



PUBLIC SUMMARY REPORT

ANNUAL SURVEILLANCE ASSESSMENT (ASA1)

**PT Tolan Tiga
(SIPEF Group)
Sumatra, INDONESIA**

Report Author

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SUMMARY

BSi has conducted the first Annual Surveillance Assessment (ASA 1) of PT TTI operations comprising two mills, four oil palm estates, support services and infrastructure. BSi concludes that PT TTI operations comply with the requirements of RSPO Principles & Criteria : November 2007 and Indonesia National Interpretation Working Group (INA NIWG) Indicators and Guidance : May 2008.

BSi recommends that PT TTI be approved as a producer of RSPO certified sustainable palm oil.

ABBREVIATIONS USED

B3	Scheduled Waste
BME	Bukit Maradja Estate
BMM	Bukit Maradja Mill
BOD	Biological Oxygen Demand
BPN	Badan Pertahanan Nasional (National Land Authority)
BPS	Badan Pusat Statistik (Central Statistical Office)
CD	Community Development
CLA	Collective Labour Agreement (PKB in bahasa)
CSR	Corporate Social Responsibility
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
HCV	High Conservation Value
HGU	Hak Guna Usaha (Land-use title)
IPM	Integrated Pest Management
IRCA	International Registration of Certified Auditors
ISO	International Standards Organisation
ISPO	Indonesia Sustainable Palm Oil Foundation
IUCN	International Union for Conservation of Nature
KRE	Kerasaan Estate
MMAS	Mukomuko Agro Sejahtera
MSDS	Material Safety Data Sheet
NGO	Non-Government Organisation
PCD	Pollution Control Device
PLE	Perlabian Estate
PLM	Perlabian Mill
PMP	Project Management Plan
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
PPKS	Pusat Penelitian Kelapa Sawit
PT TT	PT Tolan Tiga Indonesia
QMS	Quality Management System
RAB QSA	Quality Society of Australia
RKL	Rencana Pengelolaan Lingkungan (Environmental Management Plan)
RPL	Rencana Pemantauan Lingkungan (Environmental Monitoring Plan)
SEIA	Social & Environmental Impact Assessment
SOP	Standard Operation Procedure
TLE	Tolan Estate
UKL-UPL	Upaya Kelolalaan Lingkungan-Upaya Pemantauan Lingkungan (

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation Used

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

1.2 Certification Scope

The scope of Certification covers two (2) Palm Oil Mills and the supply base comprising four (4) company owned oil palm Estates.

1.3 Location and Maps

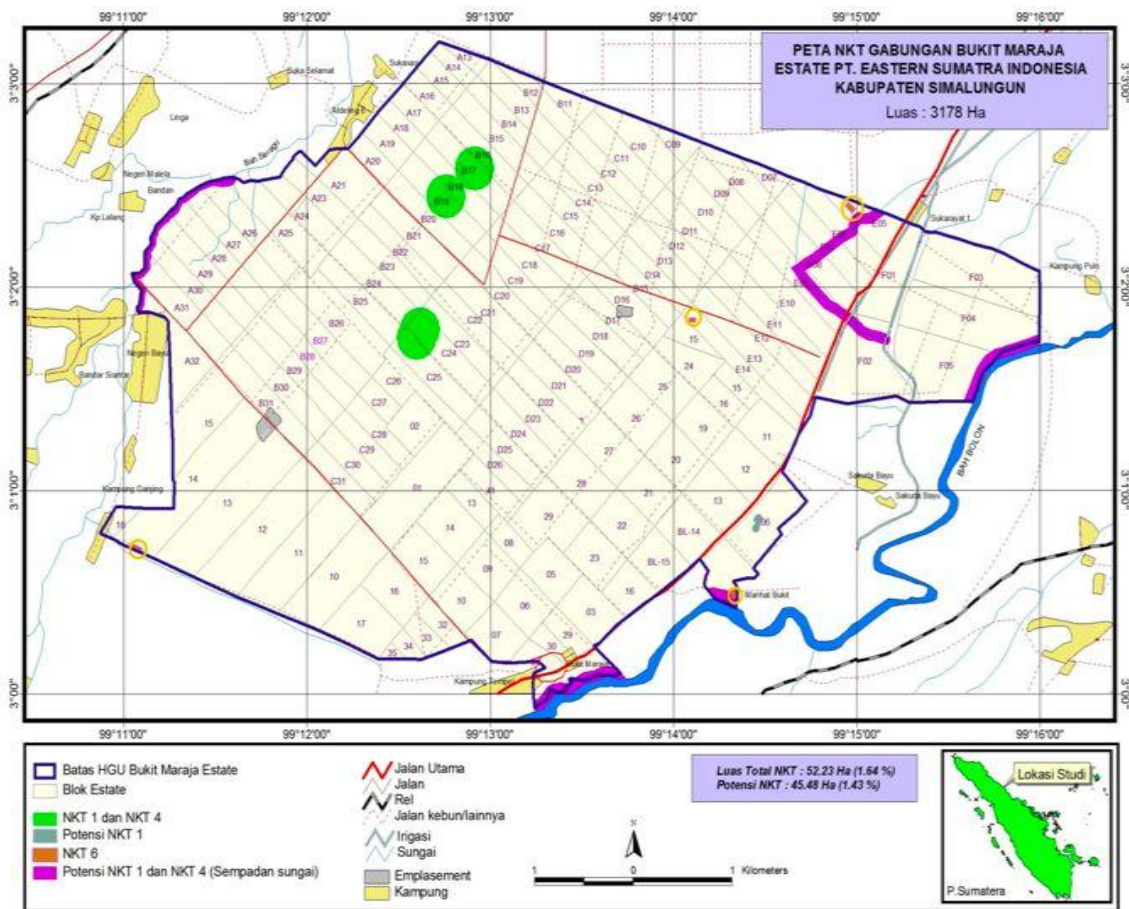
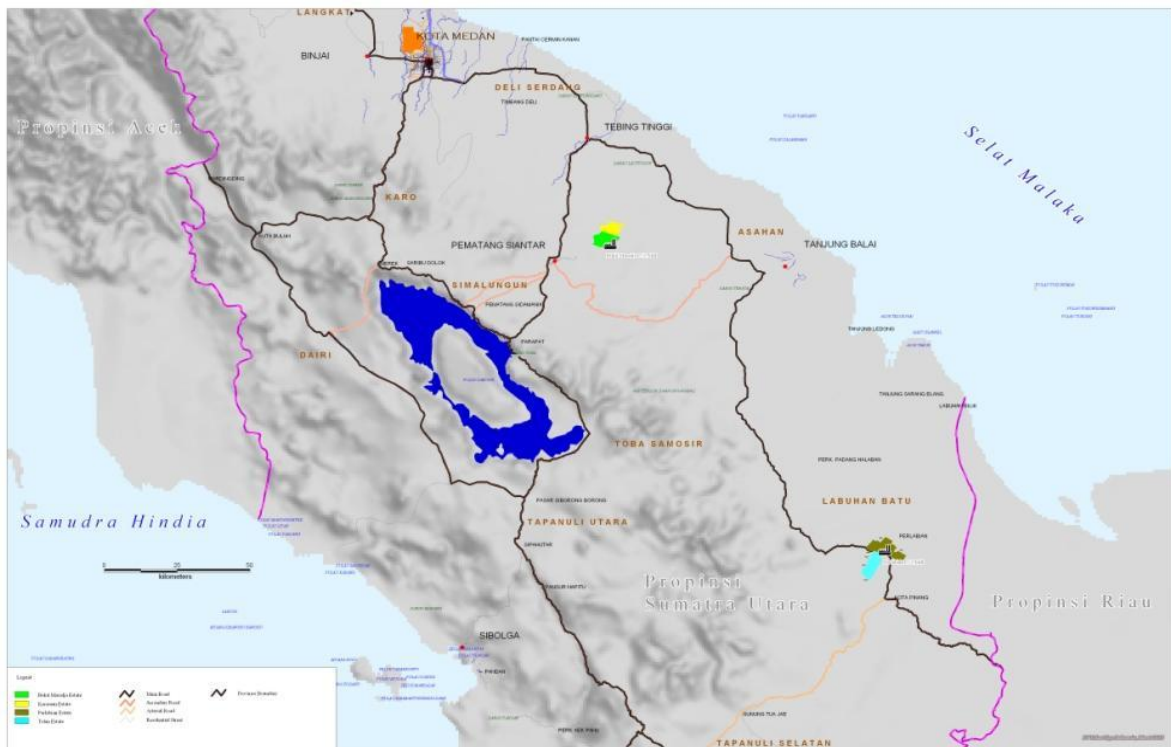
The PT TTI Estates and Mills are located in North Sumatra, Indonesia (Figure 1). The GPS location of the mills is shown in Table 1.

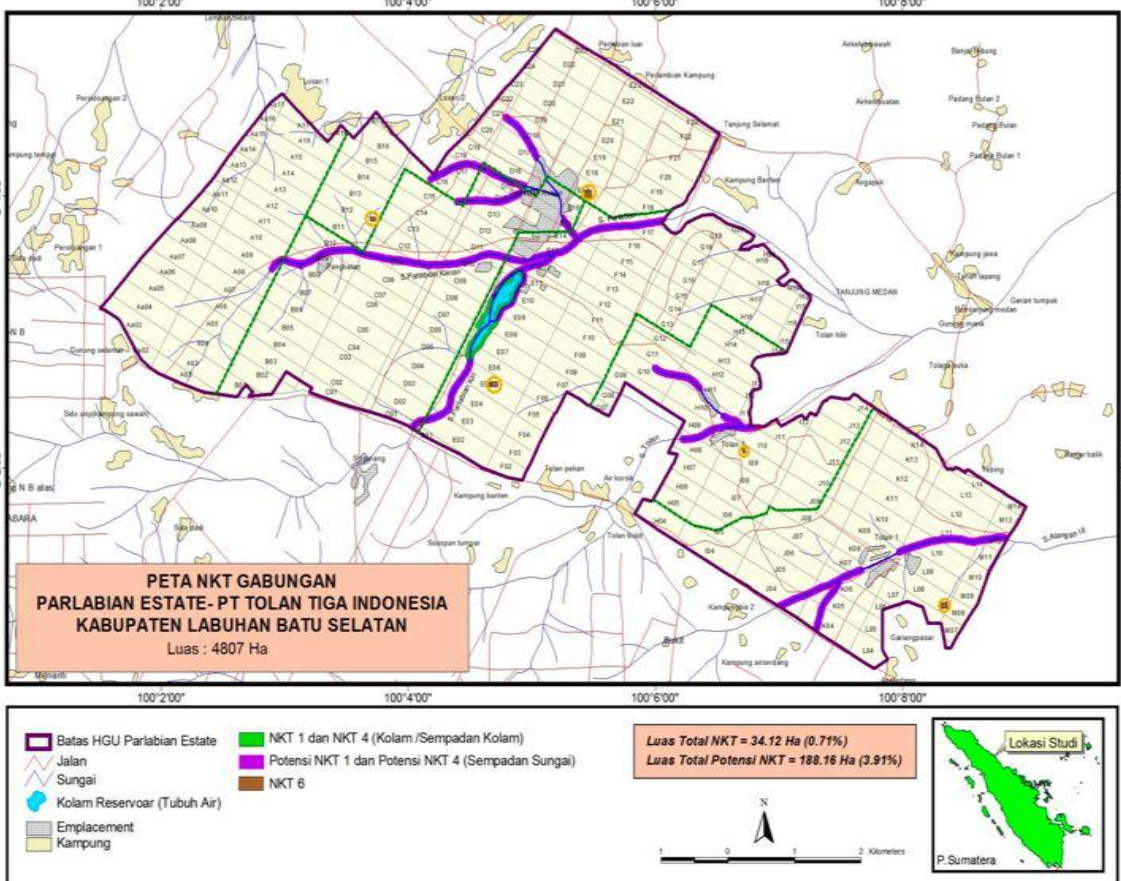
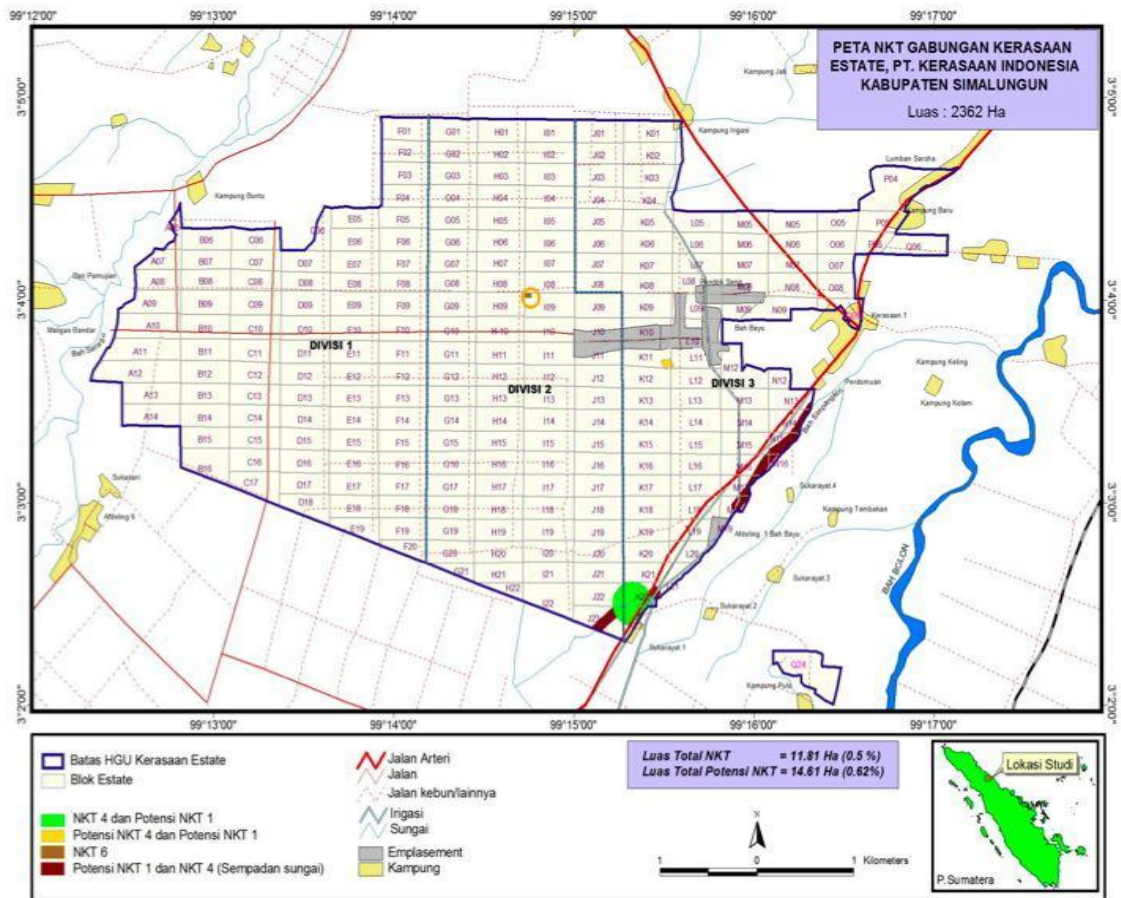
Table 1: Mill GPS Location

MILL	EASTING	NORTHING
Bukit Maradja	099°15E	03°04N
Perlabian	100°04E	02°04N

1.4 Description of Supply Base

Oil palm fruit is sourced from company owned and managed estates





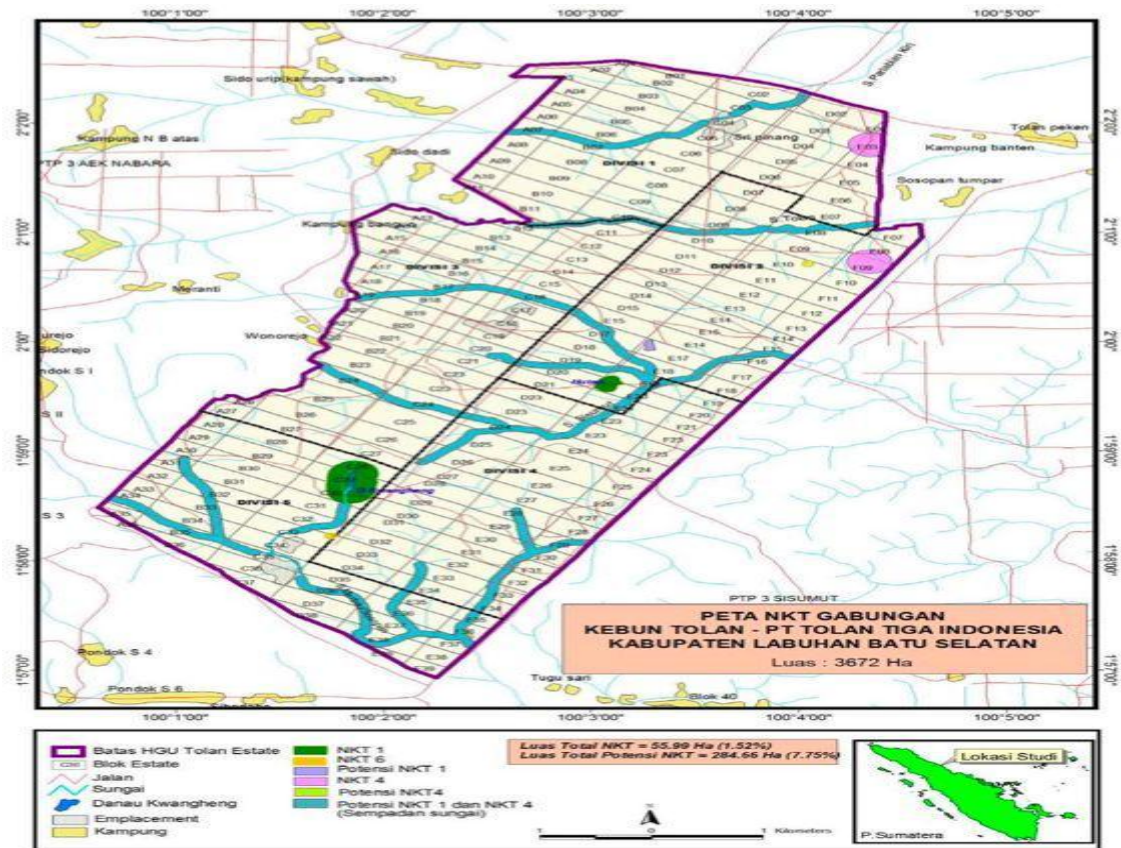


Table 2(a): Company FFB Production 2010

<i>Estate</i>	<i>FFB (tonnes)</i>
Bukit Maradja	70,047
Kerasaan	48,233
Perlabian	85,213
Tolan	92,877
TOTAL	296,370

Table 2(b): Company and SG FFB Production

Year	2007	2008	2009	2010
Total Company FFB	296,384	283,254	303,027	296,370
% Smallholder	0	0	0	0

1.5 Date of Plantings and Cycle**Table 3: Age Profile of Company Estate Planted Palms**

Year	PLE	TLE	BM A	KRE	SUM	% of Planted Area
1980		76			76	.57
1981			25		25	.18
1982		147	52		199	1.45
1983	155			18	173	1.26
1984	331			65	396	2.89
1985	416		67	118	601	4.40
1986	179			81	260	1.90
1987	194				194	1.42
1988	212		73	21	306	2.24
1989	42				42	.3
1990	29				29	.2
1992	541		35	252	828	6.01
1993	295		41		336	2.45
1994	112	342	14		468	3.42
1995	305				305	2.23
1996	184	156	279	347	966	7.07
1997		184	350	294	828	6.01
1998		413	131	122	666	4.86
1999		368	332	119	819	5.98
2000	4	307	388	134	833	6.10
2001		308	384		692	5.06
2002		246	242	100	588	4.29
2003	334	445	263	101	1143	8.38
2004		137			137	1.00
2005	205	200	131	97	633	4.62
2006	289	114	129	112	644	4.71
2007	200			109	309	2.26
2008	218	81		77	376	2.75
2009	150			85	235	1.72
2010	229	102	190	63	584	4.27
TOTAL	4624	3626	3126	2315	13691	100

1.6 Other Certifications Held

PT TTI palm oil mills have certification to ISO 14001:2004 and ISO 9001:2008. PT TTI mills and estates are certified to ISCC standard. ISO 9001 certification for all estates is under review.

1.7 Organisational Information / Contact Person

PT TTI is wholly owned by the SIPEF NV Group of Belgium.

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Contact Person: Olivier Tichit
Environment & Conservation
General Manager
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1.8 Time Bound Plan for Other Management Units

Other management units of SIPEF :

- Hargy Oil Palms Ltd., in PNG
- PT Agro Muko, in Bengkulu
- Jabelmalux group : PT Umbul Mas Wisesa, PT Toton Usaha Mandiri, and PT Citra Sawit Mandiri, in North Sumatra, and PT Melania in South Sumatra
- PT Mukomuko Agro Sejahtera, in Bengkulu.

Hargy Oil Palms has been certified on 09 April 2009. A first surveillance audit has been carried out in April 2010, by BSI, and a second surveillance audit in April 2011, by BSI.

Sipef submitted a time-bound plan to achieve RSPO certification for the mature majority-owned Indonesian operations within three years of HOPL certification. As described in the clarification letter sent to the RSPO in 2008, and confirmed in 2009, Sipef have divided the Indonesian operations into three groups.

Group 1 : PT Tolan Tiga Indonesia, including 2 mills and 4 estates in North Sumatra, RSPO certified in May 2010.

Group 2 : PT Agro Muko, including 2 mills and 8 estates and a tank farm in Padang, RSPO certified in February 2011.

Group 3 : Jabelmalux Group.

PT Umbul Mas Wisesa, PT Toton Usaha Mandiri and PT Citra Sawit Mandiri are still in development. As communicated to the RSPO, two of the estates, PT Umbul Mas Wisesa and PT Toton Usaha Mandiri, are currently placed under the RSPO compensation mechanism, based on a cautionary approach. Their situation will be reviewed at time of certification (early 2013). For the third operation, PT Citra Sawit Mandiri, a solution compatible with the RSPO P&C has been

reached, and is being implemented in 2011. Sipef are complying with local laws and regulations for these three estates, and there are no unresolved disputes.

The fourth estate in the Jabelmalux Group with a significant oil palm area (284ha) is PT Melania, in South Sumatra. The oil palm area is currently being converted into rubber, and this should be completed by end 2011.

At this point Sipef has informed BSI that there are no know legal non-compliances, land or unresolved labour disputes at its other operations. BSi considers Sipef's Time Bound Plan to conform to the RSPO requirements for Partial Certification.

1.9 Area of Plantation

The hectare statement for the company owned Estates is shown in Table 4(a), and PT TTI Operations area Table 4(b).

Table 4(a): Estates Hectare Statement

<i>Estate</i>	<i>Mature (ha)</i>	<i>Immature (ha)</i>
Bukit Maradja	2936	190
Kerasaan	2090	225
Perlabian	4027	597
Tolan	3443	183
TOTAL	12496	1195

Table 4(b): PT TTI Hectare Statement

Mature area	12496
Immature	1195
Preparation for oil palm	3
Total area for oil palm	13691
Nurseries	19
Emplacement, Roads, Mills, Compounds etc	233
Unplanted reserve, incl underwater lease	73
Total leased area	14019

1.10 Approximate Tonnages Certified

Table 5: Approximate Tonnages Certified

<i>MILL</i>	<i>CPO</i>	<i>PK</i>
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Perlabian	40,891	10,667
Bukit Maradja	29,156	6,897
TOTAL	70,047	17,564

1.11 Date Certificate Issued and Scope of Certificate

Scope of the Certificate is for the production from the two palm oil mills and their supply base (refer Table 2(a) for tonnages).

Certificate details are included as Appendix A. The Certificate issue date will be the date of the RSPO approval of the Assessment Report.

Inclusion of Smallholders

There are no small holders included in the Supply Base of PT TTI.

2.0 ASSESSMENT PROCESS

2.1 Certification Body

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

2.2 Qualifications of the Lead Assessor and Assessment Team

Allan Thomas Lead Assessor

Allan Thomas holds a tertiary qualification in commerce and accounting from Wollongong University in 1973 and has more than 20 years' experience in systems management and auditing of large organisations in construction, forestry, agriculture, manufacturing and in private and Government sectors both in Australia, South East Asia and the South Pacific. During the past 15 years, he has been the Manager of a large certification body based in Australia with responsibilities throughout SE Asia. He has performed over 120 comprehensive audits of management systems throughout the Palm Oil

industry including RSPO, Occupational Health and Safety, Environmental and Quality Management Systems. He has also advised companies on the implementation of OHS in the Oil Palm Industry. He has worked in Indonesia, Malaysia, Solomon Islands and PNG in the Oil Palm industry. Allan has conducted over 2750 system audits in the last 15 years and controlled over 50 auditors when Certification Manager of SGS-ICS.

He is a Lead Environmental Auditor (ISO 14001) with IRCA, A Lead OHS Auditor (OHSAS 18001 & AS 4801) with IRCA, a Lead Quality Auditor (ISO 9001:2000) with RABQSA and also an accredited Heavy Vehicle Auditor. He has also implemented strategies for implementing and maintaining SA 8000. Allan has also been appointed a Federal Safety Officer by the Australian Commonwealth Government. Allan is a Justice of the Peace for the last 22 years.

He has conducted Integrated Management assessments of a large number of palm and kernel oil mills and many oil palm plantations in Indonesia, Malaysia and Papua New Guinea. He has worked closely with RSPO in developing an audit checklist for the Principles and Criteria and developed an audit methodology. This was carried out at the instigation of Dr. Simon Lord – in 2005 prior to RT3. Dr. Lord is a former member of the Executive Board – this audit checklist was bought by RSPO in early 2006 He also performed the first base line assessment of the applications of the P&C. He is a strong advocate of environmental, safety and social accountability.

Iman Nawireja – Technical Expert- Social (audit)

Iman Nawireja graduated with Bachelor of Agriculture Science from the Bogor Agricultural University in 1997 and a Masters Degree in Communications from University of Indonesia. Currently, he is PhD Candidate in Rural Sociology from Bogor Agricultural University. He has a lecture in general sociology, intercultural communications, and social statistic at the Bogor Agricultural University and has more than 10 years experience in conducting social impact assessments of agriculture, mining and forestry projects. He has assisted with field studies on the effect of resource development projects on farmer and community incomes, health status and household division of labour. He has completed Lead Auditor training in ISO 9001 Quality Management Systems. He has assisted in conducting environmental and social assessments of oil palm projects during the past 7 years. He has assisted with conducting audits of oil palm plantation companies against the RSPO P&C in Indonesia and in Malaysia.

This report was reviewed by Mr. C Ross – an approved RSPO assessor with BSi.

2.3 Assessment Methodology, Programme, Site Visits

A pre-audit to RSPO Principles and Criteria was conducted between 10th and 16th January 2010 to determine progress PT TTI has made towards certification.

The Initial Certification Audit was conducted between 14th and 20 March 2010.

The first annual surveillance assessment (ASA 1) was conducted from 8-13th May 2011. The audit programme is included as Appendix B.

The approach to the audit was to treat each mill and its supply base as an RSPO Certification Unit. Each mill was audited together with the plantations of its supply base. A range of environmental and social factors were covered. These included consideration of topography, palm age, proximity to areas with HCVs, declared conservation areas and local communities.

The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes, interviews of staff, workers and their families, review of documentation and monitoring data. Checklists and questionnaires were used to guide the collection of information. The comments made by external stakeholders were also taken into account in the assessment.

2.4 Stakeholder Consultation and List of Stakeholders Contacted

Stakeholder consultation during the certification audit involved external and internal stakeholders. External stakeholders were notified by placing an invitation to comment on the RSPO and SIPEF websites and an advertisement in each of the local Medan and South Sumatra newspapers.

Letters were written to individual stakeholders and telephone calls were made to arrange meetings. As part of the surveillance audit, meetings were held with stakeholders to seek their views on the performance of the company with respect to the sustainability practices outlined in the RSPO and aspects where improvements could be made.

Stakeholders included those immediately linked with the operation of the company such as employees and contractors.

External stakeholders included organizations such as Government, NGOs and Civil Societies, who have an interest in the PT TTI area and resident communities.

Stakeholder consultation took place in the form of meetings and interviews. Meetings with government agencies and NGOs were held in their respective premises within local villages.

In all the interviews and meetings the purpose of the audit was clarified at the outset followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded in accordance with relevant RSPO principles, criteria and indicators. In a number of interviews and meetings, the presence of company representatives was discouraged so as not to restrict discussion of both the positive and negative aspects of PT TTI's operations.

The company representatives only introduced the team and where requested to leave during meeting with stakeholders. For internal stakeholders the same procedure was followed and company representatives left once the consultations started.

There is a trade union at PT TTI. The committee is elected through open elections and every year elections are held to select representatives. During the audit the representatives have been interviewed.

LIST OF STAKEHOLDERS CONTACTED

Workers and Staffs (38 including those named below)

- Misdi A4, Irwansyah, Selamat Simarmata, Suryono, Tumin 2, Sugiarto (Harvesters - BME)
- Ridwan Rambe, Misran, Sugimin, Saparudin Rambe (Mill Workers - BMM)
- Sugeng and Harsono (Harvesters - KRE)
- Mukinem, Jumiati, Rukiyati, and Tukinem (Female Workers - KRE)
- Suryanto and Paijo (Sprayers - Kerasaan)
- Jenda and Rini (Paramedics - KRE)
- Dini, Tri, and Supriatin (Female Estate workers - KRE)
- Fajar, Nanda, Wartiman, and Candra (Mill Workers - PLM)
- M. Arif, Syamsul, and Supriyadi (Sprayers - PLE)
- Sutrisno, Joko Jumari, Miyedi, and Mansyur (Harvesters - PLE)
- Isroil, Paryoto, Riyanto, Krisyanto, Sudarno (Harvesters - TLE)
- Zulkarnain, Siti Anova, and Chairil Anwar (Paramedics - PLE)
- Lantra, Herry, Sutriyani, and Lastri (Female Sprayers - TLE)
- Henny and Widya (Paramedics - TLE)

Contractors

- Supiran, Sugiati, Jamin Purba, R. Sinaga, Purwanto (Contractors and Supplier)

Local Community (5 including those named below)

- Sugirin (Bukit Meraja Village Head)
- Ilham Lubis (Perlabian Village head)

Government

- Mahady (Labour Department)

Non Government Organisations

- Sutrisno (Local NGO)

2.5 Date of Next Surveillance Visit

Approximately April 2012.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

As outlined in Section 2.3, objective evidence was obtained separately for each of the RSPO Indicators for the Mills and the Estates. The results for each indicator from each of these operational areas have been aggregated to provide an assessment of overall conformance of the Company's operations with each Criterion. A statement is provided for each of the Indicators to support the finding of the assessment team. Effective Action was taken in regard to the eight (8) Minor NCR's raised and fourteen (14) observations made during the certification assessments

During the 1st surveillance audit, Four (4) Nonconformities were assigned against Minor Compliance Indicators. PT TTI has prepared a Corrective Action Plan (Appendix D) for addressing the identified nonconformities that was reviewed and accepted by BSi.

Twelve (12) Observations/Opportunities for Improvement were identified. Details of the Nonconformities and Observations are given in Section 3.2 (Page 26).

BSi's assessment of PT TTI operations, comprising two palm oil mill, estates, infrastructure and support services, concludes that PT TTI operations comply with the requirements of RSPO Principles & Criteria : 2007 and INA-NIWG Indicators and Guidance : May 2008.

BSi recommends that PT TTI continue to be approved as a producer of RSPO Certified Sustainable Palm Oil.

Criterion 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.

Any requests for information that are received in a suitable media are kept by the relevant department. If information cannot be made available by officers must refer to a higher authority. With regards to verbal requests by either phone or in person these will be asked to be made in writing. PT TTI also maintains a register of internal requests. PT TTI ensures that responses to information requests are maintained including the status of each request. Each request received is registered and stamped and identified and sent to relevant person.

PT TTI keeps a record of response and the time taken to respond to the request including date received, date responded to as well as any other pertinent information with regards to each request received. Inspection of

company documents in field confirmed that company adequately provides information as the following example shows:

PT TTI now maintains a record of the response and the time taken to respond to each request. PT TTI has a matrix that monitors the development and progress of all requests. Records are in place of all requests for information and that information required by stakeholders is made available if possible. This is in a register which includes all requests for information. It includes date received, date responded to as well as any other pertinent information with regards to each request received. Inspection of the PT TTI records found that responses for information requests are made promptly.

Inspection of company documents in the field confirmed that the company adequately provides information as the following examples show:

BME: On 25 February 2011 staff of the Labour Department of Simalungun Regency visited the estate to carry out a survey to monitor workers at the properties (letter No. 090/DTK/SP/2011). BME responded on the same day by approving the survey and provided information as requested. Records are held on file "Permintaan Informasi dan Jawaban".

KRE: The last request of information was made by the Tax Office on 13 April 2011 (letter No ST-020/WPJ.07/KP.0606/2011) on the HGU certificate and company profile which will be used to update the taxpayer database. The tax officers visited the estate on 13 May 2011 to gather the required information, which was provided by the estate on the same day. Estate keeps record of request on file "Permintaan Informasi dan Jawaban".

BMM: Environmental Office of North Sumatra province visited the mill on 01 December 2011 to collect data on hazardous wastes. Mill responded by providing the data on the same day. Records are held on file "Rekaman Informasi dan Tanggapan".

PLE: All written information requests are recorded on the "Buku Permintaan Informasi & Tanggapan". For example, at 16 August 2010, the Peoples Representatives of Labuhan Batu Selatan Regency visited the estate to gather information on the estates operations. Request was accepted and the Representatives visit and inspection of the company operations on the same date.

PLM: Mill received request for information from Environmental Office of South Labuhan Batu regency on aspects such as environment, production, etc on 21 October 2010. The Mill responded that most of the data requested is available in estate and will be happy to provide the data available at the mill on the following day. The government officials stated they would come again the following week, however, none of them came

to pick up the data. Records are held on file "Buku Permintaan Informasi & Tanggapan".

TLE: No request for information, the most recent request was permission to carry out a field visit from the local school. For example, 06 June 2011 a request of SMK Pembangunan, Bagan Batu (No. 275/MS/PRK/VIII/2011), was approved on the same date by the estate.

On the whole documents that are not released are not related to environmental or social issues and are mainly of a confidential financial nature.

Senior management has decided which documents are to be made available to the public. These are in the form of a register which is updated as more documents are requested and made available.

The reason why information could not be made available is recorded in an appropriate and relevant register.

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 TTI now has made available the list of publicly available documents - Documents which will be made publicly available have been listed on the company web site since February 2010.

PT TTI has designated a special page in company website devoted to request of information at http://www.tolantiga.co.id/v1/?page_id=431 where all stakeholders able to request information on operation permit and SEIA documents such as Ijin Lokasi (HGU), IUP, AMDAL – UKL/UPL – RKL/RPL, Ijin Penyimpanan Limbah B-3, CSR/CD Program, and other information.

Requests and grievances are directed to appropriate persons in charge. All of the requests and grievances are considered as confidential. Company will provide feedback maximum in 15 days from date of receipt.

PT TTI holds copies of the HGU's. Copies of the Four HGU's are held in Estates and originals are in Medan HO. These HGU's which are available for all estates and where sighted during this audit

PT TTI Plantation Operation Permit which is located in Estates and originals in Medan can be made publicly available on request. These are long term leases on Government land and therefore land use titles are readily available.

Land titles are now made available publicly.

ESIA have been conducted for estate and mills - and can be made available on the discretion of a Senior company

official depending on the sensitivity of the information with regards to potential negative effects on the environment.

The RKL-RPL report is submitted 6 monthly and can be made available on written request at the discretion of Senior Company officer.

There are records of requests for assistance - then if accepted records are in place of any social activities - there is a monthly report on Social Activities including Community Development, Schools, Sporting, etc. – and these are made available at the discretion of Senior Management with regards to monetary considerations however copies of activities are freely available.

The company OHS Policy is available on the web site and is mounted on notice boards widely throughout the company operations.

The policy is now made more widely available to all employees and contractors.

There is a continuous improvement plan prepared as a result of all internal audits and inspections which are monitored to determine progress against set targets - All records of requests for information are kept for a minimum of three years.

PT TTI has in place a register or matrix indicating the records to be kept and the period or retention times for these records. All records should be dated to allow time to be kept to be determined accurately.

Documents pertaining to financial information can only be shared upon the discretion of the President Director with approval from the SIPEF Board.

Although documents will be available on request some information is handled with care in some cases as it could adversely impact on a situation. This would normally be related to sensitive financial information that may only be shared if and when appropriate. However all requests can be traced back through the information request register.

The Equal Opportunities Policy is available and has been approved by Management. It is widely available – and has been placed on the company's web site.

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

There is a corporate affairs dept. in Medan HO which is responsible for legal compliance – at present there is no evidence available to show that PT TTI is as far as possible complying with legal and other requirements. There is no evidence of chronic noncompliance.

PT TTI complies with environmental laws (AMDAL, waste management), and labour laws/regulations.

The corporate affairs dept. receives on a weekly basis an update of any legal changes which may affect PT TTI. There is staff nominated to ensure any changes are noted and made known to TTI Management. PT TTI gets information of changes in regulations from a number of sources. This includes company lawyers, Forestry Department, Department of Agriculture and others. Hard copies are received of any changes to regulations. This is then circulated to relevant departments within PT TTI who need to know of any changes.

2.1.1 Observation: However, inspection of the mill's payroll indicated some instances of excess overtime for several workers. This indicates that the mills did not fully implement legal obligations, as the extension permit from Labour Department was not available at the time of audit.

PT TTI complies with environmental laws (AMDAL, waste management), labour laws/regulations.

There is a list of legal requirements to which PT TTI must comply with. This includes national and local laws as well as conventions to which PT TTI subscribes such as RSPO. Copies are available of all permits, licenses and other requirements to which PT TTI must comply with.

This includes all laws applicable to PT TTI. PT TTI ensures staff attends workshops relevant to laws changes in each area - e.g. Labour laws, education and others.

There is a written documented procedure on how legal requirements are kept current and how employees are made aware of any changes.

There is a rigorous internal audit process which includes a review of laws and their compliance. Any regulatory requirements and ensuring compliance is the responsibility of each department to determine that they are complying with legal/regulatory requirements. This includes labours laws, government reporting and other legal/regulatory requirements.

All Boiler and pressure vessel permits were available and current in both mills. There are records of all required inspections by Government representatives that have taken place of this equipment.

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

PT TTI holds copies of HGU's. These copies of HGU's are held in each estate and the originals are held in Medan HO. In each estate there is a sign board (which is required by law) which states PT TTI is a foreign investment company and lists the number of the relevant HGU and the area of the operations and land title. These sign boards are monitored and updated as required.

HGU's were sighted for Bukit Maraja, Kerasaan, Parlavian, Kebun Tolan and all were current and readily available showing area and length of land tenure.

All legal boundaries are clearly demarcated and maintained in the form of boundary pegs. These pegs are at times photographed showing the number of the peg. The boundary markers are also indicated on maps of the estates. The GPS location is also recorded. Field inspections confirmed that boundaries are demarcated by trenches and boundary stones or pegs.

There have been no disputes with regards to land tenure in recent memory and there are no outstanding disputes that PT TTI is aware of.

PT TTI has not acquired any new land for at least the previous 20 years therefore this is not applicable at this time.

As above; dispute resolution mechanisms are in place and the question of how to deal with new plantings should be resolved according to legislation and the ongoing reconciliation process.

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.

This is not applicable as the PT TTI development is wholly on Government land which is lease under HGU's – see above.

Maps are available in appropriate scale showing extent of all leased land.

There are no land settlement schemes on alienated land within PT TTI.

Maps are available (current) showing occupied state land, vacant state land and customary land.

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

There is in place a working plan for at least three years - includes crop projection for up to 10 years, it includes Oil Extraction Rate, Cost of Production, Price forecasts, financial indicators, includes running mean since inception which includes trend forecasts. The business plan will be required for cert assessment.

There is in place an annual replanting programme which includes forecasts for the next ten years. This plan is reviewed monthly and therefore is within guidelines. Any amendments are evident.

Wherever possible PT TTI makes attempts to improve practices based on any information on developments and improvements in the industry.

The cost of production is reviewed and compared against expenditure each year with projects in place for future years. This includes costs per tonne.

The plan is reviewed on a yearly basis at least. The latest review and update was completed in April 2011.

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

There are Standard Operating Procedures for estates from land clearing to harvesting. This is the form of the "blue book" which includes all relevant SOP's as required. This "blue book" is available to all managers and assistants in the estate office.

Records are maintained of implementation in the form of upkeep records, pruning, fertiliser application, harvesting method and all pertinent applications of these SOP's. These records are on the whole very comprehensive and give evidence of monthly inspections in all areas.

4.1.1 Observation: The regular required inspections did not take place and records were not available at Bukit Maradja from January to April 2011. Therefore records for checking in this period could not confirm monitoring of operations took place.

There are Standard Operating Procedures (SOP's) in place with all operational areas of the mill. They are strategically placed in the specific work areas. These SOP's include all operational areas from reception to dispatch of CPO. They also include the control of deliveries of CPO to the Bulk Terminal in Medan. Therefore control is exercised until the CPO is loaded into ships at the port.

There are mechanisms in place to ensure all SOP's are followed. With regards to mills, implementation of SOP's are provided by the completion of log books and operating records which are collected and reviewed by the Mill Engineer. They also record any break downs or other reportable issues. Records are maintained of any scheduled inspection to ensure each area is operating efficiently and that any breakdowns or other operating issues are reported.

Inspection logs of Mill operations indicate monitoring of performances, any breakdowns, stoppages or major service are recorded in both the log book for each area and in the maintenance logs. Inspections of a number of stations in both mills indicated that regular monitoring of operations is taking place and this is faithfully recorded by the responsible operators. The EMS/QMS system also requires that records of monitoring are kept for all operations. A large number of these records have been sighted during this audit.

Also with regards to Estates a monthly inspection is undertaken by the Senior Estates Manager. Records of all inspections are maintained with copies with actions

being given to the respective Estate Managers. Areas of noncompliance are reported and followed up by the Estate Manager. The Senior Estates Manager based in Medan carries out regular inspections of all estates activities and provides a report of any actions required.

Records of the results of monitoring of all operations is captured in the monthly progress report (MPR) which is reported and includes all mills, estates and other support areas. This includes inspections undertaken, extraction rates, tonnes per hectare, fertiliser applied, areas harvested, FFB milled, CPO produced etc

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

At least monthly a visual check is made of estates during routine inspections during field operations. Leaf analysis is conducted annually and result are maintained by Agronomy. This analysis is used to determine fertiliser application. The most recent soil analysis of the plantations was in 2009. This was carried out by a recognised authority. Maps have been produced indicating soil types on each estate Records are available for this exercise which was for the purpose of determining current soil conditions. Each estate of PT TTI was included in this soil analysis, which determine fertiliser applications for future planning.

The latest leaf analysis took place in 2010 and as a result PT TTI fertiliser applications for each semester in 2011 have been made by Agronomy. So far in 2011 records are in place of all fertiliser applications. There are therefore records of all fertiliser application for all areas including amounts and types and determined by agronomy based on leaf analysis and soil type.

Cover crops are in place and checked during visual inspection for coverage.

PT TTI also uses Land Application of POME from both mills. EFB is also applied. This was the case in all estates visited. The permit for land application was available at both Bukit Maradja and Perlavian Mills.

All palm by-products including fronds, EFB, compost, effluent and expeller are recycled. These are used as nutrients and are put in place to improve organic matter and to substitute or supplement inorganic fertiliser. Fronds are also used to prevent erosion following pruning and after harvesting of FFB. There are records available in each estate of the placement of EFB.

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

There are no fragile soils reported in the most recent soil survey carried out 2009 by a reputable specialist in the area. Recent maps are available of all soils in all estates.

No planting since 2007 on slopes in excess of 25 degrees. There is in fact very little planting on sloped land throughout PT TTI. The only area planted on sloping land which is generally no more than 6°. This is on Tolan Estate.

No Peat Soils at PT TTI however a strategy is in place in the Planting Manual if this were the case.

There is in place a road management plan which is completed for each estate. The programme is monitored depending on the availability of plant. The plan includes roads throughout each estate. The plan indicates areas to be graded or have other work completed. Records are kept of the amount of metres maintained in each estate and when this took place. Each estate now keeps complete records of any road maintenance. Overall PT TTI has this area in hand and its road maintenance is effective. This is supported by the conditions of the collection roads inspected during this audit.

There is a plan in the form of scuppers drains to help keep roads free as possible of erosion.

Each estate is budgeting to grade about 180 kms of roads each year and this is in each roading plan.

Sprayers must follow the spraying guidelines as set out in the Field Standards. These are constantly being monitored by the supervisors and divisional managers to ensure pesticide spraying is effective. There was no evidence sighted of over spraying of herbicides during this assessment. Some estate harvest paths are mechanically slashed reducing total sprayed area.

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

The company has in place a policy with regards to the protection of watercourses and wetlands which includes dedicated buffer zones and riparian areas - including establishing buffers along rivers in accordance with Indonesian laws - - 50 metres buffer on each side for small rivers.

It is the policy of PT TTI that all buffer zones as stipulated by Indonesian law are re-established at re planting. This is in evidence during replants taking place presently in Perlavian and Tolan Tiga estates were required buffers were seen to have been established during this process.

There are in place practices to prevent run off of nutrients and chemicals through the planting manual. Chemical handlers are trained in the disposal of chemicals - waste chemicals containers are disposed of or are re-used for sprayers in field.

A number of wetlands have been set aside as riparian zones and maintained in good condition. One area at Perlavian is of particular interest and is been established as an HCV area. Appropriate signs are in place (see later in report).

There is now a formal implemented water management plan in place at PT TTI. Practices do now address control of all water related issues including repair of leaking taps, construction of drains, water recycling amongst other issues.

PT TTI are monitoring mill water use per tonne of FFB and have records in place since 2007. Due to the plan in place to prevent loss of water through bad practices the consumption of water as decreased markedly as evidenced by the records in place.

PT TTI has taken action to ensure use of water does not have an adverse effect on downstream users by checking water quality in the lab including checking for e.Coli, Ph and Oil and Grease in all streams/rivers/water courses which pass through PT TTI property into downstream users. There are water quality tests which monitor river water quality both upstream and downstream - these are carried out when requested and results have indicated that water quality of other users has not been adversely effected - This is completed by an independent lab and show pH, TSS, Heavy metals, BOD, COD, Faecal and Total coli form.

Estates monitor the quality of water both at the upstream and downstream of the estates. Sample then later been sent for independent government approved laboratory for analysis.

BME: There is a river close to the estate (Bah Bolon river) however, the river was also used by other company for waste disposal. As such it is difficult to get sample point to properly identify contribution of the company to the river pollution.

KRE: The estate was not passed by a river—however test of the irrigation water used by the estate indicated conformance to the surface water standard (PPRI – No. 28/2001). Test was carried out by Sucofindo dated 04 March 2011.

PLE/PLM/TLE: PT TTI have sent samples for surface water test at 01 May 2011 to Sucofindo, result expected to arrive third week of May.

Water contamination is avoided for both surface and ground water during normal conditions.

Hazardous Chemicals are prevented from entering water via good management practices including: Pre-mixing of pesticides in dedicated areas, use of secure storage, use of bunding – no mixing of chemicals etc. is carried out in proximity to water courses.

PT TTI have put in place a controlled contaminated waste area in each estate (B3) for management of all containers and other pesticide waste, are keeping records of containers destroyed and removed from site by a registered licensed contractor. Pesticide mixers (who are trained – records are in place), ensure correct

dilution of pesticide is used for field application; monitor ground water to ensure no contamination from septic.

Control also includes improved and correct storage of bulk chemicals and fertiliser, control of hydrocarbons to prevent contamination - provision of bunds, spill kits and drip trays.

Mill Effluent is treated appropriately and appears effective. The records of monitoring of effluent are in place however testing is now following a controlled methodology to ensure results are consistent. POME is used for Land application - are within allowable legal limits.

When the lab is recording results they are indicating the allowable limits to determine quickly that they are within tolerance.

BOD of effluent is monitored with regards to land application and government limits. This is reported monthly by an independent lab (SUCOFINDO). Levels are all within legally allowed limits for land application. Records of BOD of land application are recorded

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

The Integrated Pest Management plan has been documented – this includes all Integrated Pest management techniques used in each estate. This includes use of barn owls for rat control, pheromones for Oryctes, Hand Picking of bag worms, planting of beneficial plants as well as use of pesticides etc. thereby minimising the use of chemicals and pesticides as far as possible.

The IPM Program is documented for relevant pests that sets out techniques, chemicals to be used, locations and timeframe for implementation.

There are training records for training of staff in regards to IPM and these are now formally recorded on all occasions.

The implementation is monitored by the carrying out of extensive checking of the success of all pest management plans. There are records of census taken to determine control of rats, success of pheromones and control of bag worm. Levels of infestation are therefore recorded. Even though a pest appears to have been eradicated for a period of time monitoring continues and records are in place.

The extent of planting of beneficial plants is noted and recorded.

The progress and success of the implantation of the IPM are now reported on a regular basis in a formal manner.

PT TTI are monitoring pesticide toxicity units (a.i. x LD 50 / tonne of FFB). This is recorded from January 2007 till the present time. The trend analysis indicates use of Glyphosate in the early period indicated a tendency to increase and has recently started to fall. At the same time the use of paraquat and declined steadily to around 30% of amount used at the commencement of recording of usage.

The Pest Management Plan (PMP) has been recently updated and includes the control of all pesticides and the methodology for both reducing use of pesticides and / or changing to less toxic chemicals. The use of all chemicals is justified and a plan to reduce usage has been presented. This includes chemicals used, dosages, and frequency of use.

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.

There is evidence in place with regards to PT TTI's documented justification for all Agrochemical use. There is a register which records product use, when required, amounts to be used and frequency of use. Agrochemicals are used to target various pests and diseases. The reason for use of a type of pesticide is always recorded in application records. This includes circle spraying, path upkeep, types of weeds and other reasons for use of a certain chemical.

PT TTI has a register of approved agro chemicals – this has been distributed to each estate and management can only use chemicals which are stocked and do not include any banned chemicals. There were no agro chemicals being used which were not on this register during this assessment.

Records are in place to clearly demonstrate that all chemicals used are applied by workers who have received adequate training. This is mainly for the pesticide applicators. There is evidence that any new workers have received pesticide application training since 2008. Sprayers receive on the job training with regards to the amount of concentrate to be used and application - all training undertaken is recorded in each estate.

Any training courses for the handling of concentrate chemicals is conducted by the pesticide supplier.

The PPE for sprayers is identified in Planting Manual as is PPE for pesticide mixers. PPE is provided and is being used - this continues to be monitored by Field Assistants to ensure 100% compliance. New types of aprons are

being used and these are lighter and more comfortable for the sprayers and effective in protecting them.

4.6.3 Observation: In one estate pesticide shed the eye protection being used by pesticide mixers was inadequate and must be replaced by the correct type of goggles.

Waste materials are handled in accordance with applicable laws and are stored as per regulations in secure areas. Empty pesticide containers can be re-used by sprayers once they have been properly treated and triple rinsed. Any empty pesticide containers are to be stored in the designated storage area as prescribed by Government regulations – this is the B3 store.

All chemicals being used are properly labelled. MSDS are available for all pesticides being used. These are all in the local language.

Paraquat is still used in immature areas and amounts monitored as there is no alternative at this stage. It is also used for selective spraying of volunteer oil palm seedlings and if continuous rain precludes use of alternatives.

Reduction in the use of paraquat is a dedicated aim of the IPM.

There are health checks provided for pesticide handlers - this is conducted at least annually. Records are maintained by the company Doctor of all tests. Records of such health check-ups were sighted.

Estates held medical examinations at each clinic every three months for pesticide workers and other high-risk workers. An external doctor conducted another medical surveillance yearly. For example in 2010 as many as 12 workers have undergone medical surveillances at the Anugrah Ibu Hospital at 03 June 2010. The next surveillance will be carried out next month.

KRE: Medical examination for sprayers was held by the local clinic every three months—the last examination was held on 08 April 2011. Inspection of the records indicated all workers are found healthy to work as sprayers. All sprayers also undergo medical general check-up yearly, the last check-up was held on 03 June 2010 by Klinik Anugrah Ibu.

PLE/PLM: Estate has a yearly medical examination programme for sprayers by company doctor. The last general check-up was carried out at 02 March 2011 for 21 sprayers.

PLM: 11 including process, laboratory and water treatment facility at PLM at 04 June 2010—Anugrah Ibu.

TLE: 3 monthly at polyclinic (02/03/11 (20 sprayers, mandor, store keeper)) — yearly for general check up by

the company doctor (27 June 2010—19 persons (see above)).

PT TTI as a policy in place which prevents pregnant or breastfeeding women from working with pesticides and it is enforced.

The PMP has documented what chemicals are used and where and in what situation. It stipulates the maximum dose possible for each application. There are also plans in place to gradually reduce the use of Agrochemicals.

There are time frames in place in the PMP whereby chemical use is reduced. All chemicals have to be approved for use.

There is no aerial spraying of pesticides.

Records of training are kept in each estate of the following:

- Pesticide Mixers
- Pesticide Sprayers

These records are kept in each estate office. The training data is also maintained to show what the training covered.

The company supplies two sets of aprons so that one can always be considered clean. Overalls are washed at the pesticide mixing areas in specially constructed wash areas so that sprayers and mixers do not need to take them home and therefore the risk of cross contamination with family members is eliminated. No concentrates are taken into the field as all spray solutions are pre-mixed in a designated area.

Storage of chemicals is in especially locked areas with limited access. In all pesticide stores all class 1 and 2 chemicals are further protected by being double locked in a specific area of the pesticide store. All areas where chemicals are stored appear to be adequately ventilated through cross flow ventilation. This has been further improved as PT TTI has designed a standardised pesticide store which has now replaced all the older style pesticide stores and have become standard practice.

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

There is a documented Occupational Safety and Health plan in place in all the following areas:

- Estates
- Mills
- Workshops
- Clinics
- Stores

All areas have implemented and monitor the OHS Plan. The control of Occupational Health and Safety has continued to improve in all areas since the initial audit.

A responsible person has been identified for PT TTI and for each estate and mills – these people are identified to all staff and workers. An OHS representative has been appointed in all operations areas.

There are regular safety meetings held in all operational areas – they are now using the same agenda for each meeting – and include discussion of any accidents/incidents as well as any potential issues. A workplace health and safety inspection takes place before any meetings to ensure meetings are worthwhile and meaningful – this area does comply with RSPO requirements. Any requirements are made known to workers during pre-shift musters and records are kept in the assistants diaries.

4.7.2 Observation: At Perlavian Estate the records of Safety meetings have not been adequately recorded.

All workers are covered by Accident Insurance – this is PT TTI policy.

Regular Health checks are performed of workers who handled pesticides and records are maintained by the company doctor – these checks are carried out at least annually – records of health checks have been sighted – see above.

It appears all operations where health and safety is an issue have been risk assessed and procedures and actions documented and implemented to address the identified issues. All precautions attached to products are being properly observed and applied to the workers. Procedures and plans are in place to address all operations. These have been distributed to all areas and to the respective managers and supervisors.

Employees are made aware of precautions attached to all products including hazardous substances, plant, machinery, equipment, tools, and vehicles through training and experience.

All potentially hazardous operations, such as pesticide application, land preparation, harvesting has been included. Housekeeping has improved considerably in all areas since the initial audit in March 2010.

4.7.5 Observation NCR Risk control requires improvement as a number of Unsafe acts and Unsafe Conditions were noted including but not limited to the following:

- **Some electrical areas require improvement such as the state of leads on welders and some power points require repair**
- **Some Mill employees not wearing reflective vest (BMP).**
- **Welders not using screen protection for other workers**
- **The lock out- tag out procedure is not being properly applied**
- **One hand rail at BMM requires repair.**

All areas have been risk assessed and the methodology used for each area is now consistent and areas do appear to adequately address any risk controls. A common method is being used for all hazards/risks to aid consistency. This includes recording both inherent and residual risks – also method of control using the Hierarchy of Control. In all areas since the initial assessment a number of improvements in regards to safety have been made.

There is evidence in place that all workers have been adequately trained in safe working practices as complete records are in place for all training including pesticide workers

PPE is available for all workers in regards to pesticide applications and use of other hazardous areas and is being used correctly in most cases apart from isolated instances of miss use or not used.

Company now provides 2 pair of boots per year for all workers.

There are in place emergency procedures and these are mainly with regards to fires and evacuation drills. There are phone numbers listed in each estate and mill of emergency contact numbers. Also includes training in use of spill kits. It was noted that the estates are also undertaking fire emergency accident drills and records are being kept. Emergency preparedness has been regularly tested in most areas to determine effectiveness of these processes.

4.7.5 Observation: Emergency procedures have not been tested at PLM have not been tested since January 2010.

The control and management of fire extinguishers is excellent throughout all areas with evidence of regular inspection in place. Fire Hydrants and Fire pumps are also tested regularly in both mills.

Employees have been trained in the use of Fire Fighting equipment.

First Aid equipment is largely available in all operational areas including first aid kits which a strategically place and subject to regular inspection to ensure that they are adequately stocked.

There is evidence of workers being trained in First Aid in all areas – records are available of first aid training by outside body – training certificates were sighted.

PT TTI ensure that First Aid trained workers are known to all staff by placing photographs of first aiders in work areas. They have also introduced a system whereby trained First Aiders are also identified by wearing an emblem on shirts which shows a recognised First Aid logo.

There are in place records of all accidents which are reported – there is always evidence of work accidents being fully investigated apart from the case below to prevent recurrence.

4.7.8 Minor NCR: At Perlabian Estate it was noted that a number of recent preventable accidents which have occurred have not been fully investigated or documented with a view to preventing recurrence.

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

It appears that training is supplied to all employees and contractors when appropriate and records of this training are maintained.

There are formal training programmes in place as well as there being a regular assessment of training needs for all operations. This formal training requirements and assessment of need takes place in plantations and mills.

A training programme is in place for 2011 for all areas.

Records of training are now complete for employees as mentioned earlier with regards to training records for pesticide sprayers.

Specialised training courses are also planned as the need arises and this includes group or in house training. Some training is carried out on demand.

There are also formal training records for all supervisory staff up to the level of Senior management. This includes recording of external course attended or skills attained – these records are maintained by the Human Resources & Administration Department (HRAD).

There are training records in place at each operational site recording skills and training and these were sighted at all estates and mills visited as well as other areas such as workshops and clinics.

Some of these records are in the form of attendance at training which is given in the field or formal skills such as plant operators, driver's licenses, boiler operators and Red Cross First Aid.

Training records are therefore kept for all employees.

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.

All environmental impact assessments have been carried out when and where appropriate. Records of all impact assessments carried out are readily available. However some areas have undertaken reviews of environmental aspects more often than others. Whilst some operations

have undertaken reviews at least every six months some have not been as often.

5.1.1 Observation: Environmental Aspects should be reviewed formally and routinely by all operations. This should occur as a minimum at least every 12 months.

There are Environmental impact assessments carried out for all operational areas.

All environmental impact assessments cover both on site and off site activities. Whenever there are changes made to operations and changed impacts are to be updated to reflect any changes.

Impact assessment have included and all environmental components:

- Building new roads, processing mills or other infrastructure.
- Putting in drainage or irrigation systems.
- Replanting or expansion of planting area.
- Disposal of mill effluents (see criterion 4.4).

There are regular reports with regards to environmental management as required by regulatory authorities. This includes RKL-RPL report is submitted 6 monthly. There are also regulatory requirements for reporting and testing smoke emissions on a 6 monthly basis.

BME/BMM holds an approved UKL and UPL for the scope of project consisting of the mill in Bukit Meraja and company owned estate of Bukit Meraja. However, in 2008 following an instruction of District Environmental Office, BME/BMM revised the RKL and RPL. The process of RPL revision was consistent with government regulations. The revised RKL and RPL document was approved by District Environmental Office of Labuhan Batu on June 2008, number 271/BPDL/2008.

KRE hold an approved UKL/UPL documents for its scope of the project, it consists of KRE estate operation. Following a request of BAPEDALDA in 2005 to revise UKL/UPL within 3 years, KRE prepared revised UKL/UPL documents which cover on and off site activities, which received government approval on 8 April 2009.

PLE/PLM/TLE holds an approved AMDAL document for the whole of their activities, consisting of Perlabian mill, Perlabian estate, and Tolan estate. RKL and RPL approved by BAPEDALDA of Simalungun on 21 July 2006, letter number 660/242/BPDL-LB/2006. RPL requirements: Air quality, noise, water body quality, ground water quality, aquatic biota, working opportunity, community perception, and public health.

PT TTI regularly reported to Badan Lingkungan Hidup Simalungun (as required by regulations). The last report was prepared in 11 March 2011, covering all of the information required by RKL and RPL document, e.g.

decreased noise in KRE estate, installed traffic signs to prevent dust, regular vehicle maintenance, road maintenance, and tree planting program in housing.

All other reports with regards Environmental issues are reported as required. Such a water quality and BOD used for land application.

Any changes to the EMS are handled through the documented Environmental management system which is required to document any changes to the system.

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.

A survey of PT TTI has been undertaken. A number of HCV areas have been identified however there have been no protected, rare, threatened or endangered species identified.

The HCV study was undertaken by Yayasan Sawit Berkelanjutan Indonesia. During the development of the HCV identification activities, there where stakeholder consultation took place and listed in the reports.

A recent survey has taken place which identifies any ERT's or HCV's. The final report has been submitted to PT TTI.

PT TTI have established the conservation status (e.g. IUCN status), legal protection, population status and habitat requirements of rare, threatened or endangered species that could be significantly affected by the grower or miller – there are however no identified rare, threatened or endangered species in the PT TTI operational area and bordering on PT TTI operations.

HCV areas identified are sign posted and this is now effective and more signs have been put in place which clearly identifies areas as HCV's – there are signs on all boundaries of HCV stating the type of HCV and status.

Indications from the report indicate that a number of HCV areas were identified including HCV 1, 4 and 6 in some Estates. All HCV are mapped and identified.

5.2.1 Observation: A few of the original signs are now faded and these need to be replaced to become much clearer for both workers and any public.

BME/BMM/KRE: The recent HCV study was undertaken by ISPO. During the assessment 4 species of birds and 2 species of mammals were identified along Sungai Bah Bolon catchment area, however, since the land is inside oil palm plantation, it cannot be considered as HCV 1.2.

PLE/PLM: The most recent HCV study was also carried out by ISPO in September 2009. HCV 1, 4, and 6 identified in estate area, e.g. HCV 1 and 4 (30.67 ha—

Block E05, E06, E07, E08, E09, E10, and E11) and HCV 6 found in Block L08, I09, E05, B12, and E17 of totalling 3.45 ha all of which are Muslim cemetery areas.

TLE: HCV assessment was carried out on September 2009 by ISPO. During the assessment no endangered species were found; but three HCVs found e.g. HCV 1 (32.99 ha in block D20; E20, D19, E19 (a protected forest)); C29; C31, C28; C30 (Kwangheng Lake)); HCV 4 (50.78 ha in block D02, D03, D04, E02, E03, E04, F08, F09 (springs), F36 (hill), C28 – 30 (Kwangheng Spring); and HCV 6 (0.19 ha in block E10 and C33 which is a Muslim cemetery).

PLE/PLM: During HCV identification activities, stakeholder consultation took place on 5 August 2009 and was listed in the reports. Totally, 26 participants were present during the public consultation session, e.g. Village head (Gunung Meraja and Bukit Melala village), Pematang Bandar and Gunung Malela sub-district head, informal leaders, estate staffs and workers.

Socialization has now been carried out with field workers with regards HCV areas.

The maps include details and include a management plan developed by each Estate. The HCV report identified HCV areas and proposed management plan. There is a management plan available for each estate with regards to HCV areas.

The Estates have therefore developed a working management plan for all of the HCV.

Measures taken currently include the exclusion of HCV's from plantation activities. There are already sign posts in place warning outsiders that hunting, logging and fire use are prohibited and inform others about the HCV areas. The signs are now informative about what is designated HCV.

PT TTI are now maintaining comprehensive monthly regards of all HCV areas which includes regular scheduled monitoring of HCV areas with other records of inspections.

PT TTI have appointed each Estate Manager who amongst other responsibilities is responsible for HCV areas in their respective estates - and also have in place a dedicated Conservation auxiliaries team which supports and RSPO. All the conservation auxiliaries have undertaken training with regards to HCV monitoring and reporting. Records of this training are in place.

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

There is a waste management plan in place and it is current. There are formal rubbish collections in all areas

at least bi-weekly. This is monitored by the Field Assistants to ensure it happens. The waste management plan is covered in the EMS and includes pesticide contaminated waste.

There are plans in place to recycle where possible. Including batteries, aluminium, waste oil, chemical containers, half drum used for spill kits, used tyres used as block markers, broken plastic drum made into scoops for picking up waste and used as rubbish bins.

Green waste is recycled wherever possible. Recycling includes information as types of wastes, prohibited wastes, recycling guides, re-use of nutrients, management of effluent ponds, increasing the efficiency mill extraction etc.

All waste streams have been identified in the waste management plan. Waste is handled appropriately.

The following waste streams have been identified and are controlled through the EMS:

- Office Waste – segregated, recycled where possible with rest to the landfill.
- Household waste – segregated, recycled where possible with the rest to the landfill. Drainage from housing, waste to landfill.
- Human waste – Septic and soak aways.(Soak aways are made from pebbles used to filter water which has already had impurities removed by skimming or cleaning of sumps or other collection areas)
- Mill Effluent – through effluent ponds and land application.
- Fibre – Fuel for furnace.
- EFB – Fertiliser.
- Oils and Hydrocarbons (including containers) to Hydrocarbon pit.
- Pesticides (including containers which are triple rinsed, punctured and to pesticide pit).
- Pesticide spills – cleaned with spill kits used kits sent to pesticide pit.
- Hydrocarbon spills treated with sawdust. Burnt in boiler.
- Used oil – recycled, Stored in B3 storage.

Pesticides are a source of pollution and ground water and surface water contamination is controlled as stated elsewhere. The control of hydrocarbons has also been addressed elsewhere in this report. The collection of household waste is well controlled. Landfill sites are in place and improvement has been made in the management of these areas since the pre-audit.

All Land fill sites have no odour and waste is within the pit and not spreading. Most are fenced and could consider further fencing of all landfills to restrict access to authorised people only.

Landfill sites are now included in monthly estate inspections. Waste collectors have been trained to be more efficient in the use of the landfills – for example fill from one end and compact as they go rather than fill in all areas and also exclude green waste from landfills

Have also have in place treatment system for POME in the form of effluent ponds. Records of the disposal of pesticide drums are to be kept.

A number of improvements have been made since the initial assessment with regards to management of waste.

- Efforts have been made in all emplacements to grow grass cover where there was bare ground - a programme has commenced to plant grass in emplacements. The control of waste in the mill has improved markedly.
- Disposal of medical waste is now compliant with excellent records available of proper destruction of this waste.
- Many spill kits are now constantly monitored and topped up when required.
- No green waste being placed in landfills

As stated above Medical waste from each clinic is now managed properly.

PT TTI is recording wastes collection and control in all areas. This includes but is not limited to the following:

- POME
- Land fill monitoring including length of use
- Smoke emissions
- Pesticide containers

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

PT TTI uses fibre to power the boiler which produces steam which drives electricity-generating turbines - the use of renewable energy in this case would be almost 95% under normal operating conditions. PT TTI provides records of both monitoring of kilowatt hours per tonne of palm product and Kilogram of steam per tonne FFB.

A number of sheds including pesticide and fertilisers stores are relying on natural light (translucent roof panels) and therefore use of electricity for lighting is reduced.

PT TTI monitors the use of non-renewable energy (diesel) and this is monitored in the form of data which records use of diesel per tonne of FFB.

The fuel used for all operations is measured and monitored with a view to reducing use of non-renewable energy.

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.

There is no burning in new developments or at replanting. Burning is not allowed by PT TTI and there is no evidence of burning.

There has not been any sanitary burning at PT TTI at this stage.

Burning of domestic waste is against company policy and has mostly been eradicated. It is very rare to sight evidence of the burning of domestic waste by workers and families of PT TTI. Evidence of minor burning of domestic waste was sighted during this assessment and minor non conformity was raised – see below.

PT TTI has a procedure in place with regards to land burning emergencies and records are maintained of training in response to fire. Records are kept if at any time PT TTI has to respond to illegal fires or outbreaks.

The pressure of fire hydrants is now checked regularly at scheduled intervals to ensure they remain effective in the case of fire.

Fire Extinguishers are regularly checked and inspected and are widely available in all areas and are appropriate.

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

Assessments have been carried out on all recognised polluting activities and include gas and smoke emissions, particulate and soot emissions, effluent control, treatment and discharge. Any significant pollutants and emissions have been identified. There is a plan in place to reduce pollution – this is included in the aspects/impacts register.

Stack emissions are measured by a 6 monthly check as required by Government regulations – evidence of these inspections is available for both mills. All reports indicate that all levels recorded are well below the allowable limits for emissions.

Have also identified POME which is used for land application and BOD is checked. Records indicate the results are well below thresholds as set by government.

PT TTI also checks any water courses which could be affected by operations to ensure there are no pollution effects from the operations of the mill.

The strategies to reduce pollution are documented in the EMS documentation. Records are in place for all reports which are received from analysis at independent labs. Results indicate if PT TTI are reducing pollution and any emissions are within allowable limits.

5.6.1 Observation: A number of sediment traps in place do not show evidence of regular inspection and cleaning during the inspection process.

5.6.3 Minor Nonconformity: Inspection of housing at PLE and TTE indicated that efforts and strategies to reduce pollution and emission were not implemented, as there is evidence of fire been used to burn domestic waste. Separation and collection of the domestic waste need improvement as domestic refuse was found scattered at the ground adjacent to the housing.

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.*

Social impact assessments are undertaken by either PT TTI or independent consultants depending on the situation. Items considered which could have potential social impacts include: Building of new roads, new mills, planting expansions, mill effluent disposal and clearing of natural vegetation.

All mills and estates have approved revised AMDALs, UKL/UPL and RKL/RPL documents depending on the requirement of every operating unit. BME/BMM has a revised RPL and RKL documents approved in June 2008. KRE: UPL and UKL of KRE approved by Kepala Badan Lingkungan Hidup Kabupaten Simalungun on 8 April 2009, letter number 700/109/BLH/2009. PLE/M/TLE: RKL and RPL approved on 21 July 2006, letter of approval number 660/242/BPDL-LB/2006. PLM/M/TLE: relatively good UKL and UPL report, sufficient social aspects such as demography, social integration, education, land holding, family income, housing, working opportunity, community perception, and public health are included..

PT TTI has supplemented the AMDAL or UKL/UPL information on negative and positive issues with additional Social Impact Assessment which include consultation with surrounding local communities in March 2010. A social impact assessment has been completed to determine the impacts of each estate even though operations have been in place for many years. PT TTI has completed assessments of continuing social impacts.

A more specific description has been completed with regards to social impacts as changes to one or more of the following: people's way of life – that is, how they live, work, play and interact with one another on a day-to-day basis; their culture – that is, their shared beliefs, customs, values and language or dialect; their community – its cohesion, stability, character, services and facilities; their political systems – the extent to which people are able to participate in decisions that affect their lives, the level of democratisation that is

taking place, and the resources provided for this purpose; their environment – the quality of the air and water people use; the availability and quality of the food they eat; the level of hazard or risk, dust and noise they are exposed to; the adequacy of sanitation, their physical safety, and their access to and control over resources; their health and wellbeing – health is a state of complete physical, mental, social and spiritual wellbeing and not merely the absence of disease or infirmity; their personal and property rights – particularly whether people are economically affected, or experience personal disadvantage which may include a violation of their civil liberties; their fears and aspirations – their perceptions about their safety, their fears about the future of their community, and their aspirations for their future and the future of their children.

The SEIA was conducted with the participation of local communities

The criteria specifically required that unit management under review document environmental and social impacts. Currently all estates have prepared RKL (environmental management plan and UPL (environmental monitoring plan) and were revised in 2009. These documents are applied as environmental impact assessment (EIA).

In all EIA document the major emphasis is on the physical/environment impact such as soil, air, water, wastes, fauna, flora and human activities).

Social impact assessment document is now available in summary. Monitoring and management of social impact is now available in summary. All estates have now developed or document social impact monitoring and management.

Under the RKL and RPL the unit management should document monitoring report of the environmental impact.

6.1.2 Minor Non Conformity: Inspection of the RKL/RPL reports indicated that monitoring and management of social impact were carried out without the participation of some local communities.

6.1.4 Observation: Company has prepared and submitted six monthly reports to the appropriate government body. However, inspection to the management and monitoring Report (RKL/RPL Report) indicated the report can be improved, since several discrepancies found e.g. report structures in-compliance to the Ministry of Environmental Decree No. 45/2005 and inadequacy of monitoring and management of certain aspects as required by SEIA documents.

The company has budgeted CD and CSR activities without any programmatic plan/advanced plan of activities. All CD/CSR activities are dependent on the community requests. Most of the requests related to the road improvement, contribution to schools, mosques/churches, and village administration facilities. It is felt PT TTI should be proactive with regards to promoting CSR activities.

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.

A documented procedure is in place and records of communication and consultation with communities is to be maintained. This procedure needs to ensure all areas of communication are covered – and ensure the procedures are common among all activities.

Decisions that the growers or mills are planning to make are made clear, so that local communities and other interested parties understand the purpose of the communication and/or consultation. Records of all consultation matters are required to details status and decision made.

Communication and consultation mechanisms have designed in collaboration with local communities and other affected or interested parties. These consider the use of existing local mechanisms and languages

Consideration is given with regards the use of third parties including community groups, NGO's and Government agencies.

Records of all communications and actions taken in response to input from stakeholders. These records were available at audit for Social Auditor.

6.2.2. Observation: A list of stakeholders is available at every operating unit; however, the comprehensiveness of the list was not consistent at every operating unit. At PLE/TLE: A good list of stakeholders e.g. consist of government offices, village heads, workers unions, contractors and suppliers updated at 31 March 2011. BME/KRE/BMM has revised and updated the stakeholders list at 01 April 2011. The list now includes government offices, sub-district office, local people representatives, contractors and suppliers. The list can be improved by adding more detail on the address of the stakeholders. PLM/KRE/BMM: Need to be completed with formal address and updated as necessary.

Records are kept of all community requests/proposals of activities and management unit responses which include follow up to ensure are actions are complete. The responses to the community responses/requests need to be consistent throughout estates. Communities' aspiration was mainly in form of donation request. So

far there were no complaints received by the company. Inspection of the communication records confirmed that all operating unit hold records of respond to complaints and grievances including those came from internal parties, for example at the BMM, most of the communications are in the form of formal letter is a request for donations, e.g. at 01 August 2010, sub-district head of Gunung Malela requested a donation for Indonesia Independence celebration. Request was approved a week after the arrival of the letter. Record held on file "Rekaman Konsultasi dan Komunikasi Stakeholders".

All community/stakeholders communication are responded to by Estate Managers - who nominates responsible persons to undertake the task if he is not available.

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 procedure is available for handling complaints. Records of the handling of complaints is documented and managed. Each Estate manager is responsible for the management of complaints. . A grievance book is kept in all estate and mill offices. Items are dealt with on a local level unless they cannot be resolved and then referred to more Senior Management for further consideration. This process has already been used in some areas. (Minor Improvement required to make compliant).

. If any disputes or complaints surface the internal procedure will be applied. At a later stage if the initial effort to resolve a complaint was not effective both parties will discuss agreed way/mechanism to resolve disputes/complaints. Records of all complaints and progress to resolution are to be maintained in a current state so all parties are aware of the status of the complaint/grievance.

The company holds record of complaints and grievances at each operating unit including complaints from internal and external stakeholders.

For example, at BMM a complaint was received from BME manager over POME overflow at the block 14/1997. Company took immediate action by pumping the POME back into block 28/1997. At PLE, inspection of the records of internal grievances (Buku Keluh Kesah Internal) indicated no grievances received except for request of repairs of houses. While for external two complaints were made in the last two months in relation to the traffic accident involving company workers. The last complaint was received in regard to traffic accident, where local people asked for compensation. Following negotiation held at 12 March 2011, it was agreed that company workers receive compensation. Records held on file "Buku Keluh Kesah Eksternal". PLM/TLE: No

grievances and complaints received except for request of repair to housing. At TLE record held on file “Buku Keluh Kesah dengan Pihak Eskternal dan Internal” mainly on the request of repair to the houses e.g. at 08/04/2011 estate received request from resident of house number 11B. Repair to the house was completed at 10/04/11.

It is considered that any disputes which are resolved are agreed and are signed off by the grieving party once the issue is resolved.

PT TTI holds procedure “Prosedur Tata Cara Perolehan Hak atas Tanah”. The procedure requires involvement of local communities and government officials for identification and assessment for compensation and witnessing payment. Information on compensation is publicly available.

In case of compensation for loss of land the procedure is placed under the complaints procedure which is available. There is a specific procedure to the identifying and calculating compensation for loss of land which includes loss of fruit or rubbers trees or other areas of value.

The standard price list for loss is usually provided by the government and price over this can be negotiated. The case of compensation took place when there is a complaint from local people in Perlabian Estate due to the development of security drain. Records are kept of prices paid as well as amount paid for the compensation to two people involved.

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.

There is a procedure in place for the identification of legal and customary rights of people entitled to compensation – see above 6.3

Records of people identified and entitled to compensation are in place.

Records of all compensation issues are retained.

The process and outcome of any negotiated agreements and compensation claims documented and publicly available. However will not be made publicly available unless agreed by affected parties.

All outcomes to compensation claims are fully documented. The outcomes to any settlements are not made public although information quickly becomes known. There is a documented procedure for calculating

and distributing fair compensation (monetary or otherwise) established and implemented and this will be calculated using government guidelines for land and crop values. This is already implemented (see above).

PT TTI did not acquire any new land for more than 25 years. Only one case of compensation took place when there was a complaint from local people around Perlabian Estate due to the development of security drain on 7 March 2009 (see 6.3.2). PLE agreed to pay for the compensation on 16 March 2009.

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.

Payments are well documented. Every worker receives a pay advice every time they are paid. Working conditions are documented in the Perjanjian Kerja Bersama (PKB). PKB is the document of agreement between workers represented by labour union (Pengurus Serikat Pekerja PT TTI Mandiri/SPTTM) and the company. The PKB is produced is a form of booklet. The PKB is in line with regulatory requirements approved by the Manpower District Agency. Health and safety is also documented. Housing and public facilities condition has yet documented well. Contract workers are managed by local contractors.

Payment and conditions include - working hours, deductions, overtime, sickness, holiday entitlement, maternity leave, dismissal reasons, period of notice were be viewed at this audit and were clearly indicated – see further comments below.

The company is applying The Decision of Minimum Wage set by Provincial Government and minimum wage agreed by Labour Union and plantation companies in Sumatra. Contract workers. Minimum wage agreed is IDR 933.000 for daily workers and IDR 1.041.400 for monthly workers. For each minimum wage is accompanied with the rice subsidy (as in kind payment) with value of at least IDR 169.061 depending on the number of family members.

PT TTI can ensure that contractors pay and conditions are in line with local requirements by obtaining contractor pay rates and is agreed to by contractors in the induction package for contractors.

Working conditions are documented in the Collective Labour Agreement (CLA/PKB). CLA is the document of agreement between workers represented by Labour Union (Pengurus Serikat Pekerja PT TTI Mandiri (SPTTM)) and the company. The CLA is produced as a form of booklet which is provided to all permanent employees. CLA 2008/2010 was signed by Director General of Industrial Relation, Department of Manpower in 10 July 2008 valid through 9 July 2010.

The CLA is in line with regulatory requirements approved by the Manpower District Agency. In relation to

contractor payment, PT TTI issued a new payment policy on 5 March 2010 to ensure regional minimum wage for contractor workers are met. Confirmed during contractor interviews that the new policy already implemented. Inspection of record and sample of pay slips confirmed pay and condition are in accordance to for example Minister of Manpower Decree No Kep-102/MEN/Year 2004 and CLA agreement between Labour Union and PT TTI.

6.5.4 Minor Non Conformity: The mill (BMM and PLM) has implemented new template of contract agreement for contractors that clearly specify contractors abide by labour laws, especially on the minimum regional wages and minimum ages of their workers. For example, at the PLM Agreement No. 03/PLM-HO/EDM/2011 25 March 2011 with PT Gelora Suprindo Mandiri and BMM agreement with PT Triroyal Timurraya No. 01/BMM-HO/EDM/2011 dated 04 April 2011 had specify that contractors must met at minimum wages and minimum ages of their workers. However, at all estates contract agreement with contractors did not yet consistently state labour requirements for example: BME/TRE: Contract between estate and UD Syandi Karya Grub No. 12/KKL/2010 dated 13 August 2010 did not specify contractor to pay at least minimum regional wages (BME) and did not employ underage workers). PLE: inspection of a sample of upkeep contractor agreement dated 01 April 2011 confirmed that company has specified the contractor is to abide labour laws, e.g. minimum wage and minimum age. TLE: already mention minimum age but not yet minimum wage— e.g. contract between estate and CV Mega Surya Pembangunan No. 01/TLE-HO/EDM/2010 dated 12 February 2010.

PT TTI ensures that adequate housing is provided, water supplies are adequate and clean, medical facilities are provided as well as education. Housing, Medical and Education at least meet local standards and are actually in most cases in excess of local minimum standards

Inspection confirmed PT TTI provide adequate housing for staff and workers, free water supplies are adequate and clean, electricity is at subsidized rate, kindergarten, elementary schools, crèche, place of worship, medical facilities are provided and additional benefit if treatment is needed at hospital. Water quality tests confirmed the treated water supplied to housing is suitable for domestic use. Recreation facilities at each estate include sports field.

Control of waste and living conditions including cleanliness is officially monitored through a formal regular compound inspection system.

Items that contractors should comply with are not written in Contract Agreement in detail except that the contractor should provide workers with PPE which is mostly provided by the Estates. Any requirements

specific to contractors and a requirement of PT TTI should be included in each contract and monitored. See Minor NCR above.

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.

There is a policy available on freedom of association although in practice the workers have a freedom to organize a union (there is a labour union called Pengurus Serikat Pekerja PT TTI Mandiri (SPTTM) in each Estate/companies under review). They have offices and management team.

A statement and policy is made formally recognising workers "Freedom of Association".

Meeting with unions and workers representatives are documented – samples were reviewed at this surveillance audit

BMM/BME; Management hold regular meetings with Workers Union (SPBUM: Serikat Pekerja Bukit Maraja Mandiri), for example the last meeting was held on 04 April 2011 attended by 32 participants. The estate. Estate needs to ensure that minutes of meeting need to be prepared at every meeting.

KRE: Last meeting on 08 January 2011 attended by 5 participants of workers union representatives; issues discussed including system of payment on the harvesting tool compensation.

BMM: meeting with workers representative held when it was a request of meeting by the union to solve certain issue. Since there was no issue raised in 2010, it has been a year without meeting.

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.

PT TTI does not knowingly employ workers under the national legal age limit.

The policy does not allow for any employees under 18. Minimum age employed in the Estates is 20 years old.

Data on workers age are available and recorded in the workers administration system and with HR.

During employment ID card check was carried out to ensure no underage was employed. During the audit, no underage workers were sighted at the work place.

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.

PT TTI does not knowingly engage in any forms of discrimination. Although whether this actually happens cannot be easily demonstrated.

There is an Equal Employment Opportunity Policy which available to all stakeholders via well distributed notice boards. Similar statement of equal opportunity policy also publicly available in website, <http://www.tolantiga.co.id/v1/wp-content/uploads/2009/05/equal-employment-opportunity-policy.pdf>, Signed by top management on 30 April 2009.

There is no indication of discrimination. Female and male has the same opportunity in job and payments. Local people also have opportunity for employment.

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.

There is a policy in place on Sexual Harassment and is documented and available to Managers, assistants and all stakeholders via notice boards although could be more widely distributed.

There is a documented policy in CLA on the protection of reproductive rights available on the subheading of Maternity Leave. Female workers are fully paid during 1.5 months prior and following birth. Women who are pregnant or breastfeeding are not allowed to work in dangerous environment. It is PTTI policy not to assign female pregnant or breast-feeding workers as sprayers, and will be transferred to other duties once confirmed pregnant by the company doctor. Meetings with workers confirmed their understanding and implementation of the policy. There is proof implementation of reproductive rights and it is written in detail in the PKB documents to guarantee leave and medical treatment.

A sexual harassment grievance mechanism has been established – there have been no reports received or documented of sexual harassment. Currently, company is on the process of modifying the mechanism to be able to cover gender issues at the working places. Formerly the gender committee was depends more on the informal structures lead by manager's wife that mostly cover on informal activities.

6.9.4 Observation: A gender committee coordinator has been named at every operating unit; however, in some estates the gender committee is not yet active. Medan

HO has sent letter at 03 May 2011 (requested all operating unit name their Gender Committee Contact Group before end of June). Interview of the manager indicated those gender committees have been form on the ground, for example at KRE a gender committee has just been formed at 07 May 2011—further formal meeting will be carried out in June.

A sexual harassment grievance mechanism has been established – there have been no reports received or documented of sexual harassment.

There is proof implementation of reproductive rights and it is written in detail in the PKB documents to guarantee leave and medical treatment

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

No Small Holders.

There are in place contractual agreement local contractors indicating rates etc. The contract are legal and transparent – are available in either estates for smaller contracts of in the legal department in Medan for larger capital works contracts.

Contractors are paid in line with the contract conditions – there have been no complaints of late payments received or recorded.

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

PT TTI makes contributions to local development – records of all consultative arrangements are clear and open.

Contributions to local development take place in the following sequence: firstly community request for donation from mills or estates. Then, the request will decided by management (HO) for agreement.

Company received request of donation from a number of parties, e.g. local schools, police stations, and local communities. The company makes contributions to local development – records of all consultative arrangements are clear and open. Contribution to local development takes place in the following steps: firstly community request for donation to mills or estates. Then, the request will be decided by management (HO) for agreement. Community representatives will be made known during annual meetings with external stakeholders carried out every August. Most of the contribution made is provision of building material and provision of grader for village road maintenance.

BME/M: Records of contribution to local community, mainly in form of donation, held on file "CD 2005 – 2009", which are available to all stakeholders.

PLE/M: Community requested donation from the company, mostly on the provision of grader for village road maintenance, donation of tornado victim in form of building material. For example at 07 March 2011 Perlavian village head requested of donation of roofing for repair of houses damage by tornado. Company provides the donation at 10 May 2011. Record held on file “Daftar Rekapitulasi CD 2009 – 2011”.

TLE: provision of clean water, road grader, rehabilitation of mosque and church for local village e.g. Sidorejo, Menanti, For example at 08/02/2011, Parlabian village head requested company to provide fence for local mosque. Request approved and fence was given at 04 April 2011. Record “Community Development Records”.

Some plantation activities such as building housing complex, road maintenance and plantation maintenance are contracted to the local contractors.

There are at least 14 activities outsourced to the contractors. Community development and CSR budget is prepared for community supports.

Records are in place for all requests and contributions. PT TTI also contributes to local school improvements and in other areas when requested.

Records are kept of all activities.

Criterion 7.1 A comprehensive and participatory social and environmental impact assessment is undertaken prior to establishing new plantings or operations, or expanding existing ones, and the results incorporated into planning, management and operations.

Criterion 7.2 Soil surveys and topographic information are used for site planning in the establishment of new plantings, and the results are incorporated into plans and operations.

Criterion 7.3 New plantings since November 2005 have not replaced primary forest or any area containing one or more high Conservation Values.

Criterion 7.4 Extensive plantings on steep terrain, and/or on marginal and fragile soils, is avoided.

Criterion 7.5 No new plantings are established on local peoples’ land without their free, prior and informed consent, dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their own representative institutions.

Criterion 7.6 Local people are compensated for any agreed land acquisitions and relinquishment of rights, subject to their free, prior and informed consent and negotiated agreements.

Criterion 7.7 Use of fire in the preparation of new plantings is avoided other than in specific situations as

identified in the ASEAN guidelines or other regional best practices.

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.

The company has implemented an environmental Management System that is certified to the ISO 14001:2004 Standard.

Objectives and Targets have been developed and an improvement plan prepared. The third party ISO 14001 Certification Audit checks the achievement of the objectives and targets annually for continuous improvement. The main focus of continual improvement to date has been environmental performance, while less attention has been given to social impacts.

The company has implemented best practices for management of pesticides and the improved controls associated with this program has reduced overall chemicals usage over the past 3 years.

The company has implemented a best practice system for the segregation of wastes at source into composts, recyclables and non-recyclable for disposal at landfills. This program has reduced substantially the quantity of waste disposed in landfills.

Riparian buffer strips are being established at replant to trap coarse grained sediment from discharge into streams. Vetiver and Guatemala grass are being used to strengthen river and creek banks to prevent erosion.

A Continuous Improvement Plan is attached. Appendix C.

3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions (Also included as Appendix D)

MAJOR NONCONFORMITIES

Nil Major Nonconformities were assigned

MINOR NONCONFORMITIES

Four (4) Nonconformities were assigned against Minor Compliance Indicators. Details of these Nonconformities are provided below:

4.7.8 Minor NCR: At Perlavian Estate is was noted that a number of recent preventable accidents which have occurred have not been fully investigated or documented with a view to preventing recurrence

5.6.3 Minor NCR: Inspection to housing at PLE and TTE indicated that effort and strategies to reduce pollution and emission was not implemented, as there are evidence of fire been used to burn domestic waste. Separation and collection of the domestic waste need

improvement as domestic fuse was found scattered at the ground adjacent to the housing.

6.1.2 Minor NCR: Inspection to the RKL/RPL reports indicated that monitoring and management of social impact were carried out without the participation of local communities.

6.5.4 Minor Non Conformity: The mill (BMM and PLM) has implemented new template of contract agreement for contractors that clearly specify contractors abide by labour laws, especially on the minimum regional wages and minimum ages of their workers. For example, at the PLM Agreement No. 03/PLM-HO/EDM/2011 25 March 2011 with PT Gelora Suprindo Mandiri and BMM agreement with PT Triroyal Timurraya No. 01/BMM-HO/EDM/2011 dated 04 April 2011 had specify that contractors must met at minimum wages and minimum ages of their workers. However, at all estates contract agreement with contractors did not yet consistently state labour requirements for example: BME/TRE: Contract between estate and UD Syandi Karya Grub No. 12/KKL/2010 dated 13 August 2010 did not specify contractor to pay at least minimum regional wages (BME) and did not employ underage workers). PLE: inspection of a sample of upkeep contractor agreement dated 01 April 2011 confirmed that company has specified the contractor is to abide labour laws, e.g. minimum wage and minimum age. TLE: already mention minimum age but not yet minimum wage— e.g. contract between estate and CV Mega Surya Pembangunan No. 01/TLE-HO/EDM/2010 dated 12 February 2010.

PT TTI has prepared a Corrective Action Plan (Appendix D) that has been reviewed and accepted by BSi. Progress on Corrective Action will be checked during the Surveillance Audit.

OBSERVATIONS / OPPORTUNITIES FOR IMPROVEMENT

The assessment identified Twelve (12) Observations/ Opportunities for Improvement. The progress with the Observations/Opportunities for Improvement will be checked during the next Surveillance Assessment visit planned for May 2012.

2.1.1 Observation: However, inspection to the mill's payroll indicated some instances of excess overtime for several workers. This is indicated that the mills did not fully implemented legal audit, as the extension permit from Labour Department was not available at the time of audit

4.1.1 Observation: The regular required inspections did not take place and records were not available at Bukit

Maradja from January to April 2011. Therefore records for checking in this period could not confirm monitoring of operations took place.

4.6.3 Observation: In one estate pesticide shed the eye protection being used by pesticide mixers was inadequate and must be replaced by the correct type of goggles

4.7.2 Observation: At Perlavian Estate the records of Safety meetings have not been adequately recorded.

4.7.5 Observation NCR Risk control requires improvement as a number of Unsafe acts and Unsafe Conditions were noted including but not limited to the following:

- Some electrical areas require improvement such as the state of leads on welders and some power points require repair
- Some Mill employees not wearing reflective vest (BMP).
- Welders not using screen protection for other workers
- The lock out- tag out procedure is not being properly applied
- One hand rail at BPM requires repair.

4.7.5 Observation: Emergency procedures have not been tested at PPOM have not been tested since January 2010

5.1.1 Observation: Environmental Aspects should be reviewed formally and routinely by all operations. This should occur as a minimum at least every 12 months.

5.2.1 Observation: A few of the original signs are now faded and these need to be replaced to become much clearer for both workers and any public.

5.6.1 Observation: A number of sediment traps in place do not show evidence of regular inspection and cleaning during the inspection process.

6.1.4 Observation: Company has prepared and submitted six monthly reports to the appropriate government body. However, inspection to the management and monitoring Report (RKL/RPL Report) indicated the report can be improved, since several discrepancies found e.g. report structures in-compliance to the Ministry of Environmental Decree No. 45/2005 and inadequacy of monitoring and management of certain aspects as required by SEIA documents.

6.2.2. Observation: A list of stakeholders are available at every operating unit, however, the comprehensiveness of the list were not consistent at every operating unit. At PLE/TLE: Good list of stakeholders e.g. consist of government offices, village heads, workers unions, contractors and suppliers updated at 31 March 2011. BME/TRE/BMM has revised and updated the stakeholders list at 01 April 2011. The list now includes government offices, sub-district office, local people representatives, contractors and suppliers. The list can be improved by adding more detail on the address of the stakeholders. PLM/KRE/BMM: Need to be completed with formal address and updated as necessary.

6.9.4 Observation: A gender committee coordinator has been named at every operating unit; however, in some estates the gender committee has not active yet. Medan HO has sent letter at 03 May 2011 (requested all operating unit to name their Gender Committee Contact Group before end of June). Interview to the manager indicated those gender committees have been form on the ground, for example at KRE a gender committee has just been formed at 07 May 2011— further formal meeting will be carried out in June.

3.3 Noteworthy Positive Components

1. There is an appreciation of the company due to the existence of facilities and infrastructure that can be used by the local communities. The facilities such as health clinic, basic education, school bus transportation, and sports facilities are open the for local community around the plantation. In addition, some company infrastructures such as road access, and bridges also used by local community in connecting between villages
2. There is also an appreciation related for the company contribution for local community such as mosque renovation, village infrastructures, sports activities, etc. There are two kinds of company aid: first, routine aid such as contributions towards local communities basic needs (“sembako”) on the eve of Islamic holidays; second, the contribution based on proposal projected by local communities. In general, local communities also satisfied with the management staff in responding their proposals
3. There are new job and business opportunities for local communities. In order to support the production, company needs third parties to handle some work that cannot be done by the company itself. For example harvesting, maintaining the plants, spraying, etc. In addition, business opportunity is also available

for local businessmen such as become business partners (contractors).

4. The company has set up women’s groups to better represent their needs. There are regular meetings held where the women are encouraged to state their views. This is encouraged by PT TTI Management.

3.4 Issues Raised By Stakeholders and Findings with Respect To Each Issue

1. In emplacement “Pondok Batu” residents complaining they often run out of water. No water tanks available, so it is very difficult even just for take a bath. Other repairs needed among other are rainwater, domestic water drains, septic tanks, gutter in emplacement their area.

Company respond: Program to repair rainwater, domestic water drains, septic tanks, gutter in emplacement area are in place, ongoing process of tender by contractors, expected to be started mid of this year.

Auditor Comment: This will improve the life of the workers and improve hygiene

2. Rural Kampongs

Need support from PT TTI as source of income

PT TTI Response: PT TTI has provided very strong support to rural villages, and estates, as a major source of income through assisting development and providing employment and supporting local businesses

Auditors Comment: Support of local area is very widespread

3. All Stakeholders

All Stakeholders commented they have very good relationship with company

PT TTI Response: Continue to improve relationships

Auditor Comment: Appears that PT TTI standing in the community is well appreciated by stakeholders

4. Some group of local communities disappointed in the company because prohibiting grazing of cattle in plantation area.

PT TTI response. According to the management staff, grazing cattle activities can

obstruct the palm oil plantation: cattle can consume the palm oil plantation, and to disseminate the *Ganoderma* fungal disease in around plantation area. But, the cattleman cannot understand these arguments. They perceived the company has obstructed their economic activities. In 2009, facilitated by Simalungun regency office, there is a meeting attended by Commission B-Simalungun Parliament, SIPEF management, eight heads of village, and heads of district to resolve the “cattle problem”. But, the final agreement was not accomplished yet. Therefore, cattleman still grazes their cattle in the plantation area.

Auditors Comment: The cattle owners are not the villagers but from large cities and they are attempting to procure free agistment and they are in a money making venture not the villages. It is a business risk and if cattle grazing helps spread *Ganoderma* and damages the plantation the company’s position is understandable.

6. There was some concern from nearby Kampongs that PT TTI was polluting the water in a river.

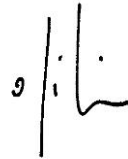
PT TTI Response: PT TTI investigated this and found the pollution of the river was coming from a nearby independent mill. They were discharging POME into the river over the allowed limits. The matter has been reported to the local police – records were available.

Auditors Comments: These responses have all been validated. We visited the area and there was evidence that the effluent ponds of this mill had overflowed recently.

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

Please sign below to acknowledge receipt of the assessment visit described in this report and confirm the acceptance of the assessment report contents including assessment findings.

Signed for on behalf of
PT TTI



.....
Mr Olivier Tichit
Environment and Conservation General Manager
Date: 13.5.11

Signed for on behalf of
BSi Management Systems Singapore Pte Ltd



.....
Mr Allan Thomas
Lead Auditor
Date: 13.5.11

Appendix “A”

RSPO Certificate Details+FFBTonnages Table

PT TTI
gedung Bank Sumut, Lt.7
20152 Medan
Sumatera Utara INDONESIA

Certificate Number: SPO 555208

Website: www.tolantiga.co.id

Applicable Standards: RSPO Principles & Criteria : 2007; **RSPO INA-NIWG May 2008**

Bukit Maradja Palm Oil Mill and Supply Base				
Location Address		Pamatang Syahkuda, Simalungun, Sumatra Utara, Indonesia		
GPS Location		03°04N-099°15E		
CPO Tonnage Total		35 000mt		
PK Tonnage Total		7 500mt		
Own estates FFB Tonnage		155 000mt		
Non-company Suppliers FFB Tonnage		0mt		
SIPEF estates	Mature (ha)	Immature (ha)	Total HGU (ha)	Annual FFB Production (mt)
Bukit Maradja Estate	2 936	190	3 178	80 000
Kerasaan Estate	2 090	225	2 362	75 000
TOTAL	4 996	415	5 540	155 000

Perlabian Palm Oil Mill and Supply Base				
Location Address		Kampung Rakyat, Labuhan Batu Selatan, Sumatra Utara, Indonesia		
GPS Location		02°04N-100°04E		
CPO Tonnage Total		43 000mt		
PK Tonnage Total		11 500mt		
Own Estates FFB Tonnage		187 000mt		
Non-company Suppliers FFB Tonnage		0mt		
SIPEF Estate	Mature (ha)	Immature (ha)	Total HGU (ha)	Annual FFB Production (mt)
Perlabian	4 027	597	4 807	97 000
Tolan	3 443	183	3 672	90 000
TOTAL	7 470	780	8 479	187 000

SIPEF - PT TOLAN TIGA INDONESIA
 BUKIT MARADJA & PERLABIAN PALM OIL MILLS
 PRODUCTION

FFB (mt)	initial certification est. production	2009 actual	2010		2011 estimated	2012 estimated
			estimated	actual		
BME	88,000	73,829	79,000	70,047	73,885	55,861
KRE	56,000	52,030	53,701	48,233	51,519	40,109
BME+KRE	144,000	125,859	132,701	118,280	125,404	95,970
PLE	105,000	89,050	90,005	85,213	82,595	75,439
TLE	93,000	88,118	92,184	92,877	95,190	87,614
PLE+TLE	198,000	177,168	182,189	178,090	177,785	163,053
TOTAL	342,000	303,027	314,890	296,370	303,189	259,023

CPO (mt)	initial certification est. production	2009 actual	2010		2011 estimated	2012 estimated
			estimated	actual		
BMPOM	35,000	32,302	30,853	28,173	29,156	22,313
PLPOM	43,000	41,034	41,903	41,787	40,891	37,502
TOTAL	78,000	73,336	72,756	69,960	70,047	59,815

PK (mt)	initial certification est. production	2009 actual	2010		2011 estimated	2012 estimated
			estimated	actual		
BMPOM	7,500	7,411	7,299	6,606	6,897	5,278
PLPOM	11,500	10,889	10,931	10,817	10,667	9,783
TOTAL	19,000	18,300	18,230	17,423	17,564	15,062

Appendix “B”

Surveillance Audit Programme

RSPO surveillance audit BMM/PLM by BSI
– 09-13 May 2011 –

BSI audit team : Allan Thomas (lead auditor), Iman K Nawireja

TTI team : Olivier Tichit (GM-ENC dpt.), Bahrun, Sugio, Efri, Widyarni Situmorang, Bima Sitorus.

[BME : Bukit Maradja Estate, KRE : Kerasaan Estate, BMM : Bukit Maradja palm oil mill, PLE : Perlabian Estate, TLE : Tolan Estate, PLM : Perlabian palm oil mill]

Monday 09 May

AT/IKN : arrival Medan 08h00 by GA180, pick-up by OT
08h00-11h00 : to BME by road
11h30 : (BME) opening meeting BSI & TTI
12h30-13h30 : (BME) lunch
13h30-17h30 : audit BME
- - - - : overnight BME

Tuesday 10 May

08h00-12h00 : audit BMM
12h00-13h00 : (BME) lunch
13h00-15h30 : audit KRE
15h30-20h30 : drive to PLE
- - - : overnight PLE

Wednesday 11 May

08h00-12h00 : audit PLE
12h00-13h30 : (PLE) lunch
13h30-17h30 : audit PLM
- - - : overnight PLE

Thursday 12 May

08h00-12h00 : audit TLE
12h00-13h30 : (PLE) lunch
13h30 : departure PLE
14h45-19h59 : train Rantau Parapat-Medan
- - - : overnight Medan (Aryaduta Hotel for AT/IKN)

Friday 13 May

07h30-10h30 : audit PT SAN Belawan (CPO tanks at Belawan port)
10h30-12h00 : audit documents in Medan office
12h00-13h30 : lunch
13h30-16h30 : auditors internal meeting and closing meeting BSI & TTI.
17h30 : departure AT/IKN GA193.

Appendix “C”

Continuous Improvement Plan

PT TOLAN TIGA INDONESIA (SIPEF)

CONTINUOUS IMPROVEMENT PLAN - BME/KRE/BMM/PLE/TLE/PLM

Last update : 14 june 2011.
By : GM-ENC

Distribution : PD / D-ESD / D-ENG / D-FAD / GM-HRA / GM-IAD / Cpy.Doctor / SFM / EM / MM / EHS
Updates by ENC.

ACTIVITIES (ongoing activities from 2010 are maintained and updated)	LOCATION	IN CHARGE	SUPPORT	TIME TARGET	STATUS
CIP2010-B Improve maintenance/cleanliness of the housing areas (emplacements)					
1-repair rainwater and used water drains, septic tanks, gutters.	all	ESD / ENG	ENC	ETC 2012	in progress budgeted over 3 years
2-support women groups for involvement in emplacements management provide training in sanitation, capacity building ; monitor activity	all	ENC	ESD / ENG	continuous	in progress
3-increase "green areas" in emplacements	all	ESD/ENG	ENC	continuous	in progress
4-monthly monitoring of emplacements (included in monthly P2K3LH meeting)	all	ESD/ENG	ENC	continuous	in progress
5-ENC to increase support in the field (add 2 EHS for North Sumatra)	all	ENC	-	june 2011	completed
CIP2010-C Improve management of HCV areas					
1-increase number of signs/maintain signs	all	ESD	ENC	continuous	in progress
2-continue training of "Kader Konservasi" from employees and local people	estates	ENC	ESD	next activities 2011 with local NGO	planned
3-monthly review of situation/incidents at P2K3LH meeting	estates	ESD	ENC	continuous	in progress
CIP2010-F Improve OHS assessment capacity for assistants and managers					
	all	Training M	ENC/ESD/ENG	continuous	in progress
CIP2010-K Improve use of clean water in workers housing					
1-test well water quality	all	ENC	ESD	continuous	in progress
2-improve maintenance of existing water distribution network	all	ESD/ENG	ENC	continuous	in progress
3-drill new boreholes where necessary	all	ESD	ENC	ETC BY 2011	in progress

CIP2010-S	Review and improve stakeholders lists	all	ESD/ENG	ENC	continuous	in progress
CIPSU2011-A	Replace Free Labour engaged in fertiliser application and spraying by Fixed Labour	estates	ESD	HRA	end 2011	in progress
CIPSU2011-B	Improve LTI reporting					
	1- improve monthly reporting of LTI	all	ESD/ENG	ENC/Doctor	continuous	in progress
	2-introduce frequency and severity indicators	all	Doctor	ENC	continuous	planned
CIPSU2011-C	Improve medical monitoring of high-risk workers	all	Doctor	ENC	continous	started march 2011
CIPSU2011-D	OHS management system					
	1-prepare SMK3 as per Indonesian regulations	all	M-Training	ENC	june 2011	planned
	2-implement SMK3	all	ESD/ENG	ENC	continous	planned.
CIPSU2011-E	Improve reporting of RKL/RPL					
	1-prepare specific questionnaire for social/health issues	all	ENC	-	june 2011	completed
	2-carry out interviews with neighbouring villages on impact of operations	all	ESD/ENG	ENC	continous	planned.
CIPSU2011-F	Improve monthly OHS/environmental/social meetings					
	1-increase support from ENC (add 1 manager, and 2 EHS for North Sumatra)	all	ENC	-	june 2011	completed
	2-review and improve inspections checklists to cover all identified aspects	all	ENC	ESD / ENG	continous	in progress
	3-include review of all accidents occurring in the operations (even with third parties)	all	ENC	ESD / ENG	continous	in progress
	4-improve review of monthly reports by ENC	all	ENC	ESD / ENG	continous	in progress
CIPSU2011-G	Ensure yearly review of self-assessments (OHS and Environmental)	all	ESD/ENG	ENC	continous	in progress
CIPSU2011-H	Evaluate efficiency of Gender Committees in the operations	all	ENC	ESD / ENG	end 2011	planned

Appendix “D”

Nonconformities, Corrective Actions and Observations Summary

New Minor Non Conformities raised at this assessment

Four (4) Minor Non Conformities raised

RSPO Indicator	NCR Ref	Details
4.7.8	AT 01	<p>4.7.8 Minor NCR: At Perlabian Estate is was noted that a number of recent preventable accidents which have occurred have not been fully investigated or documented with a view to preventing recurrence</p> <p>Corrective Action:</p> <p>Refresher courses in the safe use of equipment and of PPE will be carried out where unsafe acts were sighted.</p> <p>The company has assigned two EHS officers to cover specifically the Labuhan Batu area, in the view of improving overall OHS and environmental management and reporting. A refresher course on the reporting and investigating of accidents, including accidents involving third parties, is planned for second half 2011.</p>
5.6.3	AT 02	<p>5.6.3 Minor NCR: Inspection to housing at PLE and TLE indicated that effort and strategies to reduce pollution and emission was not implemented, as there is evidence of fire been used to burn domestic waste. Separation and collection of the domestic waste need improvement as domestic fuse was found scattered at the ground adjacent to the housing.</p> <p>Corrective Action:</p> <p>Women groups in PLE and TLE are getting additional support from the two EHS officers mentioned in minor NCR against 4.7.8, and from the paramedics. Waste management is a major activity of the women groups. We are targeting zero burning of waste by end 2011.</p>
6.1.2	AT 03	<p>6.1.2 Minor NCR: Inspection to the RKL/RPL reports indicated that monitoring and management of social impact were carried out without the participation of local communities.</p> <p>Corrective Action:</p> <p>The company is preparing a "social situation" questionnaire for the use of management units in preparing the RKL/RPL reports. ENC department is in charge of the preparation and necessary training for the use of this questionnaire. The questionnaire will be in place for second half 2011.</p> <p>RKL/RPL reports for first half 2011 will include social impacts, in accordance with requirements.</p>
6.5.4	AT 04	<p>6.5.4 Minor Non Conformity: The mills (BMM and PLM) has implemented new template of contract agreement for contractors that clearly specify contractors abide by labour laws, especially on the minimum regional wages and minimum ages of their workers. For example, at the PLM Agreement No. 03/PLM-HO/EDM/2011 25 March 2011 with PT Gelora Suprindo Mandiri and BMM agreement with PT Triroyal Timurraya No. 01/BMM-HO/EDM/2011 dated 04 April 2011 had specify that contractors</p>

		<p>must met at minimum wages and minimum ages of their workers. However, at all estates contract agreement with contractors did not yet consistently state labour requirements for example: BME/TRE: Contract between estate and UD Syandi Karya Grub No. 12/KKL/2010 dated 13 August 2010 did not specify contractor to pay at least minimum regional wages (BME) and did not employ underage workers). PLE: inspection of a sample of upkeep contractor agreement dated 01 April 2011 confirmed that company has specified the contractor is to abide labour laws, e.g. minimum wage and minimum age. TLE: already mention minimum age but not yet minimum wage—e.g. contract between estate and CV Mega Surya Pembangunan No. 01/TLE-HO/EDM/2010 dated 12 February 2010.</p> <p>Corrective Action:</p> <p>All management units will be reminded to include relevant points of compliance with labour regulations in all contracts with external service providers. ENC will carry out regular checks. Full compliance will be achieved by end of third quarter 2011.</p>

New Observations resulting from this assessment

Twelve (12) Observations made

2.1.1 Observation: *However, inspection to the mill's payroll indicated some instances of excess overtime for several workers. This is indicated that the mills did not fully implemented legal audit, as the extension permit from Labour Department was not available at the time of audit*

4.1.1 Observation: The regular required inspections did not take place and records were not available at Bukit Maradja from January to April 2011. Therefore records for checking in this period could not confirm monitoring of operations took place.

4.6.3 Observation: In one estate pesticide shed the eye protection being used by pesticide mixers was inadequate and must be replaced by the correct type of goggles

4.7.2 Observation: At Perlavian Estate the records of Safety meetings have not been adequately recorded.

4.7.5 Observation NCR Risk control requires improvement as a number of Unsafe acts and Unsafe Conditions were noted including but not limited to the following:

- Some electrical areas require improvement such as the state of leads on welders and some power points require repair
- Some Mill employees not wearing reflective vest (BMP).
- Welders not using screen protection for other workers
- The lock out- tag out procedure is not being properly applied
- One hand rail at BPM requires repair.

4.7.5 Observation: Emergency procedures have not been tested at PPOM have not been tested since January 2010

5.1.1 Observation: Environmental Aspects should be reviewed formally and routinely by all operations. This should occur as a minimum at least every 12 months.

5.2.1 Observation: A few of the original signs are now faded and these need to be replaced to become much clearer for both workers and any public.

5.6.1 Observation: A number of sediment traps in place do not show evidence of regular inspection and cleaning during the inspection process.

6.1.4 Observation: *Company has prepared and submitted six monthly reports to the appropriate government body. However, inspection to the management and monitoring Report (RKL/RPL Report) indicated the report can be improved, since several*

discrepancies found e.g. report structures in-compliance to the Ministry of Environmental Decree No. 45/2005 and inadequacy of monitoring and management of certain aspects as required by SEIA documents.

6.2.2. Observation: A list of stakeholders are available at every operating unit, however, the comprehensiveness of the list were not consistent at every operating unit. At PLE/TLE: Good list of stakeholders e.g. consist of government offices, village heads, workers unions, contractors and suppliers updated at 31 March 2011. BME/TRE/BMM has revised and updated the stakeholders list at 01 April 2011. The list now includes government offices, sub-district office, local people representatives, contractors and suppliers. The list can be improved by adding more detail on the address of the stakeholders. PLM/KRE/BMM: Need to be completed with formal address and updated as necessary.

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Previous Minor Non Conformities (closed)

Nonconformities against Minor Compliance Indicators

Minor Nonconformities (Detail)

RSPO Indicator	NCR Ref	Details
4.1.3	AT 01	<p>4.1.3 Minor NCR – At Perlabian Palm Oil Mill the monitoring of operations is ineffective due to the fact that inspections are not reporting breakdowns, leaks and other issues requiring maintenance</p> <p>Corrective Action:</p> <p>A corrective action plan is being implemented, which covers refresher training for mill management, support for review of self-assessments and inspections by ENG and ENC staff, and internal audit after three months.</p> <p>Action has been taken on the above issue as described and action was seen to be effective and therefore this Minor NCR has been closed</p>
4.3.2	AT 02	<p>4.3.2 Minor NCR: There is evidence of some over spraying at Tolan Estate which could result in erosion. There may be a need to run refresher training in this area for sprayers</p> <p>Corrective Action:</p> <p>Refresher training for sprayers and mandors is planned for TLE. Field assistants will be monitoring performance, under supervision of the field head assistant.</p> <p>Action has been taken on the above issue as described and action was seen to be effective and therefore this Minor NCR has been closed</p>
4.4.2	AT 03	<p>4.4.2 Minor NCR: There is no formal implemented water management plan in place at PT TT. Practices do not address control of all water related issues including repair of leaking taps, construction of drains, water recycling amongst other issues</p> <p>Corrective Action:</p> <p>ENC department is drafting a water management plan, to be completed in July 2010 (see continuous improvement plan item CIP2010-P).</p>

		<p>Action has been taken on the above issue as described and action was seen to be effective and therefore this Minor NCR has been closed</p>
4.7.5	AT 04	<p>4.7.5 Minor NCR Risk control requires improvement as a number of Unsafe acts and Unsafe Conditions were noted including but not limited to the following:</p> <ul style="list-style-type: none"> • Some sprayers not using appropriate PPE • Incorrect signage in place • Some chain guards missing • Some guard rails missing in Perlabian Mill • Some steps need cleaning • The company supplies only 1 pair of boots (rubber) each year however workers claim boots only last 4 months • Some higher areas in mill have holes in floor and need repairing • Signage not being followed • One visitor to mill area not using hard hat in contravention of signage. • Welders not using protection • Gas bottles not restrained • Open drains not covered • Evidence of smoking in signposted non-smoking areas <p>Corrective Action:</p> <p>Unsafe acts and conditions have been reported to the various business units and are being addressed.</p> <p>Progress for the specific unsafe acts and conditions noted above will be monitored in the monthly inspections and discussed at the monthly OHS/Environment meetings. ESD, ENG, ENC departments are supporting and monitoring progress.</p> <p>Supply of additional rubber boots or change to higher quality boots is being reviewed by Company management.</p>
5.2.4	AT 05	<p>5.2.4 Minor NCR: No public informative material (brochures, posters, leaflet etc.) is available for public/workers regarding with the HCV or its protective habitats species/functions</p> <p>Corrective Action:</p> <p>PT TTI will improve information on HCVA and protected species through work with the Forestry Services. Posters will be placed in strategic locations, and awareness sessions carried out by "Kader Konservasi" inside our estates and in the surrounding communities.</p>
5.3.3	AT 06	<p>5.3.3. Minor NCR The following areas waste control requires improvement:</p> <ol style="list-style-type: none"> a) Some emplacements are bare and could cause a dust problem for residents - a programme has commenced to plant grass in emplacements b) The control of waste in the mill c) Disposal of medical waste d) Many spill kits are either empty or not being used in Perlabian Mill e) Drips trays not used to prevent spills mainly at Perlabian mill f) Improvement management of land fill site by more efficient use of space <p>Do not fill landfills with green waste</p>

		<p>Corrective Action:</p> <p>Awareness of the existing procedures on waste management will be increased through muster call information, women groups and company doctor visits/inspections.</p> <p>Monitoring will take place through the monthly OHS/environment inspections and meetings.</p> <p>Situation in Perlabian mill is specifically being addressed under a separate corrective action plan.</p>
6.1.4	AT 07	<p>6.1.4 Minor NCR: There is no report of Bukit Maradja Mill or Estate with regards to schedule meetings and monthly reports. Perlabian Mill are reporting Environmental monitoring annually when this should be bi-annually</p> <p>Corrective Action:</p> <p>An Environment & Conservation manager has been assigned to cover BME/BMM/KRE and is tasked to support and monitor compliance of reporting.</p> <p>Reporting at Perlabian mill is monitored by an Environment, Health and Safety Officer assigned to cover PLE/PLM/TLE.</p> <p>Action has been taken on the above issue as described and action was seen to be effective and therefore this Minor NCR has been closed</p>
6.9.3.	AT 08	<p>6.9.3 Minor NCR: Some female contract workers are not made aware of sexual harassment policy and there are no records to show that they have been made aware. Women's Groups do not include female contract workers</p> <p>Corrective Action:</p> <p>Communication of company policies is being improved at muster call, and in the case of contract workers, mandor are to ensure that policies and procedures are known and understood.</p> <p>The situation of female contract workers will be reviewed by the company Gender Committee. Their inclusion into women groups is hindered by their work mobility.</p> <p>Action has been taken on the above issue as described and action was seen to be effective and therefore this Minor NCR has been closed</p>

