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PUBLIC SUMMARY REPORT

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

PT INTI INDOSAWIT SUBUR – MUARA BULIAN GROUP Jambi Province, Sumatra, INDONESIA

Report Author

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SUMMARY

BSi has conducted the First Annual Surveillance Assessment of PT Inti Indosawit Subur (PT IIS) Muara Bulian Palm Oil Mill and supply base located in Jambi Province, Sumatera Indonesia comprising one mill, one company managed estate, scheme smallholders, support services and infrastructure.

The assessment was conducted in two stages. First stage was transfer assessment to transfer the existing RSPO certificate to BSi. The transfer assessment was conducted due to Initial assessment was done by other Certification Body. PT IIS decided to transfer annual assessment to BSi and to extend the current scope with inclusion of scheme smallholders as supply base. The transfer assessment was carried out as per BSi internal procedure of transfer assessment. The existing RSPO certificate was issued on 28th August 2012 valid for five years. During the transfer assessment, previous summary report and certificate were obtained and verified, and found that there was no open Major NC or any other financial and/or payment issues. BSi concluded to continue the Transfer of Certificate which allows the BSi to conduct the annual surveillance assessment with inclusion of scheme smallholders and proceed to re-issue certificate of registration.

The second stage of the assessment was conducted onsite to assess continuous compliance of the certification unit with extension scope of scheme smallholders against the RSPO P&C INA-NIWG 2008 and INA-SWG 2009; RSPO Certification System June 2007 (revised March 2011) including Annex 4: Procedures for Annual Surveillance; and RSPO Supply Chain Certification Standard: November 2011, Module E – CPO Mills: Mass Balance.

Based on assessment result and successful close out of Major NCs raised during this annual surveillance assessment, BSi concludes Muara Bulian Palm Oil Mill and its supply base complied with the RSPO requirements.

BSi recommends the continuation of the approval of Muara Bulian Palm Oil Mill and its supply base operations with inclusion of scheme smallholders as a producer of RSPO Certified Sustainable Palm Oil.

ABBREVIATIONS USED

AMDAL	Analisis Mengenai Dampak Lingkungan
B3	Chemical waste store
BOD	Biological Oxygen Demand
BPN	Badan Pertahanan Nasional (National Land Agency)
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	Land Title/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
KT	Kelompok Tani/farmer group
MSDS	Material Safety Data Sheet
NGO	Non Government Organisation
OER	Oil Extraction rate
OHS	Occupational Health and Safety
P2K3	Panitia Pembina Kesehatan dan Keselamatan Kerja (OHS Committe)
PIRTrans	Perkebunan Inti Rakyat pola Transmigrasi (Transmigration Nucleus Plantation)
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	Indonesian Workers Union

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation Used

The operations of the mills and their supply bases were assessed against the RSPO INA-NIWG: 2008 and INA-SWG 2009 of the RSPO Principles and Criteria: 2007; RSPO Certification System June 2007 (revised March 2011) including Annex 4: Procedures for Annual Surveillance; and RSPO Supply Chain Certification Standard: November 2011, Module E – CPO Mills: Mass Balance.

1.2 Certification Scope

The scope of Certification covers One (1) Palm Oil Mill and the supply base comprising One (1) company owned Estates and Six (6) cooperatives of Scheme Smallholder.

1.3 Location and Maps

The Muara Bulian Group Mill, Estates, and scheme smallholders are located in Batang Hari District, Jambi

Province, Indonesia (Figure 1). The GPS location of the mills is shown in Table 1.

Table 1: Mill GPS Locations

MILL	Longitude	Latitude
Muara Bulian (capacity 60 t/hr)	E 103° 12' 20"	S 01° 35' 09"

1.4 Description of Supply Base

Oil palm fresh fruit bunch is sourced from company owned and one managed estates, scheme smallholders and from third party/outgrowers where outgrowers is excluded from certification scope. The Muara Bulian Group's budgeted FFB productions (certified) for the year 2013 are listed in Table 2 as shown below.

Table 2: Muara Bulian Mill FFB Supply Details

Source	Estimate at Initial Assessment (2012)	Actual For 2012	Projection at ASA01 (2013)
Estate Supply Base			
Muara Bulian estate	44,469	43,575	47,598
Sub-total	44,469	43,575	47,598
Scheme Smallholders*:			
KUD Barokah	28,763	26,568	28,050
KUD Subur Makmur	26,320	25,332	26,320
KUD Budi Sari	20,129	19,228	19,676
KUD Makmur Rejeki	17,311	16,279	17,210
KUD Karya Lestari	16,450	17,354	16,450
KUD Tuah Sakato	37,452	38,185	41,193
Sub-total	146,425	142,947	148,899
Outgrowers**	35,205	48,376	34,189
Total	226,100	234,897	230,686

* The Scheme Smallholders was not certified at Initial Assessment. To be included in the certificate at ASA01.

** The FFB supply from Outgrowers is excluded from the certification scope

Muara Bulian Scheme Smallholder was developed as a part of the PT IIS – Muara Bulian Group plantation development. This scheme smallholder was assessed by BSI to include into the existing scope of the Muara Bulian Mill RSPO certificate as part of the company's commitment to bring the associated smallholders into the existing RSPO certificate.

In this summary report, the findings of the scheme smallholders are incorporated due to the certification unit of Mill and Estate are already certified and were assessed as part of the first annual surveillance assessment which was conducted December 2013.

The scheme smallholders comprise six cooperatives. There are 3,455 members in this scheme smallholder covering an area of 6,958 ha planted with oil palm. The

scheme smallholder contributes approximately 64.7 % of the total FFB processed in Muara Bulian Mill.

The Muara Bulian smallholder scheme was similarly developed by PT IIS with other smallholders schemes in different provinces in Indonesia. It was originated from government land in late 1980s as part of transmigration project. The smallholders palms were planted at the same time with the Muara Bulian owned estates.

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

1.5 Date of Plantings and age profile

PT IIS – Muara Bulian Group own estate was planted in early 1991s. The smallholder scheme was planted between 1991 and 2006. About 100 % 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)	Total Planted Area (ha)	% of Planted area
21 – 30	978	55.19
11 – 20	794	44.81
4 – 10	-	-
0 – 3	-	-
Total	1,772	100.00

Table 3b: Scheme Smallholders' Age profile of palms

Age (years)	Total Planted Area (ha)	% of planted area
1991	548	7.88
1992	924	13.28
1993	2,544	36.56
1994	644	9.26
1995	50	0.72
1999	175	2.52
2000	1,172	16.84
2001	513	7.37
2006	388	5.58
Total	6,958	100.00

1.6 Other Certifications Held

PT IIS – Muara Bulian Group and its scheme smallholder has implemented an Environmental Management System for the mill and was awarded ISO 1400:2004 Certification on 10/06/2011 – Certificate Number ID05/65250 – expiry date 10/06/2014.

The Mill also certified under ISCC certification on 05/09/2012 with Certificate Number: EU-ISCC-Cert-DE100-20120195

1.7 Organisational Information / Contact Person

PT IIS contact details as follows:

PT Inti Indosawit Subur
Head Office: Jl. M.H. Thamrin No. 31
 Jakarta INDONESIA 10230
 Contact Person: Ms. Asrini Subrata
 Phone: +62 21 2301119
 Fax: +62 21 230 1120
 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 transfer assessment of this Muara Bulian Group. Appendix A shows the time bound plan which includes the smallholders. Once the palm oil mill is certified, extension of the palm oil mill certificate is carried out by including the smallholders into the existing certificate.

BSI assessment team considers 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 extension scope, 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 through desktop discussion with PT IIS representative in their head office 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 applicable law.

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)
Muara Bulian	1,722	0
Total	1,722	0

Table 4b: Scheme Smallholders members and Area of Palms

Scheme Smallholder	Mature Area (ha)	Number of members
KUD Barokah	1,240	615
KUD Subur Makmur	1,130	560
KUD Budi Sari	900	445
KUD Makmur Rejeki	730	360
KUD Karya Lestari	710	350
KUD Tuah Sakato	2,248	1,125
Total	6,958	3,455

1.10 Approximate Tonnages Certified

The approximate tonnages certified reported during initial certification was based on the budget for the year 2012. During this extension of the scope, the approximate tonnage certified includes the production from the scheme smallholder based on the budget for the year 2013. The detail is shown in Table 5a and Table 5b.

Table 5a: Approximate CPO Tonnages Certified

Muara Bulian Mill	CPO		
	2012 Budget	2012 Actual	2013 Budget
Muara Bulian Estate	10,450	9,887	11,185
Scheme Smallholder	33,385	31,479	33,741
Outgrowers**	7,259	9,500	6,972
Total	51,094	50,866	51,898

Table 5b: Approximate PK Tonnages Certified

Muara Bulian Mill	PK		
	2012 Budget	2012 Actual	2013 Budget
Muara Bulian Estate	2,424	2,485	2,689
Scheme Smallholder	7,980	8,131	8,413
Outgrowers**	1,919	2,773	1,932
Total	12,322	13,388	13,034

The Tonnage Claimed is the proportion of the total production from Certified Estate and scheme smallholders

*** Outgrowers is excluded from the certification scope.*

1.11 Date of Certificate Issued and next surveillance visits

The date of certificate issued would be confirmed once the approval of the summary report by internal review and RSPO reviewer. The subsequent surveillance visit will be planned not later than 12 month of the Anniversary date of certificate.

2.0 ASSESSMENT PROCESS

2.1 Certification Body

BSi Group Singapore Pte Ltd
3, Lim Teck Kim Road #10-02
Genting centre Singapore 088934
Phone: +65 6270 0777
Fax: +65 6270 2777
RSPO Scheme Manager: Mr Aryo Gustomo
Email: Aryo.Gustomo@bsigroup.com

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

Aryo Gustomo – Lead Assessor

He holds degree in Agriculture science and 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 a Plant breeder/agronomist in the one of Malaysian oil palm seed producer, and as a field assistant in oil palm Plantation Company in Indonesia. Several relevant Training he has completed include ISO 9001 and 14001 Lead Auditor, RSPO Lead auditor endorsed courses which also covered RSPO SCCS, Social Report Assurance training, ISPO auditor training, and training on HCV identification and management. Currently he works for BSi Group based in Jakarta office as a RSPO scheme manager and one of the BSi qualified RSPO lead auditor. He had been involved in several RSPO certification audits including New Planting Procedure assessment as a lead auditor/auditor with geographical audit experiences cover Indonesia, Malaysia, Thailand and Liberia - Africa. During this assessment, he mainly focused on the aspect of legal, environment, mill, estate, and smallholder best

practices; working safety and emergency preparedness, and supply chain requirement for CPO mills.

Nanang Mualib – Assessor

He holds a Bachelor degree in Forestry Technology from Bogor Agriculture University, 1999. He has 4 years experience worked in the Forest plantation company in Indonesia, and has experiences involves in the several RSPO certification audits as team member. He has attended the 5 days RSPO P&C Certification System Assessment Training held by PT Mutuagung Lestari on 2009 as well as 5 days ISO 9001 auditor training on 2009. He has been approved as an HCV Assessor under RSPO Scheme. He has been involved in many assessment related to the Forestry and Sustainable oil palm certification in Indonesia. He has experienced involves in RSPO certification assessments more than 15 oil palm different organizations (including mills and estates) in Indonesia. He has an excellent command of Bahasa Indonesia and English in both writing and speaking. He is also familiar with RSPO P&C Certification assessment and qualified as audit team member. During this assessment, he assessed on the aspect of Legal, HCV identification and management, and also Social community engagement and stakeholders consultation.

Pratama Agung Sedayu - Assessor

He graduated from University of Jenderal Soedirman on 2008, majoring in Social Economic of Agriculture. He involved in RSPO certification since 2009 as a team member covering assessment with RSPO P&C in Indonesian and Malaysia. He completed the ISO 9001 and OHS 18001 Lead Auditor training, HCV identification and management, ISPO auditor training, and has planned to attend RSPO Lead auditor endorsed course in May 2013. He can communicate fluently in Bahasa Indonesia and English both oral and written. During this assessment, he assessed the estate and smallholder best practices, environment, working safety, and emergency preparedness.

2.3 Assessment Methodology, Programme, Site Visits

2.3.1 Assessment and Inclusion of Scheme Smallholders

The assessment was conducted in two stages. First stage was transfer assessment to transfer the existing RSPO certificate to BSi. The transfer assessment was conducted due to Initial assessment was done by other Certification Body. PT IIS decided to transfer the annual assessment to BSi and to extend the current scope with inclusion of scheme smallholders as supply base. The transfer assessment was carried out as per BSi internal procedure of transfer assessment. The existing RSPO certificate was issued on 28th August 2012 valid for five years. During the transfer assessment, previous summary report and certificate were obtained and verified, and found that there was no open Major NC or any other financial and/or payment issues.

The second stage of the assessment was conducted onsite to assess the continuous compliance of the certification unit with extension scope of scheme smallholders against the RSPO P&C INA-NIWG 2008 and INA-SWG 2009; RSPO Certification System June 2007 (revised March 2011) including Annex 4: Procedures for Annual Surveillance; and RSPO Supply Chain Certification Standard: November 2011, Module E – CPO Mills: Mass Balance.

An Independent Gap-Assessment was carried out for Scheme Smallholders on October 2012.

BSi Audit team conducted an assessment of the PT IIS - Muara Bulian Group comprising one (1) Mill, one (1) Muara Bulian Estate and six (6) cooperatives scheme smallholders operations. Mill and estate were visited and assessed. Two (2) cooperatives (KUDs) as a sampling were visited and assessed based on the RSPO sampling formula ($0.8 \sqrt{Y}$ whereby Y is number of cooperatives). This sampling selection was considered based on the Cooperatives sample sizes, the geographical location of the cooperatives, and number of smallholder members. The RSPO sampling formula also used for the selection of smallholders members to be assessed. The selected cooperatives samples were KUD Karya Lestari and KUD Tuah Sakato.

The assessment programme includes assessment against all the applicable RSPO indicators as per RSPO P&C INA-NIWG 2008 and INA-SWG 2009. The methodology for collection of objective evidence includes physical inspection of the mill and estate, scheme smallholders' cooperatives facilities, members' plots, interview with members, staff, workers and review of documents. The block inspection was aligned with the field activities schedule such as harvesting and chemical spraying in order to inspect the operation and interview the smallholder and the workers. 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 10 – 15 December 2012. The assessment programme included in the **Appendix C**. The annual surveillance was conducted to assess the continuous compliance of the one certified mill and estate with inclusion of scheme smallholders.

NCR closure assessment for closing out Major NCs raised at previous visit was conducted on 31 January 2013 through documentation review submitted by PT IIS to BSI.

Mr. Senniah Appalasy, who has been involved in BSI RSPO activities and one of the BSI 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 onsite assessment, stakeholder consultation was conducted involving internal and external stakeholders. Meeting was held to seek feedback on the performance of the company and scheme smallholder performances with respect to RSPO requirements and aspects that they are consider for improvements. Stakeholders included those immediately linked with the operation of the company such as workers, staff, contractors, local communities, government officials, and NGOs, whose activities covers in the same geographical area in Muara Bulian region. Stakeholder consultation took place in the form of meetings and interviews without the present of the management members of the company.

Based on stakeholders inputs, auditor team subsequently verify all relevant positive and negative comments to PT IIS and scheme smallholders representative. These inputs were also used for consideration of audit conclusion. The summary of stakeholder comment is provided in **Section 3.5** of the body of this report. The list of stakeholder contacted is included as **Appendix D**.

2.5 Date of Next Surveillance Assessment Visit

The next surveillance assessment visit is planned not later than 12 month of Anniversary date of certificate. This surveillance assessment will include the one certified mill, one estate and the scheme smallholders which has been included in the certified scope.

3. ASSESSMENT FINDINGS

The assessment findings are reported in Section 3.1 referring to the finding of the Annual Surveillance Assessment cover the Muara Bulian mill and estate based on RSPO P&C INA-NIWG 2008. Section 3.2 is referring to the findings of the Scheme Smallholder assessment based on RSPO P&C for Scheme Smallholders INA-SWG 2009.

Two major nonconformities raised against indicator 4.7.2 and 5.3.2 of RSPO P&C for Mill and Estates, and 1 (one) Major nonconformity against indicator E.3.4/E.4.1 of RSPO Supply Chain Standard Module E CPO Mills – Mass Balance. There were also four Minor nonconformities raised against indicator 4.6.5; 4.7.5; 5.3.3; 6.1.2 of RSPO P&C for Mill and Estate, and two Minor nonconformities against indicator 4.1.2; 6.1.3 of RSPO P&C for Scheme Smallholders. Several Observation/Opportunity for improvement are also highlighted. The evidence for closing out the major nonconformities was verified during NCR Closure assessment. PT IIS has submitted Corrective Action Plan for Minor nonconformities and Observation/Opportunity for Improvement.

BSI auditor has accepted the evidence of closing out Major nonconformities and concluded those were remained closed. BSI auditor has also accepted the Corrective Action Plan for minor nonconformities and will be further verified for effective implementation during subsequent surveillance visits. The detail of findings during assessment is explained in the summary of the findings below.

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

3.1 Summary of Findings - Existing certified units

RSPO P&C INA-NIWG: 2008

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.

The company has revised Standard Operating Procedure for handling information request under SOP AA-GI-5008.1-R1 dated 22 August 2011. The retention time for record of any information request and the response given from PT IIS is set as 3 years time. The information request from relevant authorities recorded under "Permintaan Informasi rutin" (Routine Information Request Book). For example: "Berita Acara pengawasan Penataan Lingkungan Hidup – PROPER" (Minutes of the Environmental Planning supervision – PROPER) related to "Laporan Pelaksanaan Land Aplikasi dan Limbah Padat PT Inti Indosawit Subur bulan Februari 2012" (Report of POME Land Application and Solid Waste – PT IIS, February 2012). The information request from other interested parties recorded under "Permintaan Informasi Lain tahun 2011-2012" (Others Information Request Book, 2011/2012). For example: Letter from "BNN Kabupaten Batanghari" No. B/313/XI/2012/BNN dated 9 November 2012 regarding socialization of drug/narcotic abuse; and Letter from Karya Mukti village No. 670/202/KM/X/2012 dated 28 October 2012 inquired assistance in electricity development for community. (1.1.1)

PT. IIS maintain the record of response to information request for 3 years as per SOP AA-GI-5008.1-R1. Document review confirmed PT IIS has made response to information request in appropriate and timely manner. The Response of information request from relevant authorities is compiled under "Laporan Rutin" (Routine report book). Example: As a response for PROPER, PT IIS sent a letter No. 057/MI-PMB/Ext/03/12 dated 2 April 2012 with regards to report submission to Environmental agency. The record of response to information request from other parties is compiled under "Permintaan Informasi Lain 2011-2012" (Others Information Request, 2011/2012). Example: As a

response to a letter from BNN, PT IIS initiated to conduct "Pembentukan kader penyuluh anti narkoba" (Establishment of anti-drug educator) dated 20 November 2012. As a response to request from Karya Bakti village request, PT IIS felled down 199 oil palm trees in block A91b and B91a in 20 November 2012, to create space electricity poles development; picture records were also available. (1.1.2)

Based on the above mentioned procedures SOP AA-GI-5008.1-R1, the record of information requests and responses were kept for 3 years. Document review confirmed all of current records are kept does not exceed 3 years (1.1.3)

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.

PT IIS has a policy stated that all legal, social and environmental document and permits are publicly available. The procedures for information request regulated under SOP AA-GI-5008.1-R1 dated 22 August 2011. List of available document for public is listed under "Daftar Perizinan" (List of Permits), covers Company Deed and its amendment, License of company's investment, Permit of company operation, Tax permit, Plantation permit, Building permit, Workers permit, Environmental permit, Location permit, Plantation Business permit, Land title, etc. (1.2.1)

As similar to indicator 1.1.3, the records of information request upon such information were kept for 3 years as per SOP AA-GI-5008.1-R1. (1.2.2)

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.

Sample of legal documents were checked in the mill and estates. Land ownership (such as land title/HGU, location permit, etc) documents are valid. There are no any changes in the HGU certificate as at current. Mill licenses and permits are renewed periodically prior to the expiry. The Mill complies with the machineries permit requirements, for example:

- Permit for generator, latest issued on 15/07/2012, reference number: 560-11/MD/K3/2012, issued by Manpower agency of Batang Hari District, Jambi province. This is a renewal permit from previous license number 1993/MD/1990.
- Permit for Boiler engine, reference number S.I.99/10.5/96 dated on 26/09/1996 issued by Labour Dept. of Batang Hari District, Jambi Province. Latest regular inspection was on 10 July 2012

- Permit for turbine engine, issued on 8/09/2009, reference number 195/TU/2009. Latest renewal permit is in place with reference number: 560-10/TU/K3/2012.
- Operator licenses to operate steam turbine and boiler are in place and still valid, for example license number 11.1033-OPK3-PUBT.BI/VII/2011 for steam turbine operator Class 1 under the name of Mustawi.

The boiler testing, 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. (2.1.1)

PT IIS developed Standard Operating Procedure for compliance with legal indicators and its changes under SOP AA-GL-5001.1-RO dated 5 December 2009. PT IIS maintained document “*Evaluasi Kepatuhan Hukum*” (Evaluation of Legal Compliance) indicating all regulations and legal indicators applicable to oil palm activities along with company’s compliance status, regularly update every 3 months. PT IIS updates the national law through information from head office. PT IIS is in communication with local government of Batang Hari District to update the latest relevant local regulations, example: Batang Hari District regulation No.2/2011 regarding Plantation Business Permit. PT IIS conducted the legal compliance evaluation against National and local regulations. (2.1.2; 2.1.3; 2.1.4)

However, there are found 2 (two) **Observation/Opportunity for improvement against indicator 2.1.1, i.e.:**

01: PT IIS may wish to consider reviewing all relevant regulations and company’s compliance upon relevant regulations. Example: Government Regulation No.37/2012 regarding Management on Watershed.

02: Mill manager may wish to ensure operator for generator-set joined training appropriate for the work in coordination with Labour Dept.

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 Muara Bulian Group holds complete sets of documents showing ownership or lease of the land such as:

- The Minister of Agriculture Letter's No. KB.320 / 859 / Mentan / XI / 1983 dates 7 November 1983 as regards to Development Principle agreement of oil palm planting covers 65,000 Ha at Jambi's Province.
- Decree of Jambi Governor No. 242 year 1987 dates 19 June 1987 about land reserve for agriculture of oil palm by PIRTrans Schemes.
- Decree of Minister of Forestry No. 494 / Kpts II. / 1991 dated 7 August 1991 about Forest Acreage Releases as extensive as 9,356 Ha located within forest area at Singoan village in Batanghari's District, Jambi's province for agriculture intention, with PIR-Trans schemes.
- Letter of issuance Land Title/HGU certificate from BPN such as A) Letter No. 14/HGU/1992 dated 15/09/1992 for 1,256.18 Ha (HGU'S certificate No. 1/2003 valid

until 31/12/2027). B) Letter No. 51 / HGU / 2003 dates 10/07/2003 for 523.42 Ha (HGU Certificate No. 4/2003 valid until date 6/10/2038). C) Letter No. 03-540.1-06-2003 dates 10/07/2003 for 32.48 Ha (HGU Certificate No. 3/2003 valid until 13/08/2038). D) Letter No. 02-540.1-06-2003 dates 10/07/2003 for 32.48 Ha (HGU certificate No. 2./2003 valid until 13/08/2038). E) Letter No. 01-540.1-06-2003 dates 10 /07/2003 for 27.27 Ha (HGU No. 1/2003 valid until 13 August 2038).

(2.2.1)

PT IIS has prepared a programme to preserve boundary poles conducted every semester. Objective evidence observed was “*Peta Lokasi Patok BPN*” (Map of Boundaries Poles) PT Indosawit Subur, Muara Bulian Estate. Latest inspection was on June 2012. Based on auditor’s field visit at Block B91A “Patok BPN” (Boundary pole) No. 18 nearby to community area of Terusan village, found that boundary poles is visibly maintained. There were no encroachment issues noted or highlighted by the stakeholders who were interviewed during the stakeholders’ consultation. (2.2.2)

There is no land dispute at current. PT IIS has completed the land compensation process since the commencement of company’s operation on 1991. PT IIS kept all evidence records of land compensation in term of “*Berita Acara Musyawarah Pembayaran ganti Rugi Usaha Perkebunan Rakyat Pasar Terusan, Malapari and Muara Singoan*” (Minutes of Meeting on Land compensation payment with communities of Terusan, Malapari, and Singoan Villages) dated on 21 October 1991, signed by Secretary of Batanghari District, with presence of relevant parties (head of villages, head of district, local communities, Plantation’s Head of Batanghari District, Notaries, Economics Head of Batanghari District, Police Chief Inspector, and BPN/National Land Agency officers). Based on auditor’s interview during stakeholder consultation with local community’s representatives (e.g. Karya Mukti and Terusan villages) and local government officers confirmed that PT IIS has resolved all land settlement within communities and no land dispute occur at present. (2.2.3 and 2.2.4)

Even though no land dispute at the moment, PT IIS – Muara Bulian Group provided a Standar Operating Procedure's document (SOP) No. AA GL 5003.1-RI (Handling Land Conflicts) issued on 05/12/2009 with first revision on 22/08/2011, authorized by company’s management. Procedure defined a mechanism to resolve land conflict based on FPIC process.

That mechanism was passed to relevant parties and accepted during Stakeholders Meeting on 27/06/2011 attended by 43 stakeholders from local communities surrounding and local government officers. (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 acquisition was initially a government project of PIRTrans schemes where at that time PT IIS Muara Bulian supporting government on the development of smallholder scheme. All relevant permits achieved and completed as also land negotiation resolved. During the assessment, auditor team found sufficient objective evidences where at present there is no lands are encumbered by legal or customary rights – see indicator 2.2.3 and 2.2.4. This also confirms during auditor’s interview with the village heads and relevant government officers. (2.3.1; 2.3.2; 2.3.3)

It is noted that the local villagers are aware of the plantation development and they were given opportunity to take part in the smallholder scheme development. Now these scheme smallholders have a close relationship with the PT IIS management and during this assessment they are brought into the RSPO certification as well.

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.

PT IIS Muara Bulian group has an annual budget and projection/forecast for a period of three years for the estate and mill. Document reviewed by auditor team was “Rencana Kerja Perusahaan” (Company Working Plan) of Muara Bulian Estate, projected for the next 3 years (2013-2015) operational plan. The working plan includes the projection of FFB production per year planted, OER estimation, projection of Production Cost, and replanting program. There is also a Master Plan Continuous Improvement 2012 - 2015 for Muara Bulian Mill, updated on 31/11/2012. The plan is consists of FFB processed (tonnes/ha/year), annual OER budget and target, and estimation of production cost (Rp/tonnes CPO). These Annual budgets are used as guidance by the managers to ensure management plans in the budget are implemented to achieve the economic financial out comes. (3.1.1)

Replanting programme is available commencing on 2017 planned to start 500 ha in Muara Bulian Estate. The replanting programme is prepared by the estate manager as guidance to implement all types of replanting work such as felling, chipping, terracing, cover crop planting, planting of palms and maintenance up to maturity stages. The programme is reviewed yearly during management meeting with general manager. (3.1.2)

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

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

Muara Bulian Estate made reference to Agricultural Policy Manual dated 1 February 2009 and SOPs related to all the estate operations. The agriculture manual comprise of technique for seedling preparation, land preparation, road and bridge maintenance, soil and water conservation, legume cover crop, oil palm planting, weed control, pesticide application and management, palm and production census, water management, harvesting, FFB collection and transport, replanting. Inspection during the assessment confirms field activities are in accordance to manual and procedures such as harvesting, chemical spraying, and manuring. (4.1.1)

Muara Bulian Mill has 16 Section of procedure for Mill operation from FFB reception to CPO and PK dispatches - Reference number AA-MPM-OP-1400.01.R1 to AA-MPM-OP-1400.16.R1. There is also a procedure related to Traceability (AA-MPM-OP-1400.17.R1) and Mass Balance (AA-MPM-OP-1400.18.R1). **Observation 03 - based on field visit to the Mill, piles of nut kernel found on the floor around kernel silo station; it was noted management have a problem in selling the nut kernel and forced to stacked the excessive production of nut kernel which cannot be stored in the silo. Mill management admitted this was not procedural. Mill should improve organizing the nut kernel stock in safe and orderly manner.** (4.1.2)

Implementations of the SOPs are monitored through field inspection by the estate and mill managers, Agronomist, Plantation and mill adviser, and by internal audits. The latest internal audit was done on 24 - 27 September 2012. Internal audit result recorded under Operational audit report No. OA-12-IX-Plt.III-mill-018. Corrective action plans are prepared for any findings and it is checked during the subsequent visits. Estate and mill 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. (4.1.3)

The record of monitoring results of estate operations recorded under “Program dan Realisasi Kerja” (Work Programme and Actual) 2012. The record comprised of spraying of herbicide, frond pruning, manual and mechanical terracing, ditch/water drainage, road hardening, cross drain, land application, EFB application, and solid waste application. Record for Mill operations presented in Monthly progress report of Muara Bulian Mill. The record consisted of FFB reception from the estate and smallholders, FFB processing, CPO and PK produces, including monitoring of water usage and mill effluents. (4.1.4)

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

The soil analysis conducted in 5 years interval by “Pusat Riset dan Pengembangan Asian Agri” (Research Centre and Development of Asian Agri). Record of soil analysis is in place by recent report on May 2009. Leaf sampling analysis conducted once a year by Research Centre. Record of leaf analysis was made available, in term of “Oil Palm Leaf Nutrients analysis (frond 17)” with latest result on May 2012. The Agronomist visits the estate prior to the final recommendation. The conclusion of soil and leaf analysis for fertilizer recommendation made available for the estate. The fertilizer recommendation presented in term of “Rekomendasi Pemupukan” (Fertilizer Recommendation) 2012 and kept in estate manager office. (4.2.1)

The fertilizer recommendation covers guidelines for application technique, dosage, and time interval. The fertilizer is applied as per field block on individual aspects of inorganic material – ZA, MOP, Rock Phosphate, Kieserite, Dolomite, Boron; and organic material – boiler ashes, Empty fruit bunch, and Mill effluents. Record of fertilizer application (inorganic and organic) reported in Estate Monthly report. (4.2.2)

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

Soil map is made available in term of “Satuan Peta Tanah” (Map of Soil Detail) for area of 2,408 Ha completed with scale 1:25,000. The map indicates for suitable planting area (S2 and S3 categories) cover 1,845 Ha and non-suitable for planting (N1 category) is 563 Ha. Most of soil types are mineral soil (sandy clay). Topography is undulating to hilly area. There is no peat or fragile soils are present. (4.3.1)

Estate has continuous programme to build mechanical and manual terracing on the respective field blocks with slope more than 30 % such as block number C91a, C91b, C91c, C91e, and B91c. Erosion is controlled through U-shape frond stacking along the contour to minimize the speed of the running surface water during heavy rainfall. Soft grass and fern is also maintained to minimize erosion along slope area.

Road maintenance programme for 2012 is in place. Operating units utilized road grader and compactor. Road maintenance activities include road grading, compacting, pot-hole resurfacing, road side drain maintenance, culvert and bridge repairing. Road condition would often damage due to heavy rainfall however, company is routinely maintain the road condition in dry seasons by putting cobblestone. Road grader and compactor were sighted during field inspection to block C91a and B91c repairing damaged road due to previous rainfall day. (4.3.3)

Based on soil analysis and soil map, there is no peat/organic soil identified. The majority soil types are categorized into Dystrudepts, Kanduluts and Endoaquepts. (4.3.4)

EFB and boiler ash are applied in particular area with low organic matter. This was also determined by final fertilizer recommendation made by Research Centre. Latest EFB application was September 2012 on field block number A91a and B91c. (4.3.5)

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

Muara Bulian Estate has prepared Conservation Management Plan and Riparian Restoration Programme. The plan is to protect riparian area and to control water pollution through waste water discharge from plantation operation to the water stream; to maintain and enhance the drinking water for consumption. No chemical spraying and inorganic fertilizer application is allowed on both side of riparian. PT IIS monitored the biological, physical and chemical condition of river water quality consistently. Enhancement of local trees species is also been implemented such types of local trees among other are Sungkai (*Pheronema canescen*), Vertiver grass (*Vetiveria zizanioides*), Bamboo (*Bambusa sp*), Angsana (*Pterocarpus indicus*), Ketapang (*Terminalia catap*) and *Ficus sp*. Company is initiatively urge the local communities to protect riparian area throughout, for example: not to poison the fish on the river, keep away excavating sand out from river bed, no hunting/poaching, and not dumping trashes into the river. Field inspection to Singoan River seens riparian is well managed; there are 200 m distances of riparian boundaries marked with red paint in palm trees. Warning sign for socialization to communities is visible installed. (4.4.1)

Mill and estate monitor the use of water and the effects of their activities on water resources and waterways. Water management includes monitoring of water quality for processing in the mill and domestic water usage, and waste water management/monitoring. Water management plan is provided in term of "Program Manajemen Lingkungan" (Environmental Management Program) for 2012. Mill is periodically (every three month) checked the water quality of ground water throughout Monitoring Well within POME application area. The effluent volume and debit discharged for land application are also recorded. Report of effluent volume and debit is presented in Monthly Report of Muara Bulian Mill Effluent, while report of the water quality of Monitoring well is presented in POME Effluent for Land Application. Reviewed on the latest record of water quality test on September 2012 showed all parameters are complied with allowable limit. (4.4.2)

BOD effluent is monitored once a month. BOD is analysed at external laboratory (UPTB Environmental laboratory of Environmental Agency, Jambi Province). Monitoring result of last three month shows BOD is below the allowable level of 5,000mg/L. For example:

result of August 2012 is 2,430 mg/L; September 2012 is 2,400; and October 2012 is 4,830 mg/L. (4.4.3)

Water usage for mill operation and domestic consumption are recorded every month. Latest result on November 2012 shows water usage for mill processing is 1.05 M3/tonnes FFB, while for domestic consumption is 0.75 M3/tonnes FFB; those are higher than budget (0.95 M3/tonnes FFB for mill processing and 0.41 M3/tonnes FFB for domestic). Mill manager has prepared a plan and key steps to reduce water usage for processing and domestic; and keep monitor the progress of its implementation to achieve the target on 2013. Record of mill water usage provided at Mill Operation Summary 2012. (4.4.4)

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. Procedure describes all the IPM techniques and methods for IPM implementation. IPM Programme for 2012 is available. The programme includes prevention through planting beneficial plants such as *Turnera subulata* and *Cassia cobanensis* along the road side. The total length of these beneficial plants exceeds 1,000 metres. Barn owl boxes are erected one box per 20 hectare to prevent and control rat population from increasing. (4.5.1)

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. Record of pest monitoring such as "*Perhitungan serangan tikus dan tirathaba*" (Monitoring on rat and bagworm attack) dated October 2012, "Rekapitulasi Sensus Hama Pemakan Daun" (Census Recapitulation of Caterpillar *Setothocea asigna* dated November 2012, and Barn owl census on October 2012. Training record on Integrated Pest Management for Estate staff, dated 18 May 2012, attended by 13 workers. (4.5.2)

There is no pesticide used recorded for pest control at current. Agrochemical used mainly is herbicide for weeds control. Monitoring on pesticide toxicity for weeds control recorded under "Rekaman Monitoring Toksisitas Pestisida" latest update on October 2012. (4.5.3)

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.

PT IIS developed List of approved and registered agrochemical used for 2012. Reviewed on record of "*Data Pemakaian dan masa berlaku Ijin Bahan Kimia*" (Agrochemical usage and validity of the license), found Gramoxone, Kenlon 480 EC, Kenrane 288 EC, Bionasa 480 AS, Thuricide, and Metsulindo are approved by Agriculture Dept. and its valid. It is noted that only approved and registered agrochemicals which are permitted by the local relevant authorities are used. (4.6.1)

Agrochemical used is 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. Record of agrochemical used monitoring is provided in the Estate Monthly Progress Report 2012. (4.6.2)

PT IIS controls weed through identification to select appropriate control would be applied. Record Identification of weed comes under "*Identifikasi gulma dominan tahun 2012*" (Identification of majority weeds for 2012), period September to December. The record is identifying the target of weeds, its location, and active ingredient. Dosage used for herbicide application refers to Agricultural Policy Manual AA-APM-OP-1100.08-R1 page 33/45. Example: To apply on harvesting path, the targeted weeds of *Clydemia sp* treated with Paraquat + *Metil metsulfuron* dosage 375 + 18.75; volume 125 to 200 ml; concentration 0.2+0.025, applied with knapsack, filter mesh. To ensure that applicators are trained, daily briefing is given each time agrochemical application is arranged. For specific Agrochemical application who required trained operator (such as Paraquat which categorized as Limited Pesticide), Estate has sent some spraying operators for training of limited pesticide in collaboration with Labour Dept. of Batang Hari District. Record of training for spraying operator is kept in the estate manager office. Inspection to the chemical 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 (4.6.3)

Based on Procedure SOP AA-KL-06-EFP R4 *Penanganan Limbah B-3* (Handling on Hazardous waste) dated 1 November 2008, all agrochemical waste materials and containers are collected and stored at the hazardous waste (B3) store as per regulation PP 18/1999. The hazardous waste store has valid permit at current. 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 transported prior to 180 days of permitted time limit through licensed transporter PT Emulsonsetindo Nusa Indah, to licensed waste collector PT Tenang Jaya Sejahtera. Record of monitoring on agrochemical waste materials and containers provided under "*Laporan Penyimpanan Limbah B3*" (Report of

Hazardous Waste Storage). This report is routinely reported to Environmental Agency of Batang Hari District every three month. (4.6.4)

Minor nonconformity raised against this indicator (Reference number A824450/1): Based on document review and field visit it was found the plan for Paraquat in 2011 was 960 liters and reduced into 840 liters in 2012; it was noted the actual Paraquat applied in 2011 was 491 liters and management decided to carried over the plan for 2011 into 2012, as a consequence the actual application of Paraquat 2012 was increasing up to 933 liters (as per October 2012). **See Section 3.3 Page 24 for detail** (4.6.5)

All the agrochemical applicators go for medical checkup by the qualified doctor twice annually. The Latest medical records for pesticide and fertilizer operator was on October 2012. It is found that all applicators are fit for the agrochemical application. However, a company's policy is to have an appropriate action for those agrochemical operators who treated from any chemical materials. (4.6.6)

Company policy on prohibiting pregnant or breast feeding female workers from agrochemical application is conducted pregnancy test for all female worker to identify early signs of pregnancy. Interview with female workers and review on medical records confirm that pregnant female workers are transferred to work without any agrochemical handling such as office helper and housing site cleaners. (4.6.7)

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

Mill and Estate made reference for OHS implementation to "Kebijakan Perusahaan" (Company Policies) issued on November 2012, and "Program Manajemen K3 KMB 2012" (Programme of OHS, Muara Bulian Estate 2012). Field inspection to the mill confirms the OHS policies have been implemented, such as use of PPE for workers, routine medical check-up, emergency response procedure, monitoring of work accident, etc. **However, Observation 04 – PT IIS may wish to ensure the personal protective equipment used by sprayer is in good and safe condition. Based on field visit, protective equipment for sprayers i.e. goggles distracted by mist and holes found on worker's Apron.** (4.7.1)

Mill and Estate designated responsible person for OSH programme is identified in term of P2K3/OHS committee approved by Labour Dept of Batang Hari District. The monthly meeting for health and safety comes under "Rapat P2K3". Latest meeting was on October 2012 for Estate, and November 2012 for Mill. However, Job description for P2K3 committee was not made available. **Major nonconformity raised against this indicator (reference number A824450/1):** Based on document review it was found that job description of appointed

responsible persons for health and safety programs in Muara Bulian Estate and Muara Bulian Mill have not been determined. PT IIS has provided corrective action which BSI auditor has accepted and closed out. **See Section 3.3 Page 24 for more detail.** (4.7.2)

Mill and Estate workers are covered by work accident insurance (JAMSOSTEK). Document review found 106 Mill permanent workers were covered by JAMSOSTEK as per November 2012. While 309 Estate permanent workers were covered by JAMSOSTEK as per October 2012. (4.7.3)

Regular medical checks for workers are done twice a year. Last medical checks carried out on October 2012 and the result is not issued yet. Document review confirmed medical checks have been done for all estate mill workers; for example: chemical sprayer, fertilizer applicator, boiler and generator operators, chemical store clerk, etc. Evaluation and action plan of the medical checks result is available. For workers who had exposed with high risk job will be took action immediately. Example: January 2012 medical checks found 2 (two) mill workers exposed by chemical in boiler station transferred to other activity. (4.7.4)

Mill provides a documented risk assessment in term of HIRAC. Latest review of HIRAC was on 12 Dec 2012. Risk assessment methodology is based on Frequency and Consequences analysis assessed within Mill operation activities in line with recommendation. All occupational hazards and risks have been assessed and identified. Rating is given as low, medium or high. When the risk is high, preventive measures is developed to address the risk. However, **Minor nonconformity raise against this indicator (reference number: A824450/2):** Risk assessment document for occupational health and safety have been made available for Muara Bulian Estate, however the procedure for hazard identification and risk assessment, including the review upon effectiveness of control applied have not been determined. **See Section 3.3. Page 24 for detail** (4.7.5)

OHS training programme is under a Training Programme of Environmental & Sustainability 2012, PT IIS Muara Bulian Group. There was training for basic fire for workers. Example: Training on Basic fire haze mitigation dated 27 and 28 June 2012, 94 persons attended including workers, plasma farmers and staff. (4.7.6)

Guidelines on accident and emergency procedures are available and these were placed in visibly position such as in estate and mill offices, chemical store, and workshop area. Fire-fighting team is available in the estate and mill. Field inspection and interviews with workers confirmed the emergency procedure is already understood. (4.7.7)

First-aid kit is made available for sprayer team, harvester mandore, chemical storekeeper and workshop area. The first aid kits kept complete, and not expired. At the mill, First aid boxes are available in each mill station and

office, example: in workshop, boiler station, and chemical store and this are complete. (4.7.8)

Mill and Estate workers are trained in First aid. Latest training was on March 2011, there has been no training ever seen. Evidence observed by auditor was training record of “Pelatihan Pertama Gawat Darurat (PPGD)” (Training on First aid) on 7-8 March 2011. Further training programme of first aid is planned in Training Programme of Environmental & Sustainability 2012. However **Observation 05** – PT IIS may wish to consider another series of first aid training for each PIC since workers already forgot some of first aid training. (4.7.9)

Accident records are analysed by the Safety officer on site. Work accident monitoring was recorded under “Rekaman Kecelakaan Kerja” (Record of Work Accident), Record of Control Number of Accident & Near Miss report; and Incident & Near Miss Monitoring. Review on records confirmed work accident has monitored and necessary action taken is appropriate. (4.7.10)

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

Training programme is available, Training Program Environmental and Sustainability 2012 covers the training for sustainability awareness (October 2012), HCV (October 2012), Basic safety/K3 (October 2012), Basic Fire (November 2012), First aider (October 2012), Safety use herbicide and chemical (November 2012), Training on contractor, and Limited Pesticide training, etc. PT IIS has been made available the worker competence as a basis to identify the training need for workers including the task for investigating accident cases. (4.8.1)

Estate keeps complete record of training for each employee under “Rekapitulasi Pelatihan Karyawan” (Recapitulation of Employees training) updated December 2012. (4.8.2)

PT IIS’s contractor selection process includes evaluation on competence skills. For example: contractors of FFB transport are required to pass safety checklist and must hold a current driver’s license. (4.8.3)

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.

The company provides a document of Environmental Impact Assessment (EIA), which consists of ANDAL, RKL and RPL agreed by the EIA Commission Department of Agriculture; reference letter 014/Andal/RKL-

RPL/BA/V/1995 dated 3 May 1995 with regards to Approval of EIA and RKL-RPL oil palm plantation and palm oil mills, PT Inti Indosawit Subur. The scope of the study covers the area of 32,000 ha consists of field working in Kuala Tungkal area of 20,000 ha and Muara Bulian of 12,000 Ha. EIA study was prepared for capacity planning of palm oil mill with a capacity of 90 tons FFB / hour to Kuala Tungkal and 30 tons FFB / hour for Muara Bulian. (5.1.1)

The company develops Report of RKL / RPL conducted each semester and reported to the Environment Agency of Jambi, e.g. Report of RKL / RPL first semester of 2012 were reported To Jambi Provincial Environment Office by External Distribution List dated 6 August 2012 received by the Environmental officers from Jambi province, Mr. Rahmad Dani. The report was also submitted to the relevant Office district level such as Environment agency of Batanghari, and Plantation Dept. Based on the interview with the Environment Agency of Batanghari on 11 December 2012 stating that the PT IIS Muara Bulian Group has sent RKL-RPL Report regularly every semester to the relevant government offices. (5.1.2)

The Company has revised its environmental management document was passed in 1995 due to increasing mill capacity of 30 tons FFB/hour to 60 tons FFB/hour, environmental management activities (Land Application), the detachment of the Tungkal Ulu Estate and social parameters in 2010. This has been approved by the Head of the Environment Agency of Jambi through letter No. 474/BLHD/2010 dated 10 August 2010 regarding Revised Agreement on Environmental Management Plan (RKL) and Environmental Monitoring Plan (RPL) PT Inti Indosawit Subur area of 9,188 ha and Palm Oil Mill Capacity 60 Tons / Hour in District Maro Sebo Ilir, Batanghari District, Jambi Province. (5.1.3)

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 RSPO approved HCV lead assessor from Agriculture University of Bogor, Indonesia on 2011. The present of four attributes identified High Conservation Value, as follows; HCV 1.1; 1.2; 4; and HCV 5. Total of managed HCV area in Muara Bulian Estate is 76.18 Ha. Types of protected fauna Flora, rare or endangered species identified in the area of existence of Muara Bulian Estate are as follows; **1) Mammals**; Trenggiling (*Manis javanica*), Macan kuwuk (*Felis bengalensis*), Berang-berang (*Prionodon linsang*), Rusa Sambar (*Cervus unicolor*), Beruang madu (*Helarctos malayanus*), Kera Ekor Panjang (*Macaca fascicularis*), Lutung Abu (*Presbytis cristata*), Beruk (*Macaca nemestrina*), Musang Luwak (*Paradoxurus hermaphroditus*). **2) Aves**; Raja udang Meninting (*Alcedo meninting*), Burung madu kelapa (*Anthreptes*

malacensis), Pijantung kecil (*Arachnothera longirostra*), Cangk merah (*Ardea purpurea*), Kuntul kecil (*Egretta garzeta*), Cekakak Sungai (*Halcyon chloris*), Cekakak belukar (*Halcyon smyrnensis*), Elang hitam (*Ictinaetus malayensis*), Kipasan belang (*Rhipidura javanica*), Elang brontok (*Spizaetus cirrhatous*), Elang ikan kepala kelabu (*Ichthyophaga ichthyaeus*). 3) **Reptile** ; Biawak (*Varanus salvator*), Kura-kura (*Coura amboinensis*), Kobra hitam (*Naja sumatrana*), Ular phyton (*Phyton reticulatus*). Implementation of the Peer Review on 23 September 2011 by WWF (Dani Rahadian) in accordance with the agreement between PT IIS with WWF, No. 03/jkt/IIS-WWF/IX/10. (5.2.1)

The company conducted monitoring of flora and fauna each month by appointed officer; the monitoring results obtained from the types of animals that were not identified at the time of identification of HCV, for example; Lutung (*Trachypiteceus* sp), Rangkong (*Buceros horbil*), Tiong emas (*Gracula religiosa*). (5.2.2)

All the HCV areas 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. Based on the results of the visit in Block B 91A (Border Rivers Sengoan), the company has made efforts to protect endangered or threatened species, for example; A) Installation of the warning sign on hunting, wood cutting in accordance with Law No. 5 of 1990 concerning Conservation of Biological Resources and Decision banning sand, catching fish with poison / putas, or stun explosives in accordance with law, Act 9 of 1985. B) Installation of posters on protected flora and fauna, endangered and rare species, for example in estate office, employee housing and the surrounding village. (5.2.3; 5.2.4)

Monitoring is carried out by trained full-time onsite personnel. The appointed personnel is Mr. Suhendra, appointment date on 30 June 2011, gained an internal training of HCV on 10 June 2011. Suhendra shows sufficient understanding on HCV management and monitoring during interview and field visit. He and his own team ensure that HCV areas are conserved and protected within Estate. (5.2.5)

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, includes used lubricant and filter, old battery, used laboratory chemical, clinical waste, mill effluent, EFB, smoke, dust, fibre and shell, empty chemical container, boiler ash, scrap iron, used tire, waste water, and domestic household waste. Record of identification was presented in "*Evaluasi Aspek Dampak Lingkungan*" (Evaluation of Environmental Aspect Impacts), latest review on year-end of 2011. (5.3.1)

Plans to avoid pollution are in place in term of "*Program Manajemen Lingkungan*" (Environmental Management Programme) includes second containment for mixing of agrochemicals, diesel tank bunding, hazardous waste stores, concreted and banded workshops, oil traps, controlled household waste disposal, waste water quality test, and air emission testing. Effluent discharge for land application and installing free air heater in boiler stack to reduce pollution are also included in the plans. However, **Major nonconformity** raised against this indicator (**reference number: A824450/2**): *There are a mechanism "Mekanisme Penanganan Sampah domestik" to segregate the organic and an-organic domestic waste and reuse or recycle an-organic waste (for plastic) and composted for organic waste; however based on field visit to worker housing and landfill in Block C91cb, the domestic waste was not segregated but rather disposed off into landfill. PT IIS has provided corrective action which BSI auditor has accepted and closed out. See Section 3.3 Page 24 for more detail.* (5.3.2)

Hazardous waste (B3) such as used lubricant and filter, old battery, clinical waste, empty chemical containers are stored in a dedicated permitted B3 store and disposed not later than 180 days to licensed waste collector in accordance with product label and existing regulation. Some of empty agrochemical containers reused for preparing pre-mixed diluted chemical for circle and path spraying. Management plan of hazardous waste is presented in Environmental Management Programme for 2012. **Minor nonconformity raised (reference number: A824450/3)**: *Waste sourced from estate office such as photocopy machine toner, printer cartridge, used cleaner container has identified as hazardous waste, however these office waste have not been recorded and treated into hazardous waste. See Section 3.3, Page 24 for detail.* (5.3.3)

Records of all disposals of waste are available. The balance sheets (e.g. Neraca Limbah B3, effluent discharge, etc) for all type of waste are up to date. However, **Observation 06** for organization to monitor and analyze record on waste monitoring sourced from domestic household wastes such as estate manager office and worker housing. (5.3.4)

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

Monitoring on renewable energy is recorded in "Pemakaian Energi PMB 2012" (Energy Usage of Muara Bulian Mill 2012). Monitoring is conducted in monthly bases, with latest record was on October 2012. Energy use records include accurate measurements of renewable energy use per tonne of FFB processed. All the shell and fibre is consumed internally for boiler fuel. Latest evaluation (2012) on trends of energy usage shows efficiency of fibre and shell as renewable energy compare to fossil fuel consumption with assumption if the mill mostly using fossil fuels in operation. Mill already maximise the renewable energy use accordingly. (5.4.1)

Fossil fuel records are maintained and trends shown, recorded in the same spreadsheet of "Pemakaian Energi PMB 2012" (Energy Used of Muara Bulian Mill 2012). Fossil fuel consumed less; it only use during starting up of turbine and diesel engine, and whenever boiler is breakdown. Latest evaluation of fossil fuel consumption shows achieved of the budget. (5.4.2)

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.

Zero burning company's policy is in place as guideline for land preparation. Use of fire is strictly prohibited in any activity in relevant preparing land for new development. Documented procedure of Agronomy Manual of Asian Agri is detailed steps for land clearing with no burning. (5.4.1; 5.4.2)

Procedure of "Pengendalian Kebakaran di Lahan" (Land Burning Control) AA-KL-14 EFP.R0 dated 1 December 2010 is developed to assist in the event of land burning and facilities under Emergency Response Programme. Field visit, interview with workers, stakeholders, and manager interviews confirm that there is no open burning. No evidence of burning on any operating units found during field visit. (5.5.3)

Fire-fighter team is developed with training on fire fighting carried out. Appropriate fire fighting equipment such as fire extinguishers, fire water pump and mobile water tanks are available for the fire fighting purpose, maintained, and kept in Estate's workshop. (5.5.4)

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

The mill has identified the sources of pollution and emissions (presented in Evaluation of Environmental Aspect Impact 2012). These continued to emphasize the need for effective control of point sources, for example: emission from boiler stack and generator exhaust, noise and vibration in work area, and air quality/ambient within mill area. (5.6.1)

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. For example: measurement of boiler stack emission, latest result on 6 July 2013, shows all parameter tested is complied with allowable limit (PermenLH No.7/2007). (5.6.2)

Even though result of boiler emission shown compliance with allowable limit (e.g. Opacity is 30 %), Muara Bulian Mill had a commitment reducing the opacity lower than 30 %. The strategy has prepared and is implemented through installment of 'free air heater' in boiler id-fan with purpose to optimize boiler combustion and

decrease the smoke opacity. Mill manager and its staff will keep monitor the progress of this strategy and making improvement in appropriate manner within a year. (5.6.3)

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. POME applied to the field as organic material to replace inorganic fertilizer. Area covered by POME application is 200 ha divided in seven blocks (B92c, C91e, C91f, C91d, C92a, C93a, and C91c). The methodology of POME application to the field is using flat-bed. Mill effluent is pumped out into each flat bed. Monitoring of effluent volume is done daily recapped monthly. Record of monitoring presented in the Report of POME Effluent Application, Muara Bulian Mill. Latest record seen was on November 2012. As refer to license of POME land application, Mill has reported the progress and Effluent land application monitoring to the relevant institution (i.e. Environment Agency of Batang Hari district) every three month. (5.6.4)

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.

Company provides an environmental management (EIA revised) early on 1995 and has been approved by the Head of the Environment Agency of Jambi province with a letter decree No.474/BLHD/2010 dated 10 August 2010 as regards to Revised Approval on Environmental Management Plan (RKL) and Environmental Monitoring Plan (RPL) PT Inti Indosawit Subur area of 9,188 ha and Palm Oil Mill Capacity 60 Tons / Hour in District Maro Sebo Ilir, Batanghari District, Jambi Province. EIA document covers analysis of the impact on the development of scheme smallholders. (6.1.1; 6.1.3; 6.1.4)

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 Muara Bulian Group is available and conducted by external consultant in cooperation with Forestry faculty IPB in 2011 with focus of study covers:

- The relationship between Company with stakeholders in socio-economic interaction.
- Perceptions, expectations and desires of the community against the company.
- Land tenure

In chapter VI addressed specifically on the impact of the presence of PT IIS and scheme smallholders/ community

impacts both positive and negative impacts. (6.1.1; 6.1.5)

Minor NC against indicator 6.1.2 (reference number: A824450/4): Parameters identified in Social Impact Assessment report has not been incorporated into RKL/RPL. Review to the latest RKL/RPL report indicated that the participation of local communities has not been sought during the preparation process. Refer to Section 3.3 Page 24 (6.1.2)

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. The company has revised Procedure for handling information request under SOP AA-GI-5008.1-R1 dated 22 August 2011. The information request from relevant authorities recorded under "Permintaan Informasi rutin" (Regular Information Request), for example: "Berita Acara pengawasan Penataan Lingkungan Hidup (PROPER)" (Minutes of Supervision on Environmental management – PROPER) relevant to "Laporan Pelaksanaan Land Aplikasi dan Limbah Padat (Report on Land application and solid waste) PT IIS - Februari 2012". (6.2.1)

Stakeholder lists are available and are up dated, include International Stakeholders (18 agencies), National Stakeholders (21 stakeholders), Provincial and districts (32 parties), and local communities (29 persons). (6.2.2)

Record of aspirations and feedback / follow-up presented in document "Permintaan Informasi rutin" and document "Permintaan Informasi lain-lain Tahun 2011 - 2012", for example, the letter from the village head Karya Mukti No. 670/202/KM/x/2012 dated 28 October 2012, for assistance from District government to development electricity infrastructure which is then action taken by company to cut down palm trees on the block A B91a and A91b on 20 November 2012 in an effort to make space for the installation of power lines. (6.2.3)

The Company appointed Mr. Lindu Simatupang through a Letter from Public Relations Regional Head Plt 3, no. 003/RO3-MEMO/HRD-JBI/TL/I/2011 dated 11 January 2011 as an officer responsible for communication and consultation with the public in accordance with Memo HRD Manager No.645/HR-RO3/MEMO/10/11 dated 29 October 2011 on Duties and Responsibilities of Public Relations. (6.2.4)

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.

An open system, which is accepted by affected parties, to receive complaints and to resolve dispute is covered by procedures for complaints handling mechanisms from external parties, SOP AA-GL-5005-R0 0.1 on "Penanganan Keluhan" and complaints from both internal SOP AA-HR-308 0.5-R0 "Penyampaian dan Penyelesaian Keluhan Karyawan ". This procedure has been socialized to relevant stakeholders internal and external. (6.3.1)

All complaints received from stakeholders and its responses recorded in the "Book Information Requests and Responses" (Logbook Requests and Responses), for example; Company response to Letter from Karya Mukti village No. 670/202/KM/X/2012 dated 28 October 2012. (6.3.2)

Mechanisms to identify and calculate fair compensation for loss of legal or customary rights to land set out in the Standard Operating Procedure (SOP) No.AA-GL-5003.1-RI on Land Conflict adopted by management on 5 December 2009 and has undergone first revisions on 22 August 2011. The mechanism described is similar to conflict resolution procedures involving community representatives and other stakeholders. (6.3.4)

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 are available. Similar to indicator 6.3.4, (SOP) No.AA-GL-5003.1-RI on Land Conflict adopted by management on 5 December 2009 first revisions on 22 August 2011. Mechanism has been presented to stakeholders in the Stakeholders Meeting on 27 June 2011 which was attended by 43 participants meeting held in Meeting Room PT IIS Muara Bulian Estate. (6.4.1)

There is no negotiation/compensation payment at current. PT IIS has been settled all land dispute since 1991 at the beginning of land preparation process see indicator 2.2.3 for detail. (6.4.2; 6.4.3)

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 payment and conditions of employment is available for all employees on site at the operating units. Documents show details of wages, allowances paid and working days. The pay is more than minimum wage rate as refer to Head Regional Memorandum No. 733/HR-

RO3/MEMO/12/11 dated 15 December 2011 on the Provincial Minimum Wage in 2012. Based on interview with workers, the payment rates meet industry standard, the payment method done on monthly basis, payroll clearly indicates all incentives and deduction made thereupon. (6.5.1)

Workers Union and PT IIS agreed to use the Collective Labour Agreement (PKB) established by BKS-PPS (Company Cooperation Sumatera Plantations) and FSPPPPSI (Federation of Agriculture and Plantation Workers Union of Indonesia). The PKB has been endorsed by a Letter of the Director General of Industrial Relations Labour and Social Security No. Kep.120/PHIJSK-PKKAD/PKB/VII/2010 dated 4 August 2010, valid up to 9th July 2012. Based on information from the Chairman of Worker Unions and the management of PT IIS is currently being undertaken for the preparation of a new PKB for the next period and both parties agree to provisional agreements mentioned above may be used as a basis for industrial relations of cooperation for both parties. This is also confirmed by Article XXV, paragraph 3 which states that "If the expiration date of the Collective Labour Agreement is not yet set a new PKB, the PKB is entirely valid and hold until a new Collective Labour Agreement comes into force". Based on worker interview, worker was aware on the presence of working contract under PKB. (6.5.2)

Adequate housing, water supplies, medical, educational and welfare amenities are provided, include worker housing (consists of Mess, Type B, Type CM, Type C, Type D1, Type E and Long House), Elementary school building 3 Units are under construction, Kindergarten, Polyclinic, prayer facility, Baby care, Sports field (Football and Volley ball), water and electricity supplies, school buses, and ambulance. Based on field visit and workers interview, company provides adequate housing with water and electricity supply. Worker admitted that the housing, water and electricity supplies are sufficient. (6.5.3)

'Surat Perjanjian Kerja' (Working agreement) with external contractors including rights and obligation of both company and contractors regarding working safety are available. For example: contract between PT IIS and contractor (PT Artha Sentosa Cawang), e.g. contract No. 436/MM-AAS/EXT/07/12 dated 25 July 2012 where at the point 11 states that each employee required to use PPE (Personal Protective Equipment) and at point 12 which states that workers used must comply with the regulations in accordance with labour laws. (6.5.4)

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.

Company's policy on 26 November 2012 approved by the Deputy Managing Director of PT IIS as regards to Respect the right of all employees to form or join trade unions in accordance with the wishes and to bargain collectively. Interview with workers union representative confirm that they have freedom to join workers union.

Workers are members of labour union (SPSI) part of the Federation of Agriculture and Plantation Workers Union-All Indonesian Workers Union (SPSI-FSP.PP) and its registered in the Department of Manpower and Transmigration (Disosnakertrans) Batanghari District, through a letter No.568/505/DSKT dated 18 April 2011. Record of meeting between company and the SPSI held recently on 14 February 2012, attended by 17 participants. Result of recent meeting shows no outstanding issues or disputes. Company and SPSI has planned meetings schedule twice in 2013. SPSI has also prepared a work plan to have internal meeting 5 times a year within organization. (6.6.2)

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. (6.7.1)

Based on the verification of documents "Workers List" as at November 2012 found no workers under 18 years old at the start of entry as workers. Based on worker interview, no worker aged less than 18 years old being employed. (6.7.2)

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.

Company's policy stating that the Company is committed to treat all employees fairly, both in terms of acceptance, assessment, working conditions and environment, and representation regardless of race, caste, national origin, religion / belief, disability, gender , sexual orientation, union membership, political affiliation and / or age. (6.8.1)

Based on the interview with the Chairman of the Labour Union stated that company provides fairly and equal treatment for all workers employed in the PT IIS. Interview with workers, there is no discrimination despite of race, religion, gender, tribe, age etc. (6.8.2)

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 protection of reproductive rights against women is documented under Company Policy of PT IIS. (6.9.1; 6.9.2)

The company has set up a specific gender committee established on 11th February 2011 to facilitate the grievance mechanism to address sexual harassment or violence against women issues. Allowing maternity leave before and after giving birth is proof implementing reproductive rights. Maternity leave records available and verified during interview with female employees, such as Routine medical examination every 6 months and prenatal care (Testpack) conducted every month for female workers who work for a station that is harmful to the reproductive organs such as the "spray and fertilizer workers; prohibition for women workers who are pregnant or nursing to work at the station that is harmful to the reproductive organs such as the "spray and fertilizer workers; Implementation for menstruation leave for 2 days and Leaves Pregnant for 90 days; Outcome activities undertaken by the Committee on Gender, for example, the Socialization of company policy on 8 December 2012 and on 25 June 2012. (6.9.3; 6.9.4)

Grievance mechanism issued on 25 June 2012 as a mechanism if there are complaints related to women workers. Review on record, there is no issues raise. (6.9.5)

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. List of FFB price distributed to each smallholder's cooperatives once every week. List Price is also posted on the notice board at weighbridge Mill office. Prices are publicly for any stakeholder interested on the information. (6.10.1)

Pricing is based on government controlled. Pricing mechanism sets by set by the Department of Agriculture, Jambi Province during FFB Pricing Team meeting held every Thursday and the price is valid for a period of 1 week. (6.10.2)

Contract agreement includes details on price determination. All the pricing mechanism is documented and recorded. Records of Working Agreement Letters for contractors and FFB suppliers are available at estates and mills. Based on the interview with smallholders cooperatives of KUD Karya Lestari" and "KUD Tuah Sakato" show that they have understood the contract agreement, as well as TBS pricing mechanism adopted

by the company. They also confirmed that payments are made promptly. (6.10.3; 6.10.4)

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

Record of company contribution to local development recorded on "Realization of CSR Program Muara Bulian Group". Local communities are given assistance such as cash money, construction items, teacher's salary, educational equipment to school etc. (6.11.1)

Principle 7: Responsible development of new plantings

Not Applicable. No new planting planned on Muara Bulian 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 Muara Bulian Group has regularly monitored the Mill and Estate activity in relation to best practice, social and environmental management. These were explained in the whole body of this report as refer to assessment findings for Principle 1 to 6. However, **Observation 07** – PT IIS may wish to consider all measurement/testing result to be regularly analyzed and provide necessary action plan for improvement. Example: Testing result of emission quality, effluent, waste water, mill water consumption, etc.

3.2 Summary of Findings - Scheme Smallholder

RSPO P&C for Scheme Smallholders INA-SWG 2009

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.

Both sampled smallholder cooperatives (KUD Karya Lestari and KUD Tuah Sakato) provide information on environment, social, legal issues that publicly available to stakeholders. Request for information regulated under specific mechanism "Mekanisme komunikasi, konsultasi dan keluhan. The information request and response upon information request recorded under "Permintaan Informasi Eksternal". Time limit in response to any information request determined maximum 15 working days. Retention time for record of information request and responses determined as long as 3 years. (1.1.1)

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, AMDAL, social activities, and organizational structure information are publicly available. These documents are kept in Scheme manager office and smallholder cooperatives. The detail description of these documents could refer to summary of the findings of this summary report in principle 1 to 8. (1.2.1)

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 review and interviews with the Scheme Manager, confirmed that nucleus estate is supporting smallholders to comply with essential regulation. List of Regulations relevant to smallholder operation consisted of 38 regulations (8 National Law, 10 Government Regulations, 1 Presidential decree, 16 ministerial regulations and one Jambi governor decree). Smallholder cooperatives supported by scheme manager have evaluated these all relevant regulation as at 20 November 2012, article by article includes evaluation and compliance status of Kepmentan No.60/Kpts/KB.510/2/98 on Development of Nucleus Estate Smallholders schemes).

Some of samples showing compliance to relevant regulation as follows:

- KUD Karya Lestari was established in 1995 and has been ratified by a letter of Minister of Cooperatives and Small Business Development No. 37/BH/KWK.5/VIII/1995 dated 16 August 1995. They have conducted Annual Member Meeting on a regular basis each year. In 2012, the Annual Members Meeting conducted on 9 June 2012 comes with Attendance, Minutes of Meetings and Accountability Board. KUD Karya Lestari has provided documents Cooperatives Agreements between the PT IIS and KUD Karya Lestari No. 01/SP/MB/VII- 1997 dated 1 July 1997 were noted by the Head of Department of Cooperative Batanghari District, Head of Plantation Batanghari District, "Head of Transmigration Batanghari office.
- Cooperation Agreements are available Palm Plantation Development Partnership Scheme (KKPA) between PT IIS with KUD Tuah Sakato, signed on 14 September 1998 and is known by the Head of Department of Cooperative Batanghari District, Head of Plantation Batanghari District, "Head of Transmigration Batanghari office.

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). (2.1.1)

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) issued by National Land Agency/BPN. Maps are available at the scheme smallholders (cooperatives office) and the head of scheme understands the map. Scheme smallholders head keeps copy of the land title and individual members. Review on samples of land certificate in KUD Karya Lestari and Tuah Sakato found copies of certificate for each smallholder were provided. (2.2.1)

No disputes noted or highlighted during the interview with smallholders and surrounding community. Smallholders will receive and response any dispute, record and based on "Mekanisme Komunikasi, Konsultasi dan Keluhan". (2.2.2)

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 Muara Bulian 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 early 1990s. (2.3.1)

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.

Operational working plan has made available in term of Estimation of Production for 2012 – 2015. Plan is consists of planting year, total area, and FFB estimation tonnages (t/ha). There is also Cost Estimation for 2012 – 2015 which consist of cost on fertilizer, weeding, pruning, harvesting, FFB transportation, and income. FFB price was determined based on yearly average calculation. Cost production was determined based on price prediction for 3 years. PT IIS scheme manager has involved in determining cost and FFB estimation. This document was available in both KUD Karya Lestari and Tuah Sakato office. (3.1.1)

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

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

Smallholder cooperative refer to Agricultural Policy Manual dated 1 September 2011, established by PT IIS Muara Bulian Group. The Agricultural Policy Manual comprise of seedling preparation, land preparation, pest and disease control, fertilizer application, agrochemical handling, and harvesting. (4.1.1)

Scheme Manager assisted by their own field assistant from PT IIS as nucleus estate to conduct daily inspection and monitoring to ensure the procedures is implemented and there are records for fertilizing, spraying, census, etc. Review document found there are records of daily field activities in smallholder cooperatives both KUD Karya Lestari and Tuah Sakato (4.1.2)

Minor nonconformity raised against indicator 4.1.2 (reference number: A824450/5): Based on field visit, some area under KT 67, KT 70 member of KUD Karya Lestari and area under KT 15, KT 24, KT 37 member of KUD Tuah Sakato shows minimum effort in upkeep including appropriate weed control, pruning and fertilizer application. See Section 3.3 Page 24.

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

Scheme manager provides record of distribution of fertilizer from PT IIS to smallholder cooperatives and distributed to scheme smallholders/members through cooperatives. Type of fertilizer (ZA, MOP, Rock Phosphate, Kiserite, Dolomit, and Boron,) and quantity (kg) is available. Fertilizer recommendation provides based on annual leaf sampling and analysis done by nucleus estate (PT IIS). Application follows the recommendation. Record of application maintained in cooperative recorded under “Realisasi Pemupukan” (Fertilizer application). (4.2.1)

Both KUD Karya Lestari and Tuah Sakato maintained the record of land productivity recorded under "Realisasi produksi" from 2009, 2010, 2011. Record shows land productivity of smallholder cooperatives not less than 20 tonne/ha in average. (4.2.2)

There was no application of EFB and/or POME in KUD Karya Lestari and Tuah Sakato, this was due to access road is quite distance from the mill. (4.2.3)

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

Field inspection to sample plots of KUD Karya Lestari and Tuah Sakato found Existing planting has terrace and “U”

shaped frond staking to minimize erosion. Harvesting platform constructed on selected area. However, **Observation** raised KUD Tuah Sakato to consistently implemented “U” shape frond stacking in areas with certain slope. Example: Field visit to plots in KT 15’s member of KUD Tuah Sakato. (4.3.1)

Most of smallholder areas are mature palms, so that legume cover crops no longer sighted, but in some area ground cover crop were maintained as part of erosion control, such as soft grass, *Nephrolepis sp*, etc. (4.3.2)

Based on Location Map provided, there are no peat lands in Scheme Smallholder area. Water drainages were constructed in low land for example in farmer plot of KT 36 and 37 KUD Tuah Sakato. Road side drain construction assisted by the Scheme Manager to ensure rain water goes into the drain and no water log on the road. (4.3.3)

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

Record of soil and water conservation training comes under “Notulen Penyuluhan Konservasi Tanah dan Air” dated on 16 November 2012 in KUD Karya Lestari with 45 persons attended; while 23 persons attended the training dated 2 October 2012 in KUD Tuah Sakato. The training comprise of explanation of palm frond technique, river and river bank protection effort, prohibition of blanket spraying. (4.4.1)

Smallholders did not apply pesticide and fertilizer on both side of river such as Kehidupan River. Each farmer group build platform and rehab the current terrace for areas with certain slope. Arranging the palm frond in “U” shape and placed in line with contour during harvesting. Smallholders is also planted bamboo in riparian area. (4.4.2)

Monthly records of fertilizer and pesticides usage available with detail of balance stock, area applied, type and quantity (litre/gram). Record of fertilizer recorded under “Realisasi Pemupukan” and record of pesticide recorded under “Rekaman pemakaian Pestisida tahun 2012”. Scheme manager is assisting smallholder cooperative to provide templates. (4.4.3)

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

Record of monitoring on pest and disease recorded under “Formulir Sensus Hama Daun”, and “Monitoring Pengendalian Hama Ulat Daun Pemakan Daun”. Last census was on November 2012. Planting of beneficial plant *Turnera sp* as host for predator of caterpillar on KT 65, 70 and 76 in KUD Karya Lestari found during field visit. While KUD Tuah Sakato planned to plant *Cassia tora*. (4.5.1)

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 found during field visits. (4.5.2)

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.

List of agrochemical used for last three month (September to November 2012) was made available and kept in smallholder office. Type of agrochemical used such as Glyphosate, Garlon, Paraquat, and Starane. There is type 1A and 1B agrochemical used. The members of the Scheme Smallholders have agreed to the PT IIS management to reduce paraquat. At the moment paraquat use is minimized with manual slashing. No blanket spraying noted at the fields visited. (4.6.1)

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 smallholder cooperative to spraying team. (4.6.2)

Spraying activities was managed by spraying unit team of PT IIS. Company ensures all pesticide operators are equipped with appropriate safety equipment. Protective equipment provided in form of hand gloves, goggles and helmet. (4.6.3)

Since October 2012, smallholder cooperatives decided to stop any pesticide keeping in smallholder office. All used chemical containers disposed-off in a drum have been transferred to Temporary Hazardous storage of PT IIS Estate stores. Record on transfer of used chemical container to PT IIS Estate central stores was done on 18 October 2012, where type of chemical container was Gramoxone and Round Up, completed with photograph. Smallholders committed to discontinue keeping chemical in the smallholder office. (4.6.4)

Record of "Laporan Hasil Medical Check up Asian Agri Group periode 2012" dated 22 January 2012 with 13 persons checked up, concluded fit for the job. Based on medical check-up result there is no spraying worker identified with toxicity case. (4.6.5)

Training for limited use of pesticide was provided, recorded under "Notulen penyuluhan pestisida terbatas" dated 3 July 2012 with 10 members from KUD Tuah Sakato attended the training. The training explained weed control for oil palm plantation, blanket spray is not

allowed, spray technique. Certificate of training attendance was issued by Commission on Supervision of Fertilizer and Pesticide – Jambi Province. (4.6.6)

Records of type and volume pesticide supplied to smallholders for year 2012 is available and kept in smallholder office. Latest chemical supply to smallholders was on September 2012. Now smallholder is committed to work together with PT IIS in chemical spraying by using spraying unit team managed by scheme manager of PT IIS. (4.6.7)

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 in term of "Panduan Kesehatan Keselamatan Kerja" and Guideline for First-aid. All the scheme smallholders have this document which covers safe operating procedure, training, PPE implementation, awareness posters and signage. (4.7.1)

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 10/07/2012 and 02/10/2012 attended by 30 head of farmers group; Harvesting safety equipment on 22/02/2012, training on PPE conducted on 10/12/2012. (4.7.2)

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. Record of "Notulen pelatihan PPGD" dated 11 July 2012 with 84 attendees, the material comprise of first aid and emergency procedure of working accident. (4.7.3)

Work accident record in KUD Karya Lestari is available "Rekaman pengobatan jika terjadi kasus kecelakaan kerja" from local village clinic "Puskesmas" Kehidupan Baru as per November 2012. 11 minor injuries recorded from 5 August – 8 October 2012. While in KUD Tuah Sakato, review on records of Monitoring of Work accident, update until November 2012, no accident happened and recorded. Smallholder explained, so far no work accident reported to smallholder office, even from Clinic on the village. Smallholder is committed to maintain and monitoring any work accident happen within its member. (4.7.4)

Records of meeting held with the scheme smallholder cooperatives were available. Meeting was combined with the scheme manager and attended by the group

leaders. Last meeting on PPE awareness held on 10 December 2012, 50 persons attended. (4.7.5)

PPE provided by Cooperative and farmers group for all workers. Fire extinguisher and first aid box available at the office. (4.7.6)

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 programme and implementation are documented and kept at the scheme smallholders/cooperative office. Record showed in both Cooperatives was "Program Pelatihan bagi Kelembagaan Petani" 2012; (4.8.1; 4.8.2)

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 consists of ANDAL, RKL and RPL as agreed by the EIA Commission Department of Agriculture No.014/Andal/RKL-RPL/BA/V/1995 dated 3 May 1995. These documents are available in smallholder office. PT IIS Scheme Manager explains about AMDAL through training to smallholders on 5th October 2012 which was attended by 20 participants representatives of farmers located in Harapan Baru village. (5.1.1)

Processes of the SEIA involve scheme smallholders through interview and questioners. Copy of the assessment (AMDAL) is kept at the cooperative office. RKL/RPL prepared by scheme manager. Latest RKL/RPL dated January – June 2012 includes Scheme Smallholder. Copy is available at the scheme manager office and the head of scheme understand the information reported. (5.1.2; 5.1.3)

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 a list flora and fauna identified 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. (5.2.1)

Scheme smallholder management has appointed team to identified protected species and smallholders able to demonstrate mitigation of conflict. One of the smallholders in each cooperative is appointed as HCV officer. Training was conducted on 5th October 2012. (5.2.2)

Result of identification of protected species which found in the fields kept at the smallholder office. There was no HCV found within the smallholder area. HCV assessment conducted by the RSPO approved assessors from Bogor Agriculture University dated October 2011 incorporation with nucleus estate of PT IIS. (5.2.3)

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. Chemical spraying is carried out by Spraying Unit Team managed by Scheme manager of PT IIS. (5.3.1)

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. (5.3.2; 5.3.3)

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

Scheme manager has developed guidance for scheme smallholders on the utilization of cattle waste as fertilizer in oil palm plantation. PT IIS has also organized socialization for smallholders on 5 December 2012, attended by 16 farmers. Some farmers are interested to apply this method into their plots. Farmers expecting there will be assistance from government especially providing cattle for each farmer group. (5.4.1)

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.

Replanting programmed will be approximately for 2019 and smallholder member received basic fire training in which covers the practical guidance of no-fire during land preparation. (5.5.1)

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. (5.5.2)

Smallholder cooperatives has provided simple fire control equipment for land burning control, and kept in smallholder office. For example: swatter, bucket, Pitch fork, shovel, Gunny bag, water pump, water hose, and wheel barrow. (5.5.3)

Replanting is planned starting on 2019 and smallholders have received training on basic fire including the zero burning technique in land preparation during basic fire training 27-28 June 2012. (5.5.4)

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, in term of Identification of Pollution Sources and Plan for Reduction. Copy of the identification is available at the smallholder office. Pollutants and emission identified are dust from the road and noise from FFB transport and genset, used chemical container from TUS system, plastic bag from fertilizer. 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. Empty pesticide containers are sent to central store in PT IIS estate. Plastic bags were collected and re-used if possible. (5.6.1; 5.6.2)

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. See Criterion 5.1 for detail (6.1.1; 6.1.2; 6.1.3)

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 09/01/2012 attended by the representative from community, representative from farmers group, Scheme manager, and NGO (Apkasindo). Regular communication and consultation with local communities conducted by Smallholders organisation and recorded in Logbook. (6.2.1)

KUD Karya Lestari carried out an Annual meeting within smallholder member in timely manner. Minutes of farmer group communication through forum, coordination meeting and annual meeting. Smallholders have a periodic meeting, known as annual general assembly. However, **Observation 08 – KUD Tuah Sakato may wish to ensure Annual Member meeting (RAT) conducted regularly in accordance with "Anggaran Dasar" (Annual Planning) of KUD Tuah Sakato.** (6.2.2)

Information request mechanism is available; refer to "Mekanisme Komunikasi, Konsultasi dan Keluhan" (Mechanism of Communication, Consultation, and Grievance). Smallholder cooperatives recorded the aspiration in log book "Permintaan Informasi Eksternal Prinsip 1 Kriteria 1" (External Information Request, Principle 1 and Criterion 1) and "Rekaman Keluhan, Penanganan dan Pelaporan Prinsip 6 Kriteria 3" (records of Handling Complaint and Report, Principle 6 Criterion 3). (6.2.3)

Smallholder cooperatives appointed chairperson to communicate with stakeholders. (6.2.4)

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. See indicator 1.1. 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. (6.3.1; 6.3.2; 6.3.3)

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. Land acquisition process was initially related to Government project of PIRTrans scheme. (6.4.1)

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.

There are a permanent workers employed in smallholder office mostly clerical and administration staff. Field work and harvesting is carried out by the smallholders themselves and others by temporary part time workers. Administration staff paid refers to minimum wage regulation. While for temporary workers for harvesting paid based on the result of their work. (6.5.1)

There is agreement between smallholder cooperatives and administration officer, for example: in KUD Karya Lestari, there is Work Agreement No.14/KKB/KUDKL/II/2012 dated on 13 April 2009 on behalf of Waliyah (female); and Work Agreement no: 14/KKB/KUGKL/II/2012 dated on 28 April 2012 n behalf of Rindi Artika (female). The agreement is cover salary, job description and respective right for workers. Working hour started from 8 am until 12 am. (6.5.2)

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.

Internal Policy is available for freedom to join and form workers union. Based on interview with workers, revealed that no restriction to join worker union. (6.6.1)

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.

Internal policy of smallholder cooperatives on child labour is available. No child labour noted during the fields inspection. It is also highlighted by the smallholders that education is the priority for their children. (6.7.1)

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 – Muara Bulian 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. (6.8.1)

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 Muara Bulian Group and the information is briefed to the members by the Scheme Manager and the Cooperatives Heads. Female employees in the office aware of the policy and confirmed they aware of the grievances procedure. (6.9.1)

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

Review on Book of "Rekaman Keluhan, Penanganan dan Pelaporan" (Record of Handling Complaints and Report), confirmed no repetition complaint from nucleus estate and/or local contractor. Most of complain came up from farmer group regarding long queue of FFB transport in Mill. All complaints is resolved in appropriate manner. (6.10.3)

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. (6.10.2)

Smallholder's contract is only with the scheme manager who represent PT IIS Muara Bulian Group and it is documented. Road maintenance is carried out by scheme manager and the contract is available and checked Outside contractors used mostly are FFB transporter to bring FFB from smallholder plots to the Mill. **Minor nonconformity raised against this indicator (reference number: A824450/6):** Based on interview with Cooperatives Head of Tuah Sakato revealed did not have an agreement contract with FFB transporters. See Section 3.3 Page 24 (6.10.3)

Payment for contractor is available in term of Recapitulation of FFB payment. Payment was made on time at the end of the month, latest records on November 2012. Contract payments are through agreed deduction during the monthly payment. Payment to individual group leaders is paid by the scheme group head. (6.10.4)

There is evidence of payment of loan dues in the KUD office and recorded in "Bukti Pembayaran Pinjaman". Most of recent loan are relevant to built infrastructure, spraying unit team, fertilizer, and road maintenance supported by nucleus estate. (6.10.5)

Road maintenance is mainly organized by the head of smallholder group supported by nucleus estate. Smallholder cooperative made payment to nucleus estate. (6.10.6)

Replanting programme is available although the first replanting will commence in 2020s. (6.10.7)

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

Record of smallholder donation to local development is in place, in term of "Daftar Dokumen Aktivitas Sosial ". Records shown donation activities such as donation to Madrasah (Islamic school), donation for muslim prayer activity, and other related social activity. These were budgeted every year. (6.11.1)

Principle 7: Responsible development of new plantings.

There is no new development project, although there is small area of 2006 planting year due to ongoing planting of the PIRTrans projects under Government programme. All legal permits are completed such as land ownership, EIA (AMDAL), etc. All legal landownership was previously released by Government for smallholders with status of Other Land Uses. Therefore, it has not replaced primary forest or any area required to maintain or enhance one or more High Conservation Values.

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 smallholder 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. (8.1.1)

3.3 Detailed identified Nonconformities, Corrective Actions and Auditor Conclusions

During this assessment, two major nonconformities raised against indicator 4.7.2 and 5.3.2 of RSPO P&C for Mill and Estates, and 1 (one) Major nonconformity against indicator E.3.4/E.4.1 of RSPO Supply Chain Standard Module E CPO Mills – Mass Balance. There were also four Minor nonconformities raised against indicator 4.6.5; 4.7.5; 5.3.3; 6.1.2 of RSPO P&C for Mill and Estate, and two Minor nonconformities against indicator 4.1.2; 6.1.3 of RSPO P&C for Scheme Smallholders. Several Observation/Opportunity for improvement are also highlighted. The evidence for closing out the major nonconformities was verified during NCR Closure assessment. PT IIS has submitted Corrective Action Plan for Minor nonconformities and Observation/Opportunity for Improvement.

BSI auditor has accepted the evidence of closing out Major nonconformities and concluded those were remain closed. BSI auditor has also accepted the Corrective Action Plan for minor nonconformities and will be further verified for effective implementation during subsequent surveillance visits.

MAJOR NONCONFORMITIES

CAR reference A824450/1:

4.7.2 Based on document review it was found that job description of appointed responsible persons for health and safety programs in Muara Bulian Estate and Muara Bulian Mill have not been determined.

Corrective Action:

Organization have revised and established job description of appointed persons for health and safety programs in Muara Bulian Estate and Muara Bulian Mill. The job description complemented with organization chart, health and safety-related responsibilities based on Peraturan Menteri Tenaga Kerja No.4 year 1987. The job description has been formalized and communicated to worker union, mandor, employees and peoples in and around Muara Bulian Palm Oil Mill and Muara Bulian Estate. **The nonconformity was closed on 31 January 2013.**

CAR reference A824450/2:

5.3.2 There are "Mekanisme Penanganan Sampah domestik" to segregate the organic and an-organic domestic waste and reuse or recycle an-organic waste (for plastic) and composted for organic waste; however based on field visit to landfill C91b and worker housing, the domestic waste was not segregated but rather disposed off into landfill.

Corrective Action:

Organization has directly segregated an-organic waste from the landfill area in Muara Bulian Mill. The segregated waste (plastic) sent for recycle to third party, while organic waste then burried. Organization provided

socialization, communicating and training related to waste handling mechanism to worker. The training emphasizing the importance of segregating domestic waste from housing waste disposal was carried out. **The nonconformity was closed on 31 January 2013.**

CAR reference A824450/3:

E.3.4./E.4.1. Organization have not determined system to regulates document coding in RSPO sales contract document in which stating mass balance (MB) code as per RSPO Supply Chain standard.

Corrective Action:

Organization established procedure for traceability, in which regulates to ensure the traceability of sustainability through enclosing supply chain model (either mass balance or segregate) for delivery order and monitoring data. Organization has also appointed marketing manager to create delivery order with supply chain model status; the same goes for weighbridge officer whose verifying supply chain model status on daily monitoring data. **The nonconformity was closed on 31 January 2013.**

MINOR NONCONFORMITIES

CAR reference A824450/1:

4.6.5 Based on document review and field visit it was found the plan for Paraquat in 2011 was 960 liters and reduced into 840 liters in 2012; it was noted the actual Paraquat applied in 2011 was 491 liters and management decided to carried over the plan for 2011 into 2012, as a consequence the actual application of Paraquat 2012 was increasing up to 933 liters (as per October 2012).

Corrective Action Plan:

Company planned to control the use of Paraquat as refer to annual work budget. In 2013, the use of Paraquat planned to be reduced. In parallel, company will find other comparable chemical ingredient to replace Paraquat in 2013.

BSI auditor accepted the Corrective Action Plan and will follow up during subsequent surveillance visits.

CAR reference A824450/2:

4.7.5 Risk assessment document for occupational health and safety have been made available for Muara Bulian Estate, however the procedure for hazard identification and risk assessment, including the review upon effectiveness of control applied has not been determined.

Corrective Action Plan:

Estate provides procedure of Risk Assessment. Recent result of risk assessment will be reviewed in regular meeting of Safety Committee.

BSI auditor accepted the Corrective Action Plan and will follow up during subsequent surveillance visits.

CAR reference A824450/3:

5.3.3 Waste sourced from estate office such as photocopier machine toner, printer cartridge, used cleaner container has identified as hazardous waste. However these office wastes have not been recorded and treated into hazardous waste.

Corrective Action Plan:

Company planned to send out all hazardous stationeries waste from estate office to central store of the estate. All records must be maintained.

BSI auditor accepted the Corrective Action Plan and will follow up during subsequent surveillance visits.

CAR reference A824450/4:

6.1.2 Parameters identified in Social Impact Assessment report has not been incorporated into RKL/RPL. Furthermore management has not been able to demonstrate the local communities participation during development of social management plan (Dokumen Manajemen Pengelolaan Sosial).

Corrective Action Plan:

Company planned to include all parameters identified in SIA into RKL/RPL report started on first semester of 2013. Company is also improving social management plan by involving local communities.

BSI auditor accepted the Corrective Action Plan and will follow up during subsequent surveillance visits.

CAR reference A824450/5:

4.1.2 Based on field visit, some area under KT 67, KT 70 member of KUD Karya Lestari and area under KT 15, KT 24, KT 37 member of KUD Tuah Sakato shows minimum effort in upkeep including appropriate weed control, pruning and fertilizer application.

Corrective Action Plan:

Scheme manager and smallholder cooperatives will take action to increase upkeep activities such particular mentioned areas within a year.

BSI auditor accepted the Corrective Action Plan and will follow up during subsequent surveillance visits.

CAR reference A824450/6:

6.10.3 Based on interview with Cooperatives Head of Tuah Sakato revealed did not have an agreement contract with FFB transporter.

Corrective Action Plan:

Scheme smallholder will support smallholder cooperative in provision of works contract for all FFB transporters engaged by smallholder cooperatives.

BSI auditor accepted the Corrective Action Plan and will follow up during subsequent surveillance visits.

Observation/Opportunities for improvement

There are 7 (Seven) Observations identified for Mill and Estate; 1 (one) Observation for Scheme Smallholders; and 2 (two) Observation related to Supply Chain for CPO Mills. Details are in the section below.

- 01** (2.1.1) PT IIS may wish to consider reviewing all relevant regulations and company's compliance upon relevant regulations. Example: Government Regulation No.37/2012 regarding Management on Watershed.
- 02** (2.1.1) Mill manager may wish to ensure operator for generator-set joined training appropriate for the work in coordination with Labour Dept.
- 03** (4.1.2) Based on field visit to the Mill, piles of nut kernel found on the floor around kernel silo station; it was noted management have a problem in selling the nut kernel and forced to stacked the excessive production of nut kernel which cannot be stored in the silo. Mill management admitted this was not procedural. Mill should improve organizing the nut kernel stock in safe and orderly manner.
- 04** (4.7.1) PT IIS may wish to ensure the personal protective equipment used by sprayer is in good and safe condition. Based on field visit, protective equipment for sprayers i.e. goggles distracted by mist and holes found on worker's Apron.
- 05** (4.7.9) PT IIS may wish to consider another series of first aid training for each PIC since workers already forgot some of first aid training.
- 06** (5.3.4) Organization to monitor and analyze record on waste monitoring sourced from domestic household wastes such as estate manager office and worker housing.
- 07** (8.1.1) PT IIS may wish to consider all measurement/testing result to be regularly analyzed and provide necessary action plan for improvement. Example: Testing result of emission quality, effluent, waste water, mill water consumption, etc.
- 08** (6.2.1) KUD Tuah Sakato may wish to ensure Annual Member meeting (RAT) conducted regularly in accordance with "Anggaran Dasar" (Annual Planning) of KUD Tuah Sakato.
- 09** (E.5.1) Muara Bulian Mill manager, staff and operator have joined supply chain training for similar certification scheme, however it is required to joined training for Modul E. RSPO supply chain mass balance for CPO mill.
- 10** (E.6.1) To date company has not making any claim of corporate communication related to the use of RSPO certified palm oil product, however PT IIS may wish to consider including RSPO communication rules into existing documentation system.

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. The scheme smallholder is successfully follow up and closed-out all the previous

nonconformities raised during Independent Gap-Assessment.

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

During the Scheme Smallholder Notification on the RSPO, Company and BSI website, there was no comments or feedback received in writing.

Appendix D contains list of stakeholders contacted. Methodology used was stakeholder meeting in PT IIS estate meeting room conducted on 11/12/2012 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). Further interview was carried out in stakeholder premises during field visit.

Herewith stakeholder's comments during meeting on 11/12/2012:

Government

Comment: Environment Agency of Batang Hari District informed that PT IIS has routinely reported all activities in Environmental management programme in term of RKL/RPL report.

Company Response: Company agree and continuously committed to follow recent regulation.

Auditor comment: Review on document found accurate information from Environment Agency. Latest RKL/RPL report was sighted.

Comment: to check license for temporary hazardous store and land application.

Company Response: It is admitted all license related to hazardous waste store and land application are in place.

Auditor comment: Review on documents found mentioned licensed are in place in estate office.

Comment: Head of Sub-District Pematang informed that there are many positive impacts due to PT IIS's contribution to local people. Plasma scheme for smallholders is helping people to increase income. FFB prices of Muara Bulian Mill slightly better compare to neighbouring mills. However, Company needs to improve some activities related to CSR programme.

Company response: Company respects to Pematang Sub-District head, and thankful for his respective comments. Company will continue to involve in local contribution for communities as always increase the performance if there is a room for improvement.

Auditor comments: Will be considered during assessment for Principle 6.

Comment: There is 1 (one) smallholder cooperative i.e. KUD Buah Sakato has not yet carried out Annual Meeting within organisation as per regulation.

Company Response: Agree with the comment, and will encourage cooperative to carry out Annual Meeting soon.

Auditor comments: auditor found correct issue and raised Minor nonconformity against indicator 6.10.3

NGO and others:

Comment: Apkasindo informed that FFB price determination is carry out once a week. No conflict has been occurred between Company and smallholders.

Company response: Agree and will always follow existing regulation for FFB price determination.

Auditor comment: will be considered to assess Criteria 6.10

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

Signed for on behalf of
PT Inti Indosawit Subur – Muara Bulian Group

.....
Mr. Welly Pardede
Head of Environment & Sustainability
Date: 30/04/2013

Signed for on behalf of
BSi Group Singapore Pte Ltd

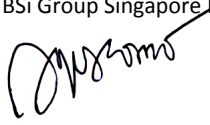
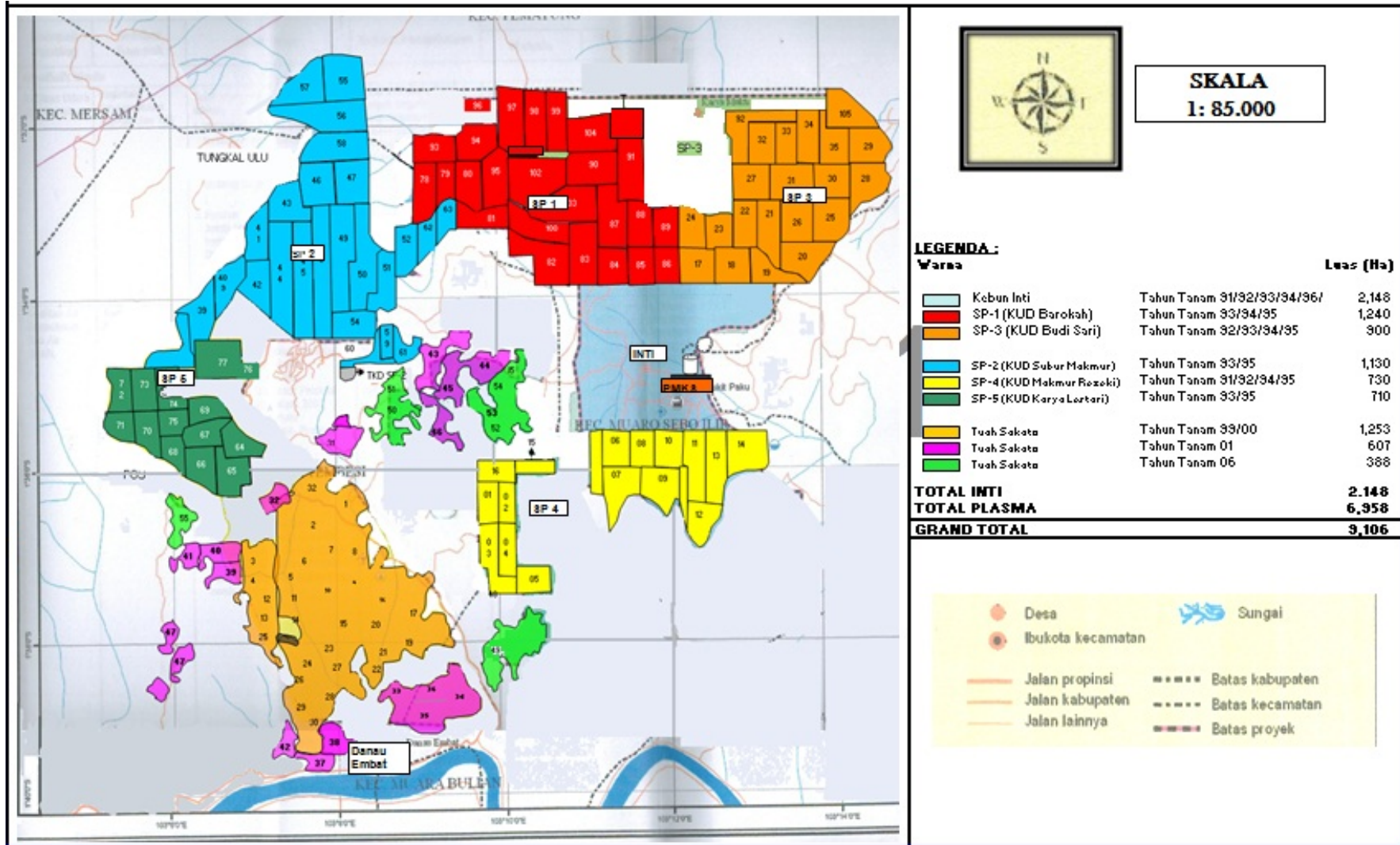

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Aryo Gustomo
Lead Auditor
Date: 30/04/2013

Figure 1: Location of Muara Bulian Group Estate and Scheme Smallholder



Appendix A: PT Inti Indosawit Subur Time bound Plan

Name of Mill	Address	Time bound for certification	Status during Dec 2012
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	Certified on 15 August 2012
Muara Bulian	Singoan / Bukit Sari / Bulian Jaya Village, Muara Bulian / Pelayung District, Batang Hari Regency, Jambi	2011	Certified on 28 August 2012
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 / Sotol 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	-
Nagri Lama I	Nagri Lama Seberang Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatera	2018	-
Nagri Lama II	Nagri Lama Seberang Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatera	2018	-
Name of Plantation	Address	Time bound for certification	Status during Dec 2012
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	Certified on 11 June 2012
Tungkal Ulu	Pulau Pauh/Penyabungan/Merlung Village, Tungkal Ulu District, Tanjung Jabung Regency, Jambi	2011	Certified on 15 August 2012
Muara Bulian	Singoan/Bukit Sari/ Bulian Jaya Village, Muara Bulian/Pelayung District, Batang Hari Regency, Jambi	2011	Certified on 28 August 2012
Buatan (KKPA)	Kerinci Kanan, Pangkalan Kerinci, Dayun District, Siak & Pelalawan Regency, Riau	2012	Audited on August 2012
Tungkal Ulu (Plasma)	Renah Mendalo, Merlung, Muara Papalik District, Tanjung Jabung Barat Regency, Jambi	2012	Main audit completed Dec 2012. Report under review

Muara Bulian (Plasma)	Maro Sebo Ilir District, Batanghari Regency, Jambi	2012	Main audit completed Dec 2012. Report under review
Muara Bulian (KKPA)	Maro Sebo Ilir District, Batanghari Regency, Jambi	2012	Main audit completed Dec 2012. Report under review
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: RSPO Certificate Details

PT Inti Indosawit Subur – Muara Bulian Group

Singoan / Bukit Sari

Bullian Jaya Village, Muara Bulian

Pemayung District, Batang Hari Regency

Jambi – Indonesia

Certificate Number: SPO 594418

Initial Certificate Issued Date: 28 August 2012

Re-issued Certificate with inclusion of Scheme Smallholder: *approval date of summary report*

Standard: RSPO Principle & criteria: 2007; RSPO P&C INA-NIWG: 2008, RSPO P&C Scheme Smallholders INA-SWG: 2009, RSPO Supply Chain for CPO Mills Module E – Mass Balance: November 2011.

Muara Bulian Mill and Supply Base	
Location Address	Singoan / Bukit Sari, Bullian Jaya Village, Muara Bulian and Pemayung District, Batang Hari District, Jambi – Indonesia
GPS coordinates	Longitude: E 103° 12' 20" Latitude: S 01° 35' 09"
Estate FFB Tonnage processed	47,598
Scheme Smallholder FFB Tonnage processed	148,899
Outgrowers FFB Tonnage processed*	34,189
CPO Tonnage produced	51,898
PK Tonnage produced	13,034
CPO Tonnage Total claimed**	44,926
PK Tonnage Total claimed**	11,102

* Outgrowers is excluded from the Certification scope

** Tonnage volumes claimed are proportion of Company Own Estate and Scheme Smallholder

Appendix C: Assessment Programme

Date	Time	Subjects	Aryo	Sedayu	Nanang
Monday, 10/12/12	11.20 – 17.00	Auditor travelling from Jakarta – Jambi (11.20 – 12.35); Lunch (13.00 – 14.00); Travelling Jambi – MB Estate (14.00 – 17.00)	√	√	√
	17.00 – 18.30	Opening Meeting: <ul style="list-style-type: none"> • Presentation by the Estate and mill managers, Supply Chain related to the FFB supplied to the mill, progress of TBP). • Presentation by Audit team leader and confirmation of assessment scope. Finalize Audit schedule. 	√	√	√
Tuesday, 11/12/12	08.00 – 12.00	Document review (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, Time bound plan verification, verify status of any Non Conformity, etc).	√	√	-
	08.00 – 12.00	Stakeholder Consultation Meeting – Mill, Estate, and Scheme Smallholders: Meeting and interview with stakeholders from Local government, head of village, NGO, contractors, etc.	-	-	√
	12.00 – 13.00	Lunch	√	√	√
	13.00 – 17.00	Continue Document review (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, Time bound plan verification, verify status of any Non Conformity, etc).	√	√	√
Wednesday, 12/12/12	08.00 – 12.00	MB Mill Audit - 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.	√	-	-
	08.00 – 12.00	MB Estate Audit – 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.	-	√	√
	12.00 – 13.00	Lunch	√	√	√
	13.00 – 17.00	Continue Mill Audit - 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.	√	-	-
	13.00 – 17.00	Continue Estate Audit: Inspect workers housing and interview residents, infrastructure, Social issues, waste management, Clinic, review pay documents, visit local community, SEIA etc	√	√	√
	Evening	Auditor meeting.	√	√	√
Thursday, 13/12/12	08.00 – 12.00	Scheme Smallholder Audit: KUD Karya Lestari Inspections e.g. Office (Document review)	√	√	√
	12.00 – 13.00	Lunch	√	√	√
	13.00 – 17.00	Continuing Scheme Smallholder Audit: KUD Karya Lestari Inspections e.g. Office (Document review), Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting, HCV area, farmer plots. Etc	√	√	√
	Evening	Auditor meeting	√	√	√
Friday, 14/12/12	08.00 – 12.00	Scheme Smallholder Audit: KUD Tuah Sakato Inspections e.g. Office, Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting, HCV area, farmer plots. Etc	√	√	√
	12.00 – 13.30	Break/Lunch/Pray	√	√	√
	13.30 – 17.00	Continuing Scheme Smallholder Audit: KUD Tuah Sakato Inspections e.g. Office (Document review), Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting, HCV area, farmer plots. Etc	√	√	√
Saturday, 15/12/12	08.00- 11.00	Continue Document audit and gather outstanding data/information, preparation for closing meeting.	√	√	√
	11.00 – 12.00	Closing meeting.	√	√	√
	12.00 – 13.00	Break/Lunch/Pray	√	√	√
	13.00 – 17.00	Auditor Travelling from Estate to Jambi, Overnight in Jambi	√	√	√
Sunday, 16/12/12	08.00 – 09.20	Auditor travelling from Jambi to Jakarta	√	√	√

Appendix D: List of Stakeholders Contacted

<p>Smallholders Karya Lestari Smallholders and Cooperative Head Tuah Sakato Smallholders and Cooperative Head</p>	<p>Local Communities Karya Lestari Village Representative Kehidupan Baru Village Representative Danau Embat Village Representative</p>
<p>Internal Stakeholders PT IIS – Muara Bulian Group Management team Sustainability Department Officer Manager of the Stakeholder Relation Department Scheme 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>NGO and Others Asosiasi Kelapa Sawit Indonesia (Apkasindo) SPSI PT IIS Muara Bulian</p>
<p>Government Departments District Labour and Transmigration Office District Agriculture Office District Cooperative Office District Environment Office National Land Agency</p>	

Appendix E: 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.	Procedure for Supply chain requirements is available in form of Traceability procedure (AA-MPM-OP-1400.17-R1) and Mass Balance
E.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.	Procedure (AA-MPM-OP-1400.18-R1). Responsible personal and authority has been determined such as marketing and sales providing sales contract (delivery order), weight bride clerk, and administration officer.
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. Objective evidence observed by Auditor was "Laporan Harian Produksi" (Daily Production Report) and "Laporan Unit Pabrik" (Monthly progress report of Mill).
E.2.2 The facility shall inform the CB immediately if there is a projected overproduction.	The facilities aware of this procedure. This also described in relevant 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. Objective evidence observed by Auditor was "Laporan Harian Produksi" (Daily Production Report) and "Laporan Unit Pabrik" (Monthly progress report of Mill).
E.3.2 Retention times for all records and reports shall be at least five (5) years	As stated in relevant procedure (AA-MPM-OP-1400.17-R1), 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.	Record on balance material was done every 3 month as per procedure. 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 site.
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.	Major nonconformity (A824450/3): <i>Organization have not determined system to regulates document coding in RSPO sales contract document in which stating mass balance (MB) code as per RSPO Supply Chain standard. Corrective Action taken by company: Organization established procedure for traceability, in which regulates to ensure the traceability of sustainability through enclosing supply chain model (either mass balance or segregate) for delivery order and monitoring data. Organization has also appointed marketing manager to create delivery order with supply chain model status; the same goes for weighbridge officer whose verifying supply chain model status on daily monitoring data. The nonconformity was closed on 31 January 2013.</i>
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.	PK sent to kernel crushing plant namely PT Sari Dumai Sejati, located in Riau Province – Indonesia. There is a contract agreement for this works.
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	Similar to E.3.1. Major nonconformity closed out on 31 January 2013.
(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.	Observation 09 - <i>Muara Bulian Mill manager, staff and operator have joined supply chain training for similar certification scheme, however it is required to joined training for Modul E. RSPO supply chain mass balance for CPO mill.</i>
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.	Observation 10 - <i>To date company has not making any claim of corporate communication related to the use of RSPO certified palm oil product, however PT IIS may wish to consider including RSPO communication rules into existing documentation system.</i>