melayu II	Gonting Mahala Village, Bandar Pulau District, Asahan Regency, North Sumatera	2017	-
Negri Lama I	Negri Lama Seberang Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatera	2018	-
Negri Lama II	Negri Lama Seberang Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatera	2018	-
Name of Plantation	Address	Time bound for certification	Status during ASA01
Buatan	Delik & Pangkalan Kerinci Village, Bunut Langgam District, Pelalawan Regency, Riau	2010	Certified on 16 September 2010
Ukui & Soga	Ukui Village, Ukui District, Pelalawan Regency, Riau	2011	Certified on 1 March 2011
Buatan (Plasma)	Kerinci Kanan, Pangkalan Kerinci, Dayun Village, Siak & Pelalawan Regency, Riau	2011	Certified on 13 March 2012
Ukui (Plasma)	Ukui & Lubuk Batu Jaya District, Pelalawan & Inhu Regency, Riau	Brought forward from 2012 to 2011	Main audit completed 19-24 Dec 2011. Report under review.
Tungkal Ulu	Desa Pulau Pauh/Penyabungan/Merlung, Kec. Tungkal Ulu, Kab. Tanjung Jabung, Jambi	2011	Main audit completed 11-14 Oct 2011. Report under review
Muara Bulian	Desa Singoan/Bukit Sari/ Bulian Jaya, Kec. Muara Bulian/Pemayung, Kab. Batang Hari, Jambi	2011	Main audit completed 11-14 Oct 2011. Report under review
Buatan (KKPA)	Kerinci Kanan, Pangkalan Kerinci, Dayun District, Siak & Pelalawan Regency, Riau	Revised from 2011 to 2012	This was replaced with Ukui Plasma audit.

Tungkal Ulu (Plasma)	Renah Mendalo, Merlung, Muara Papalik District, Tanjung Jabung Barat Regency, Jambi	2012	Planning stage
Muara Bulian (Plasma)	Maro Sebo Ilir District, Batanghari Regency, Jambi	2012	Planning stage
Muara Bulian (KKPA)	Maro Sebo Ilir District, Batanghari Regency, Jambi	2012	Planning stage
Topaz & Seed Garden	Petapahan Village, Tapung District, Kampar Regency, Riau	2013	-
Taman Raja & Badang	Lubuk Bernai / Kampung Baru / Pelabuhan Dagang / Pematang Pauh Village, Tungkal Ulu District, Tanjung Jabung Regency, Jambi	2013	-
Ukui & Soga (KKPA)	Ukui & Lubuk Batu Jaya District, Pelalawan & Inhu Regency, Riau	2014	-
Segati	Langkan / Penarikan / Tambak / Sotol Village, Langgam District, Pelalawan Regency, Riau	2014	-
Penarikan & Gondai	Pangkalan Sarik / Baru Village, Langgam / Siak Hulu District, Pelalawan / Kampar Regency, Riau	2014	-
Penarikan (KKPA)	Pangkalan Sarik / Baru Village, Langgam / Siak Hulu District, Pelalawan / Kampar Regency, Riau	2014	-
Gunung Sahilan (KKPA)	Gunung Sahilan Village, Lipat Kain District, Pelalawan Regency, Riau	2014	-
Bahilang	Bahilang Village, Tebing Tinggi District, Serdang Bedagai Regency, North Sumatra	2015	-
Tanah Datar	Tanah Datar Petatal Village, Talawi District, Asahan Regency, North Sumatra	2015	-
Aek Nabara	S1-S3 / Sukadame Village, Bilah Hulu / Kota Pinang District, Labuhan Batu Regency, North Sumatra	2015	-
Teluk Panjie	Teluk Panjie Village, Kampung Rakyat District, Labuhan Batu Regency, North Sumatra	2015	-
Peranap	Simelinyang / Pauh Ranap / Sengkilo Village, Peranap District, Indragiri Hulu Regency, Riau	2016	-
Bungo Tebo	Tuo Sumai / Sungai Rambai Village, PWK Sumai / Tebo Ulu District, Bungo Tebo Regency, Jambi	2016	-
Peranap (Plasma)	Simelinyang / Pauh Ranap / Sengkilo Village, Peranap District, Indragiri Hulu Regency, Riau	2016	-
Bungo Tebo (Plasma)	Tuo Sumai / Sungai Rambai Village, PWK Sumai / Tebo Ulu District, Bungo Tebo Regency, Jambi	2016	-
Tanjung Selamat	Kampung Padang Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatra	2017	-
Pangkatan	Sennah Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatra	2017	-
Sentral & Batu Anam	Gonting Mahala Village, Bandar Pulau District, Asahan Regency, North Sumatra	2017	-
Pulau Maria	Rahuning Village, Bandar Pulau District, Asahan Regency, North Sumatra	2017	-
Negri Lama	Negri Lama Seberang Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatra	2018	-
Aek Kuo	Aek Korsik Village, Aek Natas District, Labuhan Batu Regency, North Sumatra	2018	-

Appendix B: PT Inti Indosawit Subur – Ukui group RSPO Certificate Details

PT Inti Indosawit Subur-Ukui, Desa Ukui, Kecamatan Ukui, Pelalawan District, Riau, Indonesia.

Certificate Number: SPO 565807

Initial Certificate Issued Date: 1 March 2011

Expansion of Certificate with inclusion of Scheme Smallholder: 11 June 2012

Standard: RSPO Principle & criteria: 2007; Indonesia National Interpretation: 2008; RSPO Supply

Chain Certification Standard: Final Document 25 November 2011.

Ukui I Palm Oil Mill and Supply Base	
Location	Pelalawan District, Riau, Indonesia
Address	Desa Ukui, Kecamatan Ukui, Pelalawan District, Riau, Indonesia
GPS	Longitude: 102° 09' 00" E Latitude: 00° 23' 00" N
CPO Tonnage Total Production (Certified)	64,227
PK Tonnage Total Production(Certified)	14,898
Company Estate FFB Tonnage	111,669
Scheme Smallholder FFB Tonnage	174,831

Ukui II Palm Oil Mill and Supply Base	
Location	Pelalawan District, Riau, Indonesia
Address	Desa Ukui, Kecamatan Ukui, Pelalawan District, Riau, Indonesia
GPS	Longitude: 102° 12' 00" E Latitude: 00° 28' 00" N
CPO Tonnage Total Production (Certified)	63,074
PK Tonnage Total Production(Certified)	14,522
Company Estate FFB Tonnage	139,230
Scheme Smallholder FFB Tonnage	137,368

Appendix C: Scheme Smallholder Assessment Programme

Audit team: SA: Senniah Appalasamy; AG: Aryo Gustomo; IN: Iman Nawireja					
Date	Time	Activity	SA	AG	IN
Monday 19 Dec. 2011	1430	Opening Meeting Presentation by Scheme Manager and Mill Manager Document Review	√	√	√
Tuesday 20 Dec. 2011	AM	1. Sumber Makmur Scheme Smallholders 2. Usaha Baru Scheme Smallholders Opening Briefing Physical Inspection of Scheme Smallholder Blocks and Interview	√	√	√
	PM	Facilities Inspection at Cooperative Document Review	√	√	√
Wednesday 21 Dec. 2011	AM	1. Bina Sejahtera Scheme Smallholders 2. Karya Tani Scheme Smallholders Opening Briefing Physical Inspection of Scheme Smallholder Blocks and Interview	√	√	√
	PM	Facilities Inspection at Cooperative Document Review	√	√	√
Thursday 22 Dec. 2011	AM	1. Tani Bahagia Scheme Smallholders Opening Briefing Physical Inspection of Scheme Smallholder Blocks and Interview		√	
		Stakeholder Consultation			√
		Supply Chain Assessment at the Palm Oil Mills	√		
	PM	Facilities Inspection at Cooperative Document Review	√	√	√
Friday 23 Dec. 2011	AM	Audit team meeting and finalise the findings. Gather further information if required. Clarify stakeholders' comments. Preparation for closing meeting.	√	√	√
	PM	Closing Meeting	√	√	√

Appendix D: Annual Surveillance Assessment Programme

Audit team: SA: Senniah Appalasy; AG: Aryo Gustomo; IN: Iman Nawireja					
Date	Time	Details	SA	AG	IN
Monday 20 Feb. 2012	1400 hrs.	Opening Meeting by Auditors Presentation by Estate and Mill Manager Document Review e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, Time bound plan verification etc. Verify close out evidence for the Major Nonconformity raised during Scheme Smallholders Assessment.	√	√	√
Tuesday 21 Feb. 2012	AM	Opening Briefing Ukui I Mill – Review on the documents, Mill inspection, warehouse, workshop, mill wastes management, Effluent Ponds, OSH, Environment issues, POME application, workers interview, housing, Supply chain for CPO mill, Review on SEIA documents and records, Document review, etc.	√	√	
	AM and PM	Meeting and interview with stakeholders from Local government, head of village, NGO, contractors, etc.			√
	PM	Ukui II Mill – Review on the documents, Mill inspection, warehouse, workshop, mill wastes management, Effluent Ponds, OSH, Environment issues, POME application, workers interview, housing, Supply chain for CPO mill, Review on SEIA documents and records, Document review, etc.	√	√	
Wednesday 22 Feb. 2012	AM	Opening Briefing Ukui and Soga Estate – field visit, boundary inspection, Fertiliser application, field spraying, harvesting, workers interview, POME application, buffer zone, HCV area, Enclaves, Office, workshop, worker housing, Landfill, Chemical store and mixing, , etc.	√	√	
		Inspect workers housing and interview residents, infrastructure, Social issues, waste management, Clinic, review pay documents, visit local community, SEIA etc			√
	PM	Facilities Inspection Document Review	√	√	√
Thursday 23 Feb. 2012	AM	Continue Document audit, verify stakeholder feedback with management and gather outstanding data/information, preparation for closing meeting.	√	√	√
	PM	Closing Meeting	√	√	√

Appendix E: List of Stakeholders Contacted

<p><i>Smallholders</i> Sumber Makmur Smallholders and Cooperative Head Bina Sejahtera Smallholders and Cooperative Head Usaha Baru Smallholders and Cooperative Head Karya Tani Smallholders and Cooperative Head Tani Bahagia Smallholders and Cooperative Head</p>	<p><i>Local Communities</i> Air Hitam Village Representative Silikuan Hulu Village Representative Bukit Jaya Village Representative</p>
<p><i>Internal Stakeholders</i> PT IIS – Ukui Group Management team and Staff Head of the Sustainability Department Manager of the Stakeholder Relation Department General Manager Senior Plasma Operation Manger Plasma Manager and Assistants Mill Managers and Assistants Estate Managers and Assistants Facility Administrators Gender Committee Representatives Doctor and Clinic Assistants Male and Female workers Workers Union Representatives</p>	<p><i>NGO and Others</i> Scale Up, Pekan Baru</p>
<p><i>Government Departments</i> District Labour Office District Agriculture Office District Cooperative Office District Environment Office National Land Agency</p>	

Appendix F: Supply Chain Assessment for the Mills (Model: Mass Balance)

Requirements	
E.1. Documented procedures	
E.1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified for Mass Balance (MB) supply chain requirements.	Both mills have written documented procedures for the chain of custody with MB model covering certified and non certified FFB. The mill managers have the responsibility to ensure implementation.
E.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.	Both mills have documented procedures for the incoming FFB, processing and outgoing palm products (CPO and PK). Marking is made on the receiving documents to differentiate the certified and non-certified FFB received.
E.2. Purchasing and goods in	
E.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received.	Daily records are prepared at the entry point at the weighbridge. Daily summary and monthly summary documented for all the certified and non certified FFB. Records verified by internal and external audit.
E.2.2 The facility shall inform the CB immediately if there is a projected overproduction.	The facilities aware of this procedure.
E.3. Record keeping	
E.3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of certified and noncertified palm products.	Daily records are prepared at the entry point at the weighbridge. Daily summary and monthly summary documented for all the certified and non certified FFB. Records verified by internal and external audit.
E.3.2 Retention times for all records and reports shall be at least five (5) years	The retention period is specified as five years and financial documents retained longer based on the local regulation requirement.
E.3.3 (a) The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis.	All the inventory records are maintained and updated on daily basis and Monthly report shows monthly inventory. No PKO and Palm kernel meal at this sites.
E.3.3 (b) All volumes of palm oil and palm kernel oil that are delivered are deducted from the material accounting system according to conversion ratios stated by RSPO.	Computerized system in place with the delivery deducted accordingly.
E.3.3 (c) The facility can only deliver Mass Balance sales from a positive stock. However, a facility is allowed to sell short.	Only positive stock id delivered. No short selling.
E.3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/MB or Mass Balance. The supply chain model used should be clearly indicated.	Facilities use Mass Balance model and indicated on the relevant documents.
E.3.5 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that the crush is covered through a signed and enforceable agreement.	No outsourcing activities.
E.4. Sales and goods out	
E.4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information	Sales through UTZ is from Ukui I Palm Oil Mill is 1,000mt in 2011. No sales from Ukui II. Sales from GreenPalm cannot be traced back to mill because no traceability number in the system.
(a) The name and address of the buyer	Name and address of buyer written on the invoice.
(b) The date on which the invoice was issued	Date is written.
(c) A description of the product, including the applicable supply chain model (Segregated or Mass Balance)	Product description and supply chain model is written. Mass balance model.
(d) The quantity of the products delivered	Quantity in tones.
(e) Reference to related transport documentation	Weighbridge documents and D/O includes all the transport references.
E.5. Training	
E.5.1 The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems.	Staffs in the weighbridge, inventory, storage and processing, document control have attended training.
E.6. Claims	
E.6.1 The facility shall only make claims regarding the use of or support of RSPO certified oil palm products that are in compliance with the RSPO Rules for Communications and Claims.	No claims made because the CPO is delivered/sold to downstream refineries.

