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PUBLIC SUMMARY REPORT

RSPO SECOND ANNUAL SURVEILLANCE ASSESSMENT (ASA2)

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

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SUMMARY

BSi has conducted the second annual surveillance assessment of PT Inti Indosawit Subur operations comprising two mills, two oil palm estates, scheme smallholders, support services and infrastructure. BSi concludes that PT Inti Indosawit Subur – Ukui group operations and the scheme smallholders comply with the requirements of RSPO Principles & Criteria: November 2007; Indonesia National Interpretation of RSPO P&C, 2008; and Indonesian National Interpretation of RSPO P&C for Scheme Smallholder 2009. The two palm oil mills were also assessed against the RSPO Supply Chain Certification Standard for the compliance to the requirement for the CPO mills (RSPO SCCS: November 2011). It is noted that the mills have implemented Mass Balance (Module E – Mass Balance) of RSPO SCCS requirement to ensure traceability of the incoming and out-going product.

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

ABBREVIATIONS USED

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

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

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation Used

The operations of the mills and their supply bases were assessed against the RSPO INA-NIWG: May 2008, RSPO P&C for Scheme Smallholder INA-SWG 2009, and RSPO SCCS for CPO Mills November 2011.

1.2 Certification Scope

The scope of Certification covers two (2) Palm Oil Mills and the supply base comprising two (2) companies owned Estates and Scheme Smallholders.

1.3 Location and Maps

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

Table 1: Mills GPS Locations

MILL	Longitude	Latitude
Ukui I (Capacity: 90 t/hr)	102°05'33"E	00°13'34"S
Ukui II (Capacity: 75 t/hr)	102°07'01"E	00°16'37"S

1.4 Description of Supply Base

Oil palm FFB is sourced from company managed two estates, scheme smallholders and from third party. The Ukui Group's projection of FFB productions (certified) for the year 2013 are listed in Table 2a and 2b as shown below.

Table 2a: Ukui I Mill FFB Supply Details

Source	Estimation as at ASA01 (2012)	Actual as for 2012	Projection as at ASA2 (2013)
Ukui I Supply Base			
Ukui estate	111,669	115,910	119,320
Soga estate	-	220	
Sub-total	111,669	116,130	119,320
Scheme Smallholders:			
KUD Sumber Makmur	36,018	37,207	37,600
KUD Bina Usaha Baru	13,570	14,268	14,784
KUD Bakti	9,856	10,653	10,752
KUD Karya Bersama	19,328	24,085	20,736
KUD Sawit Subur	19,976	23,339	21,792
KUD Bina Sejahtera	27,312	29,362	29,664
KUD Sumber Bahagia	27,823	26,697	28,844
KUD Bukit Potalo	10,474	10,126	9,486
KUD Usaha Baru	10,474	7,748	9,486
Sub-total	174,831	183,485	183,144
Outgrowers *	65,000	116,290	115,000
Total Ukui I supply	351,500	415,905	417,464

*Outgrowers is excluded from the certification scope

Table 2b: Ukui II Mill FFB Supply Details

Source	Estimation as at ASA01 (2012)	Actual as for 2012	Projection as at ASA2 (2013)
Ukui II Supply Base			
Soga Estate	139,230	148,712	151,348
Ukui Estate	-	2,657	-
Sub-total	139,230	151,369	151,348
Scheme Smallholders			
KUD Tani Subur	18,811	18,023	18,842
KUD Karya Tani	18,624	20,387	18,166
KUD Mekar Abadi	13,679	14,504	13,761
KUD Trani Maju	23,639	26,987	23,442
KUD Tani Bahagia	31,607	34,213	32,784
KUD Usaha Tani	31,008	38,125	31,215
Sub-total	137,368	152,239	138,210
Outgrowers*	112,871	133,184	141,234
Total Ukui II supply	389,469	436,792	430,792

*Outgrowers is excluded from the certification scope

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

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

1.5 Date of Plantings and age profile

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

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

Age (years)	% of Planted area Ukui Estate	% of Planted area Soga Estate
21 – 30	91.97	46.56
11 – 20	8.03	52.04
4 – 10	-	1.21
0 – 3	-	0.19
Total	100.00	100.00

Table 3b: Scheme Smallholders' Age profile of palms

Age (years)	Total Planted Area (ha)	% of planted area
1987	1,650	12.19
1988	2,750	20.32
1989	2,958	21.85
1990	3,534	26.11
1991	1,372	10.13
1993	284	2.10

1994	200	1.48
1995	788	5.82
Total	13,536	100.00

1.6 Other Certifications Held

PT IIS which managing the scheme smallholder has implemented an Environmental Management system and was awarded ISO 14001 Certification on 10th June 2008 – Certificate Number ID05/65250 – expiry date 10 June 2014. Both palm oil mills are certified under ISCC certification on 6th October 2011 Certificate number a) Ukui I Mill: DE-B-BLE-BM-10-100-20110496 and b) Ukui II Mill: DE-B-BLE-BM-10-100-20110497. The company owned estates obtain ISCC Statement of conformity since 6th October 2011.

1.7 Organisational Information / Contact Person

PT IIS contact details as follows:

PT Inti Indosawit Subur
 Jl. M.H. Thamrin No. 31
 Jakarta INDONESIA 10230
 Contact Person: Ms. Asrini Subrata
 Phone: +62 21 2301119
 Fax: +62 21 230 1120
 Email: asrini_subrata@asianagri.com

1.8 Time Bound Plan for Other Management Units

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

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

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

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

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

1.9 Area of Plantation

The area of palms at company owned estates and smallholders are listed in Tables 4a and 4b. There is small area (10 ha) of immature in Soga estate due to in-filling activity last year (2012). The activity conducted was planting free-space area in term of ex-football field in the estate. The management has built new football field for the workers in different location. There is no immature area in the scheme smallholder plots.

Table 4a: Estate and Area of Palms

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

Table 4b: Scheme Smallholders members and Area of Palms

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

1.10 Approximate Tonnages Certified

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

Table 5a: Ukui I Mill – Approximate CPO Tonnages Certified and actual production

Ukui I Mill	CPO		
	2012 Budget	2012 Actual	2013 Budget
Ukui Estate	25,851	26,219	27,861
Scheme Smallholder	38,376	39,284	40,402
Subtotal Certified	64,227	65,503	68,263
Outgrowers*	12,155	21,295	21,620
Total	76,382	86,798	89,883

* Outgrowers is excluded from certification scope.

Table 5b: Ukui II Mill – Approximate CPO Tonnages Certified and actual production

Ukui II Mill	CPO		
	2012 Budget	2012 Actual	2013 Budget
Soga Estate	32,510	34,417	35,491
Scheme Smallholder	30,564	33,032	30,296
Subtotal Certified	63,074	67,449	65,787
Outgrowers*	22,431	25,621	27,901
Total	85,505	93,070	93,688

* Outgrowers is excluded from certification scope.

Table 5c: Ukui I Mill – Approximate PK Tonnages Certified and actual production

Ukui I Mill	PK		
	2012 Budget	2012 Actual	2013 Budget
Ukui Estate	5,807	6,378	6,563
Scheme Smallholder	9,091	10,078	10,073
Subtotal Certified	14,898	16,456	16,636
Outgrowers*	3,380	6,374	6,325
Total	18,278	22,830	22,961

* Outgrowers is excluded from certification scope.

Table 5d: Ukui II Mill – Approximate PK Tonnages Certified and actual production

Ukui II Mill	PK		
	2012 Budget	2012 Actual	2013 Budget
Soga Estate	7,310	8,385	8,475
Scheme Smallholder	7,212	8,437	7,740
Subtotal Certified	14,522	16,822	16,215
Outgrowers*	5,926	7,374	7,909
Total	20,448	24,196	24,124

* Outgrowers is excluded from certification scope.

Table 5e: Approximate Tonnages Certified during ASA2

Mill		2013 Budget	
		CPO	PK
Ukui I	Ukui Estate	27,861	6,563
	Scheme Smallholder	40,402	10,073
Subtotal 1		68,263	16,636
Ukui II	Soga Estate	35,491	8,475
	Scheme Smallholder	30,296	7,740
Subtotal 2		65,787	16,215
Grand Total (1+2)		134,050	32,851

1.11 Date of Certificate Issued and next surveillance visits

The scope of the certificate includes the production from the company owned estates and scheme smallholders which processed at the Ukui I and Ukui II Palm Oil Mills. The reissuance date of certificate would be after the approval of the summary report. The next surveillance visit will be not longer than 12 month of certificate anniversary date.

2.0 ASSESSMENT PROCESS

2.1 Certification Body

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

2.2 Qualification of the Lead Assessor and Assessment Team

Aryo Gustomo – Lead Assessor

He holds degree in Agriculture science and graduated from Bogor Agriculture University. He is a specialist in oil palm plantation with Agronomy background. He had more than 5 (five) years working experienced related to oil palm industries i.e. as a Plant breeder/agronomist in the one of Malaysian oil palm seed producer, and as a field assistant in oil palm Plantation Company in Indonesia. Several relevant Training he has completed include ISO 9001 and 14001 Lead Auditor, RSPO Lead auditor endorsed courses which also covered RSPO SCCS, Social Report Assurance training, ISPO auditor training, and training on HCV identification and management. Currently he works for BSi Group based in Jakarta office as a RSPO scheme manager and one of the BSi qualified RSPO lead auditor. He had been involved in several RSPO certification audits including New Planting Procedure assessment as a lead auditor/auditor with geographical audit experiences cover Indonesia, Malaysia, Thailand and Liberia. During this assessment, he mainly focused on the aspect of legal, environment, mill, estate, and smallholder best practices; working safety and emergency preparedness, and supply chain requirement for CPO mills.

Nanang Muallib – Assessor

He holds a Bachelor degree in Forestry Technology from Bogor Agriculture University, 1999. He has 4 years experience worked in the Forest plantation company in Indonesia, and has experiences involves in the several RSPO certification audits as team member. He has attended the 5 days RSPO P&C Certification System Assessment Training held by PT Mutuagung Lestari on 2009 as well as 5 days ISO 9001 auditor training on 2009. He has been approved as an HCV Assessor under RSPO Scheme. He has been involved in many assessment related to the Forestry and Sustainable oil palm

certification in Indonesia. He has experienced involves in RSPO certification assessments more than 15 oil palm different organizations (including mills and estates) in Indonesia. He has an excellent command of Bahasa Indonesia and English in both writing and speaking. He is also familiar with RSPO P&C Certification assessment and qualified as audit team member. During this assessment, he assessed on the aspect of Legal, HCV identification and management, and also Social community engagement and stakeholders consultation.

Pratama Agung Sedayu - Assessor

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

This summary report was reviewed by Mr. Senniah Appalasamy. He is one of the BSi RSPO Lead auditor and internal reviewer who has involved in report reviewing and certification decision.

2.3 Assessment Methodology and Programme

The Second Annual Surveillance Assessment (ASA3) of the Mills and Estates was carried out on 4 – 9 February 2013. The Assessment Programme is included as Appendix C. The Programme included assessments of the Two Mills, Two company managed Estates, Ukui and Soga, and three sample KUDs (Sumber Bahagia, Bukit Potalo, and Mekar Abadi) against all of the RSPO Principles & Criteria and applicable RSPO indicators. The three sample KUDs had not previously been assessed.

BSi Audit team conducted an assessment of the scheme smallholders operation comprising fifteen cooperatives by sampling three cooperatives (KUDs) based on the RSPO sampling formula (0.8 √Y whereby Y is number of cooperatives). This sampling strategy was developed based on the RSPO sample size, the geographical location of the cooperatives and number of smallholder members. The RSPO sampling formula also used for the selection of members to be assessed.

The assessors carried out follow-up checks on the effectiveness of corrective actions for the nonconformities and Observations/ Opportunities for Improvement that were identified during ASA1.

The methodology for collection of objective evidence included physical site inspections, observations of tasks and processes, interviews of staff, workers and their

families and external stakeholders, review of documentation and monitoring data. Checklists and questionnaires were used to guide the collection of information.

This report is structured to provide a summary for each Principle and Criterion, together with details for selected indicators to demonstrate conformance. The assessment was based on random samples and therefore nonconformities may exist that have not been identified.

Mr Senniah Appalasamy, BSi RSPO Lead auditor and Internal Reviewer, has reviewed this report for conformance with BSi Procedures and the RSPO Certification System requirements.

2.4 Stakeholder Consultation and a List of Stakeholders Contacted

Internal and external stakeholders were consulted to obtain their views on PT IIS's environmental and social performance and any issues of concern that they may have. External Stakeholder consultation took place in the form of meetings and interviews without the present of the management members of the company; and also interviewed at their premises where practical or they were invited to meet at a venue acceptable to both parties. Internal stakeholders were interviewed in groups in the workplace or at their housing. PT IIS officers were not present at any of the interviews. A list of stakeholders contacted is included at Appendix D.

2.5 Date of Next Surveillance Assessment Visit

The next surveillance assessment visit would be not later than 12 months from anniversary date of certificate.

3. ASSESSMENT FINDINGS

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

3.1 Summary of Findings – Existing certified units (RSPO P&C INA-NIWG, May 2008)

Principle 1: Commitment to transparency

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

PT IIS has maintained Standard Operating Procedure for handling information request and response under AA-GL-5008.1-R1 effective date 22 August 2011. Under the

procedure, the response must be provided to stakeholder in 15 working days. The retention time for information request and response records sets as 3 years. A responsible officer is appointed to receive any information request from stakeholders, both verbal or through letter. The officer also maintains the logbook for information request and responses. The information request from relevant authorities recorded under "Permintaan Informasi rutin" (Routine Information Request Book). The information request from other interested parties recorded under "Permintaan Informasi Lain tahun 2011-2012" (Others Information Request Book, 2011/2012). Document review confirmed PT IIS has made response to information request in appropriate and timely manner. The Response of information request from relevant authorities is compiled under "Laporan Rutin" (Routine report book). Based on the procedure SOP AA-GI-5008.1-R1, the record of information requests and responses were kept for 3 years. Document review confirmed all of current records are kept does not exceed 3 years.

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

PT IIS has a policy stated that all legal, social and environmental document and permits are publicly available. The procedures for information request regulated under SOP AA-GL-5008.1-R1 dated 22 August 2011. List of available document for public is listed under "Daftar Perizinan" (List of Permits), covers Copies of government related documents such as AMDAL, RKL, RPL and land ownership documents are available on request. Other documents include Social Impact Assessment, Safety and Health Plan and continuous improvement plans. These records are maintained for a minimum of three years and government related documents maintained as per requirement of the law.

Principle 2: Compliance with applicable laws and regulations

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

PT IIS maintained SOP for compliance with legal indicators and its changes under SOP AA-GL-5001.1-R0 dated 5 December 2009. PT IIS maintained document "Evaluasi Kepatuhan Hukum" (Evaluation of Legal Compliance) dated 2 December 2012. The Legal Department of PT IIS's Head office issued a Memorandum for all units under PT IIS management with regards Updating Current Regulation; dated 10 October 2012 No: 017/GL-AAS/MEMO/10/12.

Sample of legal documents were checked in the mill and estates. Land ownership (such as land title/HGU, location permit, etc) documents are valid. No changes in the HGU certificate as at current.

Boiler test, generator emission and ambient air quality and the latest report confirm compliance to the legal requirements.

However, there was found Major nonconformity which escalated from previous Observation during ASA1 in 2011. PT IIS has submitted Corrective Action, and BSI has reviewed and accepted. The Major NC was successfully closed not longer than 60 days.

Previous Observation (2.1.1): *It is found that Soga Estate already applied for the SIO (for heavy vehicle operator) and waiting for the approval from Labour department. The management must ensure that the process is completed as required.*

ASA2 finding: *Soga Estate provided numbers of heavy vehicle operator license (Surat Izin Operator). For example grader and compactor operator, however estate has not been able to show backhoe loader operator permit from contractor. Observation consider partially closed and escalated into Non Conformity. See NC Major No.A845131/1.*

Major Nonconformity (reference number: A845131/1): *There is no sufficient evidence that sub-contracted backhoe loader operator from Soga Estate holds valid license (SIO).*

Corrective Action: *Soga Estate has now been able to show backhoe loader Operator permit (surat izin operator) from contractor. The Operator permit under the name Marsidi Simbolon (No.SIO.029.008/PAT/2012 valid through 20 September 2017) and Hari Harianto (No.SIO.030/008/PAT/2012 valid through 20 September 2017). The nonconformity is considered closed on 2 April 2013.*

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

PT IIS Ukui Group holds three HGU which was checked and verified during the initial assessment and ASA1. It was checked again during ASA2. The HGU are (1) HGU No. 156/HGU/BPN/2004 dated 11 November 2004 covering an area of 6,727.64 ha valid until 31 December 2079; (2) HGU No. SK HGU 78 – HGU – BPN RI – 2008 dated 19 December 2008 covering an area of 2,704.22 ha. (3) HGU No. 115/HGU/BPN RI/2009 dated 8 September 2009 covering an area of 299.52 ha.

However, there is found Major nonconformity which escalated from previous Observation during ASA1. PT IIS has submitted Corrective Action, and BSI reviewed and accepted.

Major nonconformity (reference number: A845131/2): *PT IIS was not able to provide objective evidence of business permit (IUP) for area under HGU No.78/HGU/BPN-RI/2008 for area 2,704 Ha and HGU No.115/HGU/BPN-RI/2009 for area 299.52 Ha. The proposal of IUP has been forwarded to local authorities since December 2012.*

Corrective Action: *PT IIS has showed an official letter from Forestry and Plantation Department of Pelalawan District stating that PT IIS application for IUP since*

December 2012 has been received and still in progress to be reviewed and finalized. Auditor is aware of the long process of getting IUP from local authorities takes some time. Auditor considered this corrective action to be closed, but need to check for effective implementation of closing out evidence in next surveillance visit (ASA3). Major NC is considered closed on 8 April 2013.

Legal boundaries maintain on 6 monthly bases. Record shows the latest boundary checked and maintained on 30-31 January 2013 in Soga Estate. Field visit to the sample locations confirmed that the boundary stones are visibly maintained and records of inspection is maintained at the estate.

Follow up from previous Minor Non Conformity (01) against 2.2.5:

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

ASA2 finding:

PT IIS generates new SOP AA-GL-510.1-RO entitled "Penanganan Keluhan Masyarakat", in term of flow-chart with effective date 1 January 2013. The procedure implies that all complaint will be responded in timely manner, analyze and the complainants will be offered the solution. Upon agreement, the solution will be implemented and documented. Should the solution not accepted, appointed responsible party will be offered new solution by company. If the new solution is also rejected, the matters will be brought upon legal court. Time frame for complaint resolution is sets to 15 working days. The nonconformity is consider closed on 9 February 2013

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.

PT IIS's Ukui group has not acquired any new land since the previous assessment (ASA1). PT IIS's ukui does not restrict local peoples' access through the main Estate roads. This was confirmed during interview with company representative and stakeholder consultation with local community.

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

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

PT IIS's Ukui has 3 Year working plan for Productivity per planting year of the estate, started with 2011, budget and actual 2012, projection for 2013 – 2016.

Estimate OER average covered from 2007 – 2016. Production cost (Rupiah/Tonne CPO) incorporated into production of FFB recapitulation per estate division. The Estimate productivity for the year 2013 with consideration of mature planted area is 26.48 tonnes/Ha. The costs comprise of upkeep activities (such as weed control, fertilizer application, pest and disease management, pruning and castration, oil palm census and thinning out, ditch/terrace/platform maintenance, road and bridge maintenance, survey and maintenance of boundary poles) and Harvesting cost (harvesting, transport and weighing).

Replanting programme for minimum 5 years projection prepared on 10 January 2012. The replanting plan for planting year 1989 will started in 2015 for 307Ha, and in 2016 for 159 Ha; while plan for planting year 1990 will started in 2016 for 97Ha, and in 2017 for 201Ha.

Yearly review of replanting programme is available for 3i2013. The review result showed production estimation in 2015, and general process to prepare the re-planting program such as survey and field block boundary, stacking methods, ganoderma census, ditch and road marking, felling, chipping and stacking, hoeing, planting spot marking, making platform, planting leguminous crop planting, making planting hole, and planting procedures.

Observation 01 (3.1.1) - Ukui 1 mill may wish to ensure the long term working plan for 3 years (2012-2015) may contain crop projection (FFB yield trend, price forecast and other financial indicators).

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

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

PT IIS's Ukui SOPs for the Mills and for Agriculture are controlled documents under the Agricultural Policy Manual dated 1 February 2009. The SOPs cover all aspects of oil palm management from land development through to maintenance and harvesting. The implementation of field practices is checked daily by the Assistant Managers and the Estate Manager and monthly by the General Manager.

All field inspection results are recorded in Monthly Report. Document review found the most recent Monthly report was on December 2012 and January 2013 for both Ukui's Mills and Estates. Example of field inspection of the Estate are monitoring on chemical and fertilizer application, road maintenance upkeep, harvesting activities including FFB production records, making platform in certain limit of slopes, etc.

Minor Nonconformity raised against 4.1.4 (reference number A845131/1): It is found preventive maintenance programme was not implemented properly as per schedule. For example:

Ukui I Mill

- *tightening weighing bridge screw and bolts done 5 times in a year, while the programme conducted once on monthly basis during 2012;*
- *multi-cyclone leakage checking at boiler station was not done in 2012, while the programme once in 3 month.*

Ukui II Mill

- *Bearing lubrication at boiler station on weekly basis in January 2013;*
- *Dust-hopper cleaning on weekly basis in January 2013;*
- *Exciter stator and rotor cleaning on weekly basis in January 2013.*

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

Result of annual leaf sampling test made available for fertilizer application recommendation. The latest leaf sampling conducted in 2012 for fertilizer (organic or inorganic) recommendation on 2013. Result of soil sampling analysis (physic and chemical) made available with recent dated 26 June 2010.

Record of fertilizer application including POME for land application and EFB for land mulching is recorded in "Rencana kerja dan Realisasi By Product 2012-2013".

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

PT IIS developed semi-detailed soil map for Soga Estate. Soil map made available with the soil type and topographic class. Based on the soil map the larger part of the estate were *Dystrudepts* composed of clay with sandy particle. No peat soil is identified.

PT IIS developed strategy to minimize erosion on slope areas. Record shows manual terracing, mechanical terracing and platform has been built and re-instated on areas with steep slope of block C98i. Field inspection to block C98i shows the platform and manual terracing evident. Control of erosion demonstrated minimum impact on soil degradation and sedimentation on the lower land.

Road maintenance programme made available completed with road maintenance realization. Record of "Realisasi Prasarana Jalan tahun 2012" (*Realization on the Road facility year 2012*) consisted installation of permanent cross drainage, road hardening block C98i December 2012, 180 meters with 60 m³ material consist of sand and rock. Field visit to block C98i shows the road maintenance evident.

Follow up from previous Observation (4.3.5)

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

ASA2 findings: PT IIS monitored the erosion rate from areas with slope. Erosion rate monitored on 6 monthly basis. Based on evaluation of soil erosion that has been done, monitoring data shows the erosion rate is acceptable (8 tonnes/year/Ha) according to research department reference. Once PT IIS identified the source, implemented Integrated Soil Conservation Management System. The system comprise of several soil conservation efforts including U-shape frond stacking, maintain ground covers, empty fruit bunch application, platform, silt pit, manual terracing, mechanical terracing, stop bund on ditch, combination of stop bund and silt pit at areas with steep slope and prone to erosion. Auditor considers proper corrective action and effectively implemented.

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

The riparian buffer zones for re-establishment at replanting were clearly marked with poles painted red and the adjacent palms marked with yellow paint. Inspections showed the vegetation appeared within riparian area are well protected from disturbance.

The Mills sample and test water quality of river water, domestic water, and monitoring well. The independent Dinas Pekerjaan Umum Riau Province Laboratory collects samples and tests the raw water of river and monitoring well 6 monthly for compliance. Domestic water was tested internally through Mills laboratory in monthly basis. Review of the results for the previous year confirmed both Mills complied with all parameters.

The BOD of the treated Mill effluent discharge was maintained consistently less than 5,000 mg/L throughout 2012. The independent Balai Pengujian Diskimprawi Laboratory collects samples and tests the effluent discharge monthly for compliance. Review of the results for the previous year confirmed both Mills complied with all effluent discharge licence parameters (KepmenLH No. 28/2003 and Peraturan Gubernur Riau No. 35/2007 with regards to BOD limits of effluent discharge for land application).

Example record observed by auditor was “Tabulasi data Pemantauan Kualitas Air Limbah Land Aplikasi 2012 – Ukui I Mill” (Matrix of Monitoring on Effluent discharge for land application 2012 – Ukui I Mill), BOD for October 1,663 mg/L; November 323 mg/L; and December 2,836 mg/L.

Both mills monitor the use of water includes monitoring of water usage for mill processing and domestic usage. Result of water usage monitoring is recorded under “Mill Operation Summary 2012”. Review on record confirmed met with the approved budget for processing and domestic.

Follow up from previous Observation (4.4.1): It is noted that the water analysis result data was available but the management team did not aware that it is need to

analysed to ensure the result is suitable for the use at mill as per requirement.

ASA2 findings: Auditors consider this observation should relate to indicator 4.4.2. Based on documentation review during ASA2 there are no evidence on evaluation of water quality test result for river water, domestic usage water and monitoring well for period 2011-2012. This observation escalated into non conformity against 4.4.2. See Minor NC No.A845131/2

Minor nonconformity against 4.4.2 (reference number A845131/2): Based on documentation review during this assessment there are no evidence on evaluation of water quality test result for river water, domestic usage water and monitoring well for period 2011-2012.

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

PT IIS’s Ukui continued the program at each of the Estates of establishing the beneficial plants *Turnera subulata* and *Cassia cobanensis* along boundaries and roadsides. Barn Owl boxes have been installed at each of the Estates with routine census conducted every 3 month.

Ukui and Soga Estates operate an early warning census programme to monitor leaf-eating pest numbers and rat damage. The census monitors numbers of nettle caterpillars, bagworm pests and rats at the Estates. The most recent census was done on January 2013.

Latest IPM training for field operator was conducted on 26 November 2012.

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

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.

Inspection of records confirmed only chemicals that are registered and approved by the Department of Agriculture are used. Data on pesticides usage are recorded on the PT IIS’s Ukui Group Estate office.

Agrochemicals used are monitored each time it is used. Records includes active ingredients used, area treated, quantity applied per hectare, type of equipment used and number of applicators involve.

To ensure that applicators are trained, daily briefing is given each time agrochemical application is arranged.

Type of chemical to be used is recommended by the R&D Department.

Checks at the Estate (visit to Soga estate chemical's storage) showed the pesticide stores continued to be well maintained and the chemicals were labeled clearly and stored within spill containment. Observation of spray-mix preparation and spraying showed that the workers were wearing PPE correctly and they were working safely and in accordance with the chemical manufacturer's recommendations.

Follow up from previous Observation (4.6.1):

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

ASA2 findings: PT IIS developed a "List Bahan Kimia KSA tahun 2013" indicating all agrochemical utilized in estate and monitored on monthly basis. Agrochemical identified verified with stock in agrochemical storage and found to have valid registration status. Soga Estate: Starane 480 EC – Fluorokspir, permit valid until 3 April 2013; Metsulindo – Methyl Metsulforon, valid until 23 June 2016; Agristik – Poliglikol, valid until 11 March 2014; Gramoxone – Paraquat, valid until 18 March 2016; Polydor 25 EC – Lamda Sihalotrin, valid until 15 January 2014; Lindomin 865 SL – Dimetil Amino, valid until 23 June 2016; Biolon 480 EC – Triclophyr 480, valid until 30 April 2014; Bionasa 480 SL – Isopropil Amina, valid until 4 March 2013; Regent – Fipronil, valid until 8 March 2016.

Agrochemical waste materials and containers are collected and stored at the permitted Hazardous waste store (B3). Triple rinsing method is used before storing the empty containers in the B3 store. These containers are recycled for the same purpose to prepare pre-mixed agrochemical to be used in the field. The surplus waste materials are disposed through permitted waste collector PT Emulsion Indo Nusa Indah.

Use of paraquat is on reducing trend. Paraquat is gradually being replaced with Glyphosate. Beside paraquat there are no other Type 1A or Type 1B agrochemicals used.

Health check up conducted on 6 monthly basis. The latest medical checkup for sprayer and fertilizer operator conducted on 8-9 February 2012 and 3-4 September 2012.

Company policy on prohibiting pregnant or breast feeding female workers from agrochemical application is implemented continuously. Based on interview with female worker and paramedic in clinic, regular pregnancy test was conducted in order to monitor the fertility. Female worker with indication of pregnancy is not allowed to work with agrochemical.

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

OSH Plan, which includes a training programme and action plans with designated responsible person identified in term of P2K3 (Safety and Health Committee).

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

ASA2 findings: During this assessment the operators interviewed were able to demonstrate good knowledge and explained health and safety implementation at each station. Agrochemical store keeper is able to explain triple rinse and mitigating spillage of agrochemical. Mill operator is also able to explain noise mapping signage and using appropriate PPE on station with high intensity noise.

Review on the worker's payroll, all workers in the Mills and Estates are covered by accident and medical insurances. The accident insurance covered by JAMSOSTEK.

Minor nonconformity raised against 4.7.5 (reference number A845131/3): PT IIS have developed risk assessment for Estate and Mills. The risk for each activity in the estates and mills has been identified, along with risk control. Based on document review the risk evaluation were not accurate as it was not based on relevant records. Furthermore at the mills, risk assessments for 2012 have not been reviewed and updated according to the actual condition.

Minor nonconformity raised against 4.7.8 (reference number A845131/4): Based on field inspection, the content of first aid kit in all places (harvest mandor, spraying mandor, fertilizer mandor, agrochemical store, workshop, estates and mills office) only contains 15 items. Furthermore the sign colour for first aid kit is white with green cross, while PT IIS blue with white cross. These are not complied with relevant regulation (Permenaker No.25/2008).

Minor nonconformity raised against 4.7.10 (reference number A845131/5): Work accident records are available for estate and mills; however there is no evidence accident records in the estate regularly reviewed. Meanwhile review result and action plan provided for mills accident record was only repetition action plan from previous year (2012) which potentially unable to reduce the accident case in the following years.

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

PT IIS developed Training programme of Environmental & Sustainability 2013.

While for training programme of 2012, PT IIS made the record available. Example:

Basic safety training conducted on 6 December 2012, attended by 48 persons; Training on harvest of 2 loose fruit /kg FFB for five harvesters dated 22 November 2012; Training on pest and disease census for 11 employees dated 20 September 2012.

However, Major Nonconformity raised against 4.8.2 (reference number A845131/3): Record of training for each employee in estate is not kept properly. Staff admitted there is no any such record as required in indicator.

Corrective action: Organization has provided Personal Data Training from Soga Estate, Ukui Estate, Ukui I and Ukui II Palm Oil Mill. The Personal Data Training shows all training records of both staff and non-staff from drivers, mandors, operators, assistants and managers.

Nonconformity considers to be closed on 2 April 2013.

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

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

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

PT IIS Ukui maintained the Environmental Impact Assessment document (AMDAL) that covers the full scope of its operations. Initial environmental and social impact and aspect identification is in the form of AMDAL which was prepared in 1994. This was revised in 2009 due to the increase in the mill capacity from original 65mt/hr to 90 mt/hr.

PT IIS Ukui reports bi-annually to Government on the AMDAL monitoring program results and the most recent RKL & RPL report was January – June 2012. The RKL/RPL covers all the operating units including the scheme smallholders.

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

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

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

ASA2 findings: PT IIS developed RKL/RPL report (first semester of 2012) including impact parameters as per DPPL document as well as social environmental aspects. Record shows all previous issues have been covered.

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.

The presence of HCVs at PT IIS Ukui is mainly under category HCV 1.1, HCV 1.2, HCV 1.3, HCV 2.3, HCV 4.1 and HCV 6 with total HCV areas of 234.46 ha; where mostly the identified HCV areas were determined as riparian area and ancestral graveyard. The Initial HCV assessment was carried out by RSPO's HCV approved assessor from Agriculture University of Bogor, Indonesia on 2010.

Inspections of records confirmed that the appointed personnel at each of the Estates have continued to monitor the riparian buffer zones and graveyard. Plan for 2012 to monitor and maintain the identified HCV area at the estate was also sighted and kept in Estate manager office.

The Estates have maintained notice-boards at the entrance to the properties and next to buffer zones or worker housing to prohibit the capture or hunting of fauna and disturbance of vegetation. There are no HCVs at the smallholder areas, which were originally cleared for the PIR-transmigration project. Interview of Smallholders confirmed that PT IIS Ukui had carried out awareness on HCVs and the farmers were able to list the protected species of birds and mammals in the local area, although these are rarely sighted.

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

ASA2 findings: PT IIS has been developed a working plan for HCV area of 2012 including HCV 6 management plan implementation. For example: management of HCV 6 area in Block number E90C Soga Estate through housekeeping and maintenance, HCV area is demarcated.

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

Waste products have been identified and documented under the "Evaluasi Aspek-Dampak Lingkungan" (Environmental Aspect impacts). This document is

updated once a year with latest update on December 2012.

Observation 02 (5.3.1) - IIS to ensure document "Evaluasi Aspek-Dampak Lingkungan" Ukui II Mill dated April 2011 is regularly update as per time target for each activities.

Plans to avoid pollution are in place to include careful mixing of agrochemicals, diesel tank bunding, dedicated hazardous waste (B3) stores, concreted and banded workshops, oil traps and controlled household waste disposal. Line-site (domestic waste) discharge is also included in the plans. Hazardous waste is stored in a dedicated B3 store and disposed of by a licensed company in accordance with product label and existing regulation.

It is noted that the operating units have mechanism to ensure the hazardous waste is sent to permitted storage area from the transit store in each estate as per the mechanism. For example: One week in clinic/chemical storage/workshop and transferred to traction; and one week in traction before sent to Ukui.

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

ASA2 findings: During this assessment, Soga Estate consistently send the hazardous waste from agrochemical store, workshop, clinic into temporary hazardous waste storage at workshop. From the temporary storage, hazardous waste is sent to permitted storage area.

However, **Major nonconformity raised against 5.3.2 (reference number A845131/4):** There are "Mekanisme Penanganan Sampah" (Mechanism on domestic waste handling) in which to segregate the organic and an-organic domestic waste and reuse or recycle an-organic waste (for plastic) and composted for organic waste; however based on field visit the domestic waste was not segregated but rather disposed off into landfill without controlled measurement.

Corrective action: Estates and Mills management issued Memorandum on March 2013 for all workers regarding Domestic waste handling. It is also found evidence that socialization of Mechanism on domestic waste handling was conducted for all workers at estates and mills. The socialization was conducted on March 2013. Warning signs are also installed in worker housing. Estates management has started to segregate the organic and in-organic domestic wastes at the land-fill which started on February 2013 up to day. Auditor considers sufficient evidences to close out the nonconformity, and will check the consistency implementation at subsequent surveillance visits. **Nonconformity is closed on 8 April 2013.**

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

All energy used in both mills is monitored and recorded under document of "Pemakaian Energi 2012" (The Energy Usage 2012). Fossil fuel records are maintained and trends shown. Energy use records include accurate measurements of renewable energy use per tonne of FFB processed. Company already maximise the renewable energy use. All the shell and fibre is consumed internally as boiler fuel.

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.

PT IIS Ukui has continuously implemented a Zero Burn Policy since the start of the oil palm development. Although replanting has not yet been carried out, PT IIS Ukui has stated its commitment to adhere to the Zero Burn Policy during future replant. Field visit to Field Block number E10a in Soga Estate (10 ha of filling area ex-football field carried out on 2010-2011), shows the work done without land burning, its only related to weed control, fertilizer application, and integrated pest management.

PT IIS has procedure on "Pengendalian kebakaran lahan" (Land Burning Control) AA-KL-14-EFP. The person responsible for each working unit has been appointed. Patrol conducted on holiday to monitor any activities on the field during the time including fire. Based on patrol report, the latest patrol conducted on 25 December 2012.

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

PT IIS Ukui has documented all pollution and emission sources under document of Environmental Aspects and Impacts Register – 14001 EMS, latest update on December 2012.

The boiler and generator emission tests conducted every 6 month, in collaboration with Sucofindo Laboratory of Pekan baru. The results on 22 May 2012 (semester 1) show compliances to allowable limits (e.g. NOx, SOx, Opacity, and particulate). The indoor noise and air ambient at the mills were also tested and comply with allowable limits. The last results for 2012 (semester 2) are still hold by the laboratory and has not been given to the PT IIS.

All environmental parameter tests for air pollution and emission was compiled in the RKL-RPL report and submitted to Environmental agency of Pelalawan.

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

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

PT IIS Ukui has continued to engage with the local communities and smallholders through appointed personnel (Public Relation officer). This arrangement continues to enable PT IIS Ukui to monitor the emergence of issues that then are discussed at the monthly meetings.

PT IIS Ukui continues to prepare the six monthly RKL/RPL Report to the District and Provincial Governments. The report includes information from PT IIS Ukui's Human Resources, Public Affairs and smallholder development Departments on the Community Development Programme. SEIA documents with latest revision was also continuously maintained and kept at Estate and mill manager offices.

Follow up from previous Minor nonconformity (02) against 6.1.2: *There was an observation raised during the last assessment concerning RKL/RPL reporting which related to communities involvement in the RKL/RPL preparation. Review to the latest RKL/RPL report indicated that the participation of local communities has not been sought during the preparation process. The observation is now upgraded to Minor NC.*

ASA2 findings: *Company has conducted socialization and provided questioners to surrounding community as part of local community involvement in management and monitoring of RKL/RPL. The activity took place on May, 30th, 2012. Review on latest RKL/RPL report (first semester of 2012) has included result of particular questioners. Nonconformity is closed on 9 February 2013.*

Follow up from previous Minor nonconformity (03) against 6.1.5

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

ASA2 findings: *RKL/RPL report (first semester of 2012) has been included the impact on scheme smallholders development, explained under the social management plan. . Nonconformity is closed on 9 February 2013.*

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.

PT IIS Ukui has maintained a procedure for communication and consultation with the communities No. SOP AA-GL-5009.1-RO dated 22 August 2011.

Records of communications and consultations are available recorded under "Log Book Permintaan" (Log Book Request). During 2012, only three request received community's villages by PT IIS Ukui from community's villages, and all were responded in timely manner. No outstanding issues were highlighted.

Stakeholder lists are available and are up dated covers community surrounding, local and provincial governments, contractor, and NGOs. Minutes of meeting with stakeholders, record of request and action taken is recorded.

Public Relation officer at site was appointed (Mr. Marojahan Damanik, appointed on 1 February 2013) to actively communicate with the stakeholders.

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

Complaints and dispute resolution procedures (SOP No. AA-GL-5003.1-RI) which is demonstrably accepted by potentially affected parties is available. Procedure is fully available to all affected parties. This was confirmed by stakeholders during interview.

Complaint procedure for external and internal stakeholders includes flow chart of the procedure and this is displayed at all the notice board and has been informed to stakeholders. Complaint book available and records of all the complaints with updated action taken is recorded in Log Book Requests.

However, Major nonconformity raised against 6.3.1 (reference number: A845131/5): *Based on interview with Air Hitam village authorities, shows they has not fully understand the complaint handling mechanism developed by PT IIS. Furthermore, complaint mechanism has not been delivered to Air Hitam village authorities.*

Corrective Action: *PT IIS Ukui provided evidence that Humas (public relation officer) has come to Air Hitam village on 27 February 2013 and explained the complaint and grievance handling mechanism. Attendance list and photograph of the activity is available. Further, organization conducted the socialization of complaint and grievance handling mechanism to wider audience of stakeholders on 5 March 2013. Organization conducted stakeholder meeting in which attended by representative from villages, plantation services, environmental agency, cooperatives and other organizations. Attendance list are maintained. Interview by phone call with Air Hitam village authorities confirmed he is now understand the PT IIS's complaint mechanism. Nonconformity is closed at 8 April 2013.*

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.

PT IIS Ukui did not acquire any additional land during 2012 and hence was not involved in any land compensation payments. No legal or customary rights within Company legal boundary, this was confirmed during stakeholders consultation meeting.

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.

Inspection of pay records confirmed that PT IIS Ukui pay rates are above the regional minimum daily rate. Both daily-rated and piece-rated workers confirmed they are able to make savings each month. PT IIS Ukui pay and conditions are consistent with the Collective Labour Agreement and overtime was paid in accordance with government regulations for minimum wage of 2012.

However, inspection of pay records for 2013, found not match with new minimum wage rules for the workers. **Major nonconformity raised against 6.5.1 (reference number A845131/6): during the assessment of fund that Pieced rate worker's payment based on minimum wage from Pelalawan regency 2012, while new regulation on minimum wage from regency 2013 has been issued.**

Corrective action: Organization issued memorandum No.005/GM-KUK/MEMO/02/13 dated 14 February 2013 in which statement the new minimum wage will take effect on April 2013. Wage deficit, based on the new minimum wage 2013 during January - March 2013 will be paid on April 2013. PT IIS Ukui shows the wage payment of the workers on April 2013 is according to minimum wage 2013 and incorporate the January - March 2013 deficit. **Nonconformity is closed on 8 April 2013**

As stated in ASA2 Report, PT IIS Ukui provides a good standard of housing for staff and workers as well as free electricity, water, elementary schooling, crèche, places of worship, and medical facilities. In addition, company employs a doctor fulltime and makes regular visits to each of the clinics for consultations.

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.

PT IIS Ukui displays copies of updated Company Policies dated 26 November 2012, containing a statement on

Freedom of Association at each Mill and Estate. Workers are free to join a union and many of the Mills and Estates workers were members. PT IIS Ukui maintains record of meetings with worker union representatives and union officials. For example: Minute of monthly Meeting between PT IIS and Worker union dated on 26 April 2012.

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

All new hires are required to produce their National Identity Card and a copy was held on file as a check for age. Inspections of the Mills and Estates did not find any children or under-age workers at the workplace.

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.

Interviews of male and female workers confirmed that PT IIS Ukui anti-discrimination policy was strictly enforced. They were not aware of any cases of discrimination. Inspection of pay records for the Mills and Estates did not find any evidence of discrimination.

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

PT IIS Ukui has implemented the Company Policy on prevention of sexual harassment and violence against women. The policy is prominently displayed on notice boards at the Mills and the Estates muster areas. Interviews of female staff, workers and union representatives confirmed that PT IIS Ukui has continued to observe their rights under the Company Policies. Female staff and workers stated they were not aware of any cases of sexual harassment and they understood the process for raising such issues through the Grievance Mechanism.

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

Interviews of Head of KUDs confirmed they had a very good working relationship with PT IIS Ukui and received good support in the form of training by Smallholder

Development Assistants. The Head of KUDs confirmed they understood the FFB price that is determined twice monthly by a Committee consisting of Provincial Government, Palm Oil Producers and Smallholder Cooperative Representatives. The Head of KUDs meet with PT IIS weekly and are involved in the negotiation of prices for FFB transport and premium for FFB quality. The 15 KUDs manage all transport of smallholders' FFB to the PT IIS Ukui Mills and the contracts for road maintenance.

Interviews of contractors at the Mills and Estates found they had worked for PT IIS Ukui for more than 5 years and considered the terms and conditions fair. The Head of KUDs and contractors stated that PT IIS Ukui makes payments in a timely manner and they had no complaints.

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

PT IIS Ukui has continued its commitment to community development. PT IIS Ukui donates the materials for community projects and provides the labour in some cases. All social activities were recorded.

Principle 7: Responsible development of new plantings

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

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

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

PT IIS Ukui reviewed and updated the continuous improvement plan, which lists the improvements for the company's strategic objectives. The company has achieved improvement in FFB yield from its estates and OER for the mills in the current year.

PT IIS Ukui has continued to support its Smallholders through the Farmer Development Department. In particular, PT IIS Ukui has been working with smallholders to improve their FFB yields as well as to maintain their RSPO Certification.

3.2 Summary of Findings – Scheme Smallholder (RSPO P&C INA-SWG, 2009)

Principle 1: Commitment to Transparency

Criterion 1.1 Scheme Manager provide adequate information to other stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in

appropriate languages & forms to allow for effective participation on decision making.

Visit to three sample KUDs (Mekar Abadi, Bukit Potalo, and Sumber Bahagia) found that the log book of information request and response to stakeholder are maintained. The log book comprise of information request and response, social request and donation. Retention time sets as 3 years. The response time for any complaint sets as maximum 14 working days.

Review on Log Book confirmed all of responses to information request are within 14 days.

Observation 03 (1.1.1) - Smallholder organization need to review communication mechanism flowchart to ensure the information transfer flow are clear and understood by farmer members.

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.

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

Follow up from previous Observation (1.2.1): For KUD Karya Tani, keeping track on legal documents validity date will be to the advantage of the KUD. This will enable them to re-new the documents prior to the expiry.

ASA2 findings: KUD Karya Tani developed a mechanism for legal checking. There is a list of legal requirement maintained to ensure all legal documents are valid and registered prior to its expiry date. KUD Karya Tani provided the list:

- "Tanda Daftar Perusahaan Koperasi" No. 040624700002 dated 6 February 2012, valid until 6 February 2017. Re-registration No.62/BPMD DAN PPT/TDP/II/2012 dated 1 February 2013.
- "Surat Izin Usaha Perdagangan Menengah" No.15/BPMD DAN PPT/SIUP-PM/II/2012 dated 6 February 2012, valid until 6 February 2017. Re-registration No.62/BPMD DAN PPT/SIUP-PM/II/2013 dated 1 February 2013.
- "Izin Tempat Usaha" No.85/BPMD&PPT/II/2012 dated 6 February 2012, valid until 6 February 2017. Re-registration No.70/BPMD-PPT/I/2013.
- "Pengesahan Akta Perubahan Anggaran Dasar Koperasi Unit Desa Karya Tani" No.01/KPTS/PAD/BH/IV.2/02/V/2009.
- "Nomor Pokok Wajib Pajak" No.1.488.576.8-213.
- "Akta Perubahan Anggaran Dasar Koperasi KUD Karya Tani" with decree No.01/KPTS/PAD/IV.2/02/V/2009 dated 18 May 2009.

Principle 2: Compliance with applicable laws and regulations.

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

Document audit and interviews with the PT IIS Ukui's Scheme Manager, Scheme smallholders (cooperative) Manager confirmed compliance with applicable law and regulation.

Similar to previous assessment, the list of regulations includes:

1. Cooperative registration: letter No. 108/ BH/ DISKOP/ 2.1/ IV/ 2006, dated 17 April 2006 for KUD Bukit Potalo
2. Cooperative registration: letter No.13/Kep/Kwk.4/ 4.1 /I/1993Dated 18 Januari 1993 for KUD Sumber Bahagia.
3. Land title as per in section 2.2 below.
4. Agreement between PT IIS and Plasma smallholder

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

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

Document review on three sample KUDs, found that Smallholders are able to show legal ownership of the land or land-use rights (land certificate). Scheme smallholders head keeps copy of the land title and individual members. Maps are available at the scheme smallholders (cooperative office) and the head of scheme understands the map.

However, two Observations raised for KUD Bukit Potalo i.e.

Observation 04 (2.2.1) - Record keeping of land ownership certificate in KUD Bukit Potalo need to be improve. Some of copies were not kept in KUD office. Scheme manager and KUD Bukit Potalo need to review location map to ensure all farmer plot registered and correctly located.

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

Follow up from previous Observation (2.2.1): Although farmers able to identify their boundary, installing the boundaries poles will show clear demarcation of

boundary for any external stakeholders visiting their area.

ASA findings: Programme for boundary poles installation have been provided by several KUD. Evidence show the boundaries pole installed on several farmer plots in KUD Bina Sejahtera, KUD Tani Bahagia as well as KUD Usaha Baru. KUD managements committed to complete the plan by the end of 2013.

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

Similar to previous assessment, interview with the PT. IIS Ukui Group Scheme Manager, Head of Scheme Smallholders and members revealed that the land is not a customary land. Originally the land was from the government and allocated to the smallholders since late 1980s. This was also captured from stakeholder consultation with community surrounding.

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

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

Estimation on production and estimation on cost developed by scheme smallholders and their team with assistance from PT IIS scheme manager for 2014 – 2016; covering FFB Production, cost of planting (seedling, fertilizing, maintenance, harvesting) and nett profit.

Replanting program planned for 2018 under oil palm planted in 1990; PT IIS help KUD develop guidance for replanting programme under Draft Replanting documents. Under the guidance, the replanting technique from felling, chipping and stacking, harrowing, terracing, stop bund, leguminous cover crop planting. The draft includes replanting cost estimation.

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

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

KUDs refer to Agricultural Policy Manual issued by PT IIS Ukui. The Manual comprise of seedling preparation, pest and disease control, fertilizer application, spraying, pest control, IPM, harvesting, pruning, road maintenance and transport, and FFB harvesting.

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

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

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

Production records for the past 3 years available, shows the production for 2010 – 2012 and projection for 2013.

Application of Empty fruit Bunch (EFB) is carried out when there is EFB supply from mill and it is recorded. Records include information on area applied and quantity. EFB applied on selected smallholder area at 35 mt/ha. SOP is available for EFB application and training given to members on the application method. Applied at inter row. From three sample KUDs visited, only KUD Mekar Abadi is applying EFB because the distance not too far from the Mill. EFB application is in line with recommendation provided by PT IIS i.e. 70 tonnes per ha.

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

Field visit to three sample KUDs, only KUD Bukit Potalo has relatively slope areas. Best practices to minimize and control erosion were sighted, for example: proper terraces in smallholder plot number 6468, 6508, and 6304. Interview with smallholder member showed understanding on control erosion using terrace system. Furthermore, smallholders members are also explained the function of U-Shape frond stacking to control erosion in slope area, and they have implemented on their plots.

Follow up from previous Observation (4.3.1): U-shape frond stacking is not consistent with one area to another. It will be an advantage to the farmers to implement this practices at all the areas.

ASA2 findings: All sampled KUDs shows effort to implement U-shape frond stacking even though in specific case some farmer members have difficulties to implement because of particular condition (e.g. dissimilar understanding, discipline)

There are not peat lands in Scheme Smallholder sample plots visited. Road side drain construction assisted by the PT IIS's Scheme Manager to ensure rain water goes into the drain and no water log on the road.

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

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

photograph that training on water and soil conservation was conducted in November 2011. Interview with smallholder member on the field confirmed understanding on the soil and water conservation activities.

Monthly records of fertilizer and pesticides usage available with detail of balance stock, area applied, type and quantity (litre/gram). Document review on three sample KUDs confirmed all fertilizer and pesticides usage are available and up to date until first semester of 2012.

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

Scheme smallholder in collaboration with PT IIS's Scheme manager perform census on pest attack on monthly bases and recorded under "Laporan Hasil Pengamatan dan Pengendalian Hama dan Penyakit" (Report on monitoring and control of Pest and Disease) latest record on December 2012. Monitoring was conducted for leaf pest (bag worm, caterpillar) attack monitoring on rat attack, Tirathaba attack and Ganoderma symptoms.

Scheme smallholder members are able to explain the IPM and pest control measures including census of leaf eating pest (nettle caterpillar). They are also aware of the benefit of barn owl. Beneficial plants (*Turnera* and *antigonon*) are planted and evidence noted during inspection of the smallholders block. No serious pest attack was seen during field visits. PT IIS provide appropriate training for smallholders with latest training recorded on December 2012.

Follow up from previous Observation (4.5.2): It is noted that all farmers are aware of IPM knowledge and able to explain biological control of leave eating pest and rodent control. However implementation of beneficial plant plantings is very limited. Increasing the area of beneficial plant will be an advantage to the farmers.

ASA2 findings: All sampled KUDs developed a programme for applying beneficial plant into the farmer plot, currently the implementation focused on main roads surrounding farmer plots.

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

Inspection to three sample KUDs confirmed only chemicals that are registered and approved by the Department of Agriculture were used, such as Triclophyr, Metil metsulfuron, Glyphosate, and Paraquat.

The members of the Scheme Smallholders have agreed to the PT IIS's management to eliminate paraquat. At the moment paraquat use is minimized with combination of manual slashing. PT IIS ensured that smallholders are well understood with the use of paraquat. Appropriate training was conducted for smallholders on 2012.

Follow up from previous Observation (4.6.1): The farmers of KUD Karya Tani must ensure the validity of registered and permitted agrochemical used by referring to Pesticide Guidelines Book and Agrochemical register number as regulated by the Minister of Agriculture

ASA2 findings: KUD Karya Tani develops the list of agrochemical used. The record shows that all the register listed under Buku Hijau, and registration still valid. Ronda Plus – Iso Propil Amina Glyphosate, valid until 7 August 2013; Grasso – Iso Propil Amina Glyphosate, valid until 10 August 2014; Garlon – Triklampir, valid until 6 October 2013; Ridatop – Paraquat Diklorida, valid until 6 September 2015; Bravoxone – Paraquat Diklorida, valid until 10 August 2014.

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

Follow up from previous Observation (4.6.2): in KUD Bina Sejahtera, KUD Tani Bahagia as well as KUD Usaha Baru; even though socialization and signage of prohibition on blanket spraying, however field inspection found that some spot areas are over sprayed.

ASA2 findings: All sampled KUDs have committed to prohibit blanket spraying for all farmer members. KUDs in coordination with nucleus estate have giving awareness with regards to prohibition of blanket spraying to farmer member.

Major nonconformity raised against 4.6.2 (reference number A845131/7): Field inspection it is found several farmer plot in KUD Bukit Potalo and KUD Sumber Bahagia were oversprayed. Since the last assessment visit this issue raised as observation on different sampled KUD. Auditor considered during this assessment similar issue occurs on different farmer plots, therefore escalated as non conformity.

Corrective Action: Organization conducted socialization related to weed management and control in coordination with cooperatives. Organization made agreement with cooperatives for application of TUS in order to control the weed management and avoid overspray. Evidence of socialization is presented in term of attendance and meeting minutes Record of agreement was also sighted. **Nonconformity is consider closed on 2 April 2013**, but need to check the consistency implementation on subsequent surveillance visits.

Agrochemicals are stored at the cooperative store and stock records maintained by the cooperative. Application of agrochemicals in fields by spraying team

set up by cooperative management. Empty containers are kept and collected at the cooperative store, then delivery to PT. IIS for further disposal through the authorised dealer who is collecting the schedule waste together with PT IIS.

Follow up from previous Observation (4.6.4): there is a need for improvement on the safety signage, secondary containment, and MSDS at the Agrochemical and fertilizer stores of KUD Tani Bahagia.

ASA2 findings: KUD Tani Bahagia shows documentation evidence of signage, secondary containment and MSDS installed at agrochemical and fertilizer stores.

Observation 05 (4.6.4) - Based on interview with some farmers on KUD Bukit Potalo and Mekar Abadi, lack of knowledge on handling of empty chemical containers as per existing regulation. Some farmers mentioned handling of empty chemical container done by buried and burning.

Minor nonconformity raised against 4.6.6 (reference number A845131/6): Person in charge for agrochemical storage in KUD Mekar Abadi (chemical store keeper) has not joined training on use of limited pesticide.

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

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

Observation 06 (4.7.1) – PT IIS developed "Rencana Kesehatan dan Keselamatan Kerja" available, but the context does not indicate the health and safety plan for daily activities under smallholder works including the provision of first aid kit to field work.

Complete training records checked and verified at the scheme smallholder office. Interview with the members of the scheme and seasonal harvesters confirmed that they have attended trainings and able to explain the safe working procedures. Three sample KUDs were received health and safety training on December 2012.

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

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

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

Training Program identified according smallholders' need which was arranged by both PT. IIS Scheme Manager and Scheme Smallholders. Training includes

GAP, pesticide application, soil and water conservation, IPM, HCV, harvesting, OSH, first aid, socialization on AMDAL, ERP, fire fighting, zero burning technique for replanting etc. Training is documented and kept at the scheme smallholders/cooperative office.

Realization of training programme for three sample KUDs recorded under “Rencana dan realisasi pelatihan petani plasma tahun 2012”, for example:

HCV training planned for April 2012, actual 21 April 2012; SIA and SEIA communication planned for April 2012, actual 21 April 2012; Economy Management System planned for June 2012, actual 20-22 September 2012; and Integrated Pest Management Training planned for December 2012, actual 28 December 2012.

However, **Observation 07 (4.8.1)** – Based on ASA2 finding where several issues were highlighted in relevant to smallholders, it could be advantage to improve understanding of RSPO for all farmer members.

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

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

Similar to previous assessment, Social-Environmental Impact Assessment (SEIA-AMDAL) incorporated with the estate documents and prepared separate section for the scheme smallholders. Document of SEIA available in place, PT. IIS Scheme Manager explains about AMDAL through training to smallholders. Process of the SEIA involves scheme smallholders through consultation. Copy of the assessment (AMDAL) is kept at the cooperative office. RKL/RPL prepared by scheme manager. Latest RKL/RPL dated January – June 2012 includes Plasma Smallholder. Copy is available at the scheme office and the head of scheme understand the information reported.

AMDAL documents have been communicated to smallholder organization. AMDAL and HCV training provided on 20 April 2012, 30 August 2012, 4 December 2012. Training module and list of attendance is made available.

Follow up from previous Observation (5.1.1) Smallholders are aware of the AMDAL documents, however understanding of the social and environmental impact identified in AMDAL need to be improved.

ASA2 findings: Based on interview with farmers from previous sampled KUDs, most of them have been aware and shows improvement of understanding to social and environmental impact identified in AMDAL document.

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.

Interview with smallholder member from three sample KUDs confirmed that smallholders are able to mention protected flora and fauna in their local terms, for example: Rusa (Deer), Cobra, Cekakak Belukar, Macan Akar (root tiger), Phyton, burung hantu (Barn Owl), Biawak, musang (fox).

Scheme smallholder management has appointed team to identified protected species and smallholders able to demonstrate mitigation of conflict. One of the staff is appointed as HCV officer. She was trained by the PT IIS HCV officer.

Follow up from previous Minor nonconformity (01) assigned against the indicator 5.2.2 The smallholders have appointed dedicated person to monitor protected species, however the dedicated person is not aware of how to mitigate conflict with relevant protected species.

ASA2 findings: Based on interview with appointed officer in smallholders organisations (i.e. KUD Tani Bahagia, Karya Tani, and Usaha Baru) show demonstrate level of understanding on how to mitigate conflict with relevant protected species. The training material supplied to them explained the solution mechanism if conflict with protected species is occurred. Up today, there has been no conflict is recorded. **Nonconformity is closed on 9 February 2013.**

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

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

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

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

Similar to previous assessment, guidance to improve the efficiency of energy use is given by the Scheme Manager

to the members of the scheme during the monthly meeting. Smallholders carry out their operational works manually and none mechanised except for the FFB transport.

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

Similar to previous assessment, Zero burning policy is available for the scheme smallholder and applicable for them similar to the PT IIS Ukui Group. Members of the scheme understand the policy. No replanting in near future but the understanding and awareness of zero burning technique during replanting is already explained to the scheme members and they are able to explain during interview.

Observation 08 (5.5.3) - KUD owns appropriate fire handling equipment for handling of land fire but need to improve the completeness and ensure all equipment are ready-to-use. For example: in KUD Mekar Abadi and Bukti Potalo.

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

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

Observation 09 (5.6.1) - KUD may wish to ensure the implementation of pollution reduction are implemented properly. For example: the handling of used fertilizer plastic bag on the field.

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

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

Similar to previous assessment, Social Impact Assessment document available and mentioned within frame references of AMDAL documents. All impact assessment conducted and referenced to the nucleus estate including monitoring of social impact (RPL/RKL).

Implementation timetable described in master plan of continual improvement. Inspection to three sample KUDs confirmed the AMDAL documents were kept in KUD offices.

Follow up from previous Minor nonconformity (02) assigned against indicator 6.1.3 there is no timetable for management of social impacts in accordance with AMDAL.

ASA2 findings: during the audit, social impact management plan developed by nucleus estate which included social activities for smallholder area. Based on management plan document review, timetable for social impact have been under the document "Social Management Plan PT IIS 2012 and 2013". The timetables for social impact have been communicated to smallholder. **Nonconformity was closed on 9 February 2013.**

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

Visit to three sample KUDs, the smallholders' organization has records on communication and consultation with local communities. All responses related to communication and consultations are well documented/recorded in details. Regular communication and consultation with local communities conducted by Smallholders organisation and recorded in Logbook. Minutes of farmer group communication through forum, coordination meeting and annual meeting. Smallholders have a periodic meeting, known as annual general assembly. Smallholders organisation has a division which responsible on communication and consultation.

However, Minor nonconformity assigned against 6.2.4 (reference number A845131/7): KUD Mekar Abadi has not appointed dedicated person responsible for communication and consultation with stakeholders.

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

In relevant to Criterion 1.1 and 6.2, system for complaints is in place at the smallholder organisation. The system has been described in mechanism resolution flow chart. Records are kept in logbook, minutes of meeting and respond recorded in the complaint and grievances book. No complaint was noted.

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

During ASA2, there are no disputes on land acquisition and ownership because the land belongs to farmers and they have land certificate.

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

Visit to three sample KUDs, only KUD Bukit Potalo does not employ full time workers in KUD office. KUD Mekar Abadi and KUD Sumber Bahagia are employing full time workers. Review on payroll of the workers confirmed the wage structures are met with minimum wage regulation. Work contract are also available for each full time workers in both KUDs. Field work and harvesting is carried out by the smallholders themselves and sometime by seasonal part time workers.

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.

Similar to previous assessment, Policy is available for freedom to join and form workers union and installed on smallholder notice boards. However interview with workers reveal that they did not form the union although they have the freedom to form and join trade union.

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

Smallholders are aware that child labour is not used. Interview with smallholder members confirmed and noted during the field inspection, No child labour is being used.

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

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

Criterion 6.9 A policy to prevent sexual harassment and all other forms of violence against women and to

protect their reproductive rights is developed and applied.

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

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

Review on the documentation (Log Book), No repetition of complaint received from nucleus estate (partner companies) and/or other local business partners to smallholder.

In relation to Criteria 6.10 (RSPO P&C for Mill and Estate), FFB Pricing is decided through the committee comprised by government Agriculture Department (Dinas Perkebunan), smallholder cooperative representatives and palm oil producers. Flow chart of the FFB pricing is available at the scheme smallholder office. The weekly FFB pricing is posted on the notice board at the office and this information is available to all the scheme members. FFB pricing, calculation of the payment and summary of the payment by scheme manager is posted on the notice board and available to all the scheme members. Interview with the scheme members revealed that it is very transparent and easy to understand.

Minor nonconformity assigned against 6.10.3 (reference number A845131/8): Based on document review on work agreement between KUD Sumber Bahagia and its transport contractor:

1. There is no evidence of contract extension which expired on November 2012;
2. The implementation of the work agreement were not consistent, for example one contractor transported FFB from farmer plot in which not covered in the work agreement;
3. Document keeping of work agreement document is not well managed.

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

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

Principle 7: Responsible development of new plantings.

There is no new development. This principle is Not Applicable.

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

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

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

3.3 Detailed identified Nonconformities, Corrective Actions and Auditor Conclusions

Corrective actions with respect to the nonconformities raised at the last assessment have been reviewed and found to be effectively implemented.

During ASA2, There are 6 (six) Major nonconformities against indicator 2.1.1; 2.2.1 4.8.2; 5.3.2; 6.3.1; and 6.5.1 of RSPO P&C for Mills and Estates; 1 (one) Major nonconformity against indicator 4.6.2 of RSPO P&C for scheme smallholder; and 3 (three) Major nonconformities against indicator E.1.1; E.3.1; and E.5.1 o RSPO Supply Chain for CPO Mills.

There are also 5 (five) Minor nonconformities raised against indicator 4.1.4; 4.4.2; 4.7.5; 4.7.8; 4.7.10 of RSPO P&C for Mills and Estates; and 3 (three) Minor nonconformities against indicator 4.6.6; 6.2.4; and 6.10.3 of RSPO P&C for scheme smallholders.

There are also several Observation/Opportunity for improvement highlighted.

PT IIS Ukui Group has prepared Corrective Action for addressing Major nonconformities and submitted to BSI. The evidence for closing out the major nonconformities was verified during NCR Closure assessment. PT IIS has also submitted Corrective Action Plan for Minor nonconformities and Observation/Opportunity for Improvement.

BSI auditor has accepted the evidence of closing out Major nonconformities and concluded those have been closed. BSI auditor has also accepted the Corrective Action Plan for minor nonconformities and will be further verified for effective implementation during subsequent surveillance visits (ASA3)

MAJOR NONCONFORMITIES

(RSPO P&C for Mills and Estate)

CAR reference A845131/1

2.1.1 There is no sufficient evidence that sub-contracted backhoe loader operator from Soga Estate holds valid

license (SIO). This NC escalated from NC No.A690674/1 from previous ASA01 in 2011.

Corrective Action:

Soga Estate has now been able to show backhoe loader Operator permit (surat izin operator) from contractor. The Operator permit under the name Marsidi Simbolon (No.SIO.029.008/PAT/2012 valid through 20 September 2017) and Hari Harianto (No.SIO.030/008/PAT/2012 valid through 20 September 2017). **The nonconformity is considered closed on 2 April 2013.**

CAR reference A845131/2

2.2.1 PT IIS was not able to provide objective evidence of business permit (IUP) for area under HGU No.78/HGU/BPN-RI/2008 for area 2,704 Ha and HGU No.115/HGU/BPN-RI/2009 for area 299.52 Ha. The proposal of IUP has been forwarded to local authorities since December 2012.

Corrective Action: PT IIS has showed an official letter from Forestry and Plantation Department of Pelalawan District stating that PT IIS application for IUP since December 2012 has been received and still in progress to be reviewed and finalized. Auditor is aware of the long process of getting IUP from local authorities takes some time. Auditor considered this corrective action to be closed, but need to check for effective implementation of closing out evidence in next surveillance visit (ASA3). **Major NC is considered closed on 8 April 2013.**

CAR reference A845131/3

4.8.2 Record of training for each employee in estate is not kept properly. Staff admitted there is no any such record as required in indicator.

Corrective action: Organization has provided Personal Data Training from Soga Estate, Ukui Estate, Ukui I and Ukui II Palm Oil Mill. The Personal Data Training shows all training records of both staff and non-staff from drivers, mandors, operators, assistants and managers. **Nonconformity considers to be closed on 2 April 2013.**

CAR reference A845131/4

5.3.2 There are "Mekanisme Penanganan Sampah" (Mechanism on domestic waste handling) in which to segregate the organic and an-organic domestic waste and reuse or recycle an-organic waste (for plastic) and composted for organic waste; however based on field visit the domestic waste was not segregated but rather disposed off into landfill without controlled measurement.

Corrective action: Estates and Mills management issued Memorandum on March 2013 for all workers regarding Domestic waste handling. It is also found evidence that socialization of Mechanism on domestic waste handling was conducted for all workers at estates and mills. The socialization was conducted on March 2013. Warning signs are also installed in worker housing. Estates management has started to segregate the organic and in-organic domestic wastes at the land-fill which started on February 2013 up to day. Auditor considers sufficient evidences to close out the nonconformity, and will check the consistency implementation at subsequent surveillance visits. **Nonconformity is closed on 8 April 2013.**

CAR reference A845131/5

6.3.1 Based on interview with Air Hitam village authorities, shows they has not fully understand the complaint handling mechanism developed by PT IIS. Furthermore, complaint mechanism has not been delivered to Air Hitam village authorities.

Corrective Action: PT IIS Ukui provided evidence that Humas (public relation officer) has come to Air Hitam village on 27 February 2013 and explained the complaint and grievance handling mechanism. Attendance list and photograph of the activity is available. Further, organization conducted the socialization of complaint and grievance handling mechanism to wider audience of stakeholders on 5 March 2013. Organization conducted stakeholder meeting in which attended by representative from villages, plantation services, environmental agency, cooperatives and other organizations. Attendance list are maintained. Interview by phone call with Air Hitam village authorities confirmed he is now understand the PT IIS's complaint mechanism. **Nonconformity is closed at 8 April 2013.**

CAR reference A845131/6

6.5.1 during the assessment of fund that Pieced rate worker's payment based on minimum wage from Pelalawan regency 2012, while new regulation on minimum wage from regency 2013 has been issued.

Corrective action: Organization issued memorandum No.005/GM-KUK/MEMO/02/13 dated 14 February 2013 in which statement the new minimum wage will take effect on April 2013. Wage deficit, based on the new minimum wage 2013 during January - March 2013 will be paid on April 2013. PT IIS Ukui shows the wage payment of the workers on April 2013 is according to minimum wage 2013 and incorporate the January - March 2013 deficit. **Nonconformity is closed on 8 April 2013**

MAJOR NONCONFORMITIES**(RSPO P&C for Scheme smallholders)****CAR reference A845131/7**

4.6.2 Field inspection it is found several farmer plot in KUD Bukit Potalo and KUD Sumber Bahagia were oversprayed. Since the last assessment visit this issue raised as observation on different sampled KUD. Auditor considered during this assessment similar issue occurs on different farmer plots, therefore escalated as non conformity.

Corrective Action taken: Organization conducted socialization related to weed management and control in coordination with cooperatives. Organization made agreement with cooperatives for application of TUS in order to control the weed management and avoid overspray. Evidence of socialization is presented in term of attendance and meeting minutes Record of agreement was also sighted. **Nonconformity is consider closed on 2 April 2013, but need to check the consistency implementation on subsequent surveillance visits.**

MAJOR NONCONFORMITIES**(RSPO Supply Chain for CPO Mills)****CAR reference A845131/8**

E.1.1 Mills has been developed operational procedure related to supply chain standard, however the related document with e-trace procedure is not available. Based on interview with marketing staff during assessment, auditor has not been able to collect objective evidence detailing trading done in e-trace. While based on mill records, in 2012 sales of RSPO certified CPO took place.

Corrective action:

Organization provided records titled "LUP" January-February 2013 and "Rekap DO Sustainable". LUP for January-February 2013 consist of CPO and Palm Kernel production report including by-product and stock sustainable production. This is compared to Rekap DO Sustainable in which stated the CPO dispatch including date of delivery, delivery order, volume per contract, truck number, volume per truck and balance. The marketing staff is now can explain the extract the database through e-trace system. **Nonconformity is closed on 2 April 2013**

CAR reference A845131/9

E.3.1 Record of "Laporan Harian Pabrik", monthly report, "Rekap produksi dan pengiriman CPO plasma" are not accurate and up-to-date. For example: In Ukui I mill, 2012 FFB and CPO product from certified scheme smallholder are not categorize as sustainable product.

Corrective Action:

Organization provided "Laporan Harian Pabrik" from Ukui I and Ukui II Palm Oil Mills in which indicating the sustainable and non-sustainable FFB received. The daily report also shows the sustainable and non-sustainable CPO and palm kernel balance for the day. Further "Laporan Harian Pabrik" shows the delivery of sustainable and non-sustainable CPO and palm kernel and the balance for the day. Organization also provided evidence of delivery note from cooperative in which stamped with "RSPO certified" to indicate the sustainable FFB delivery. **Nonconformity is closed on 2 April 2013.**

CAR reference A845131/10

E.5.1 In Ukui I and Ukui II mill, even though training for RSPO supply chain had been carried out in 2012, lack of understanding of standard requirement and e-trace trading for mill and marketing staff were noted.

Corrective Action:

Organization provided training RSPO supply chain and traceability on 28 February 2013 for all staff from Ukui I and Ukui II Palm Oil Mill. Interview with PT IIS's marketing staff through phone call shows understanding of RSPO supply chain. **Nonconformity is closed on 8 April 2013.**

MINOR NONCONFORMITIES**(RSPO P&C for Mills and Estates)****CAR reference A845131/1**

4.1.4 It is found preventive maintenance programme was not implemented properly as per schedule. For example:

Ukui I Mill

- tightening weighing bridge screw and bolts done 5 times in a year, while the programme conducted once on monthly basis during 2012;
- multi-cyclone leakage checking at boiler station was not done in 2012, while the programme once in 3 month.

Ukui II Mill

- Bearing lubrication at boiler station on weekly basis in January 2013;
- Dust-hopper cleaning on weekly basis in January 2013;
- Exciter stator and rotor cleaning on weekly basis in January 2013.

Corrective Action Plan:

Mill workshop assistant to ensure preventive maintenance programme is implemented and documented.

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

CAR reference A845131/2

4.4.2 Based on documentation review on this assessment there are no evidence on evaluation of water quality test result for river water, domestic usage water and monitoring well for period 2011-2012.

Corrective Action Plan:

Mills are to prepare a matrix of monitoring on waste water, river water, and monitoring well for period 2011, 2012, and 2013. Evaluation from the monitoring result will be conducted routinely.

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

CAR reference A845131/3

4.7.5 PT IIS have developed risk assessment for Estate and Mills. The risk for each activity in the estates and mills has been identified, along with risk control. Based on document review the risk evaluation were not accurate as it was not based on relevant records. Furthermore at the mills, risk assessments for 2012 have not been reviewed and updated according to the actual condition.

Corrective Action Plan:

Mill OSH officer will update risk assessment documents in accordance to frequencies, consequences, and handling methods.

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

CAR reference A845131/4

4.7.8 Based on field inspection, the content of first aid kit in all places (harvest mandor, spraying mandor, fertilizer mandor, agrochemical store, workshop, estates and mills office) only contains 15 items. Furthermore the sign

colour for first aid kit is white with green cross, while PT IIS blue with white cross. These are not complied with relevant regulation (Permenaker No.25/2008).

Corrective Action Plan:

Mills OSH officer will ensure all first aid kit are comply with relevant regulation (Permenaker No.25/2008)

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

CAR reference A845131/5

4.7.10 Work accident records are available for estate and mills; however there is no evidence accident records in the estate regularly reviewed. Meanwhile review result and action plan provided for mills accident record was only repetition action plan from previous year (2012) which potentially unable to reduce the accident case in the following years.

Corrective Action Plan:

PT IIS's OSH officer will review relevant activities in the safety committee meeting, such as work accident records, safety briefing, PPE inspection, and identification of unsafe condition. Company will find effective approach to reduce number of minor work accidents.

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

MINOR NONCONFORMITIES**(RSPO P&C for Scheme smallholders)****CAR reference A845131/6**

4.6.6 Person in charge for agrochemical storage in KUD Mekar Abadi, the chemical store keeper has not joined training on use of limited pesticide

Corrective Action Plan:

To include chemical store keeper of KUD Mekar Abadi in Training of limited pesticide this year 2013.

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

CAR reference A845131/7

6.2.4 KUD Mekar Abadi has not appointed dedicated person responsible for communication and consultation with stakeholders.

Corrective Action Plan:

Head of KUD will provide appointment letter for person responsible for communication and consultation with stakeholders

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

CAR reference A845131/8

6.10.3 Based on document review on work agreement between KUD Sumber Bahagia and its transport contractor:

1. There is no evidence of contract extension which expired on November 2012;

2. The implementation of the work agreement were not consistent, for example one contractor transported FFB from farmer plot in which not covered in the work agreement;

3. Document keeping of work agreement document is not well managed.

Corrective Action Plan:

Head of KUD will provide checklist to trace records easily. Head of KUD will also extent the current contract with FFB transporter.

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

Observation/Opportunities for improvement

There are 2 (two) Observations identified for Mill and Estate; 7 (seven) Observation for Scheme Smallholders; and None for Supply Chain for CPO Mills. Details are in the section below.

- 01** (3.1.1) Ukui 1 mill may wish to ensure the long term working plan for 3 years (2012-2015) may contain crop projection (FFB yield trend, price forecast and other financial indicators).
- 02** (5.3.1) PT IIS to ensure document "Evaluasi Aspek-Dampak Lingkungan" Ukui II Mill dated April 2011 is regularly update as per time target for each activities.
- 03** (1.1.1) Smallholder organizations needs to review communication mechanism flowchart to ensure the information transfer flow are clear and understood by farmer members.
- 04** (2.2.1) Record keeping of land ownership certificate in KUD Bukit Potalo need to be improve. *Some of copies were not kept in KUD office.* Scheme manager and KUD Bukit Potalo need to review location map to ensure all farmer plot registered and correctly located.
- 05** (4.6.4) Based on interview with some farmers, lack of knowledge on handling of empty chemical containers as per existing regulation. Some farmers mentioned handling of empty chemical container done by buried and burning.
- 06** (4.7.1) PT IIS developed "Rencana Kesehatan dan Keselamatan Kerja" available, but the context does not indicate the health and safety plan for daily activities under smallholder work including the provision of first aid kit to field work.
- 07** (4.8.1) It could be advantage to improve understanding of RSPO for all farmer members.
- 08** (5.5.3) KUD owns appropriate fire handling equipment for handling of land fire but need to improve the completeness and ensure all equipment are ready-to-use. For example: in KUD Mekar Abadi and Bukti Potalo.
- 09** (5.6.1) KUD may wish to ensure the implementation of pollution reduction are implemented properly. For example: the handling of used fertilizer plastic bag on the field.

Review Status of Nonconformities (Major and Minor) Previously Identified

MAJOR NONCONFORMITIES

No open major nonconformities were identified at previous assessment.

MINOR NONCONFORMITIES

CAR reference AS01/2012/Ukui ASA01

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

ASA2 finding:

PT IIS generates new SOP AA-GL-510.1-RO entitled "Penanganan Keluhan Masyarakat", in term of flow-chart with effective date 1 January 2013. The procedure implies that all complaint will be responded in timely manner, analyze and the complainants will be offered the solution. Upon agreement, the solution will be implemented and documented. Should the solution not accepted, appointed responsible party will be offered new solution by company. If the new solution is also rejected, the matters will be brought upon legal court. Time frame for complaint resolution is sets to 15 working days. The nonconformity is consider closed on 9 February 2013

CAR reference AS02/2012/Ukui ASA01

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

ASA2 findings: *Company has conducted socialization and provided questioners to surrounding community as part of local community involvement in management and monitoring of RKL/RPL. The activity took place on May, 30th, 2012. Review on latest RKL/RPL report (first semester of 2012) has included result of particular questioners. Nonconformity is closed on 9 February 2013.*

CAR reference AS03/2012/Ukui ASA01

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

ASA2 findings: *RKL/RPL report (first semester of 2012) has been included the impact on scheme smallholders development, explained under the social management plan. Nonconformity is closed on 9 February 2013.*

Observation/Opportunities for improvement – ASA01

2.1.1 It is found that Soga Estate already apply for the SIO (for heavy vehicle operator) and waiting for the approval from Labour department. The management must ensure that the process is completed as required. **ASA2 finding:** *Soga Estate provided numbers of heavy vehicle operator license (Surat Izin Operator). For example grader and compactor operator, however estate has not been able to shows backhoe loader operator permit from contractor. Observation consider partially closed and escalated into Non Conformity. See NC Major No.A845131/1. Major nonconformity was closed – see detail above.*

2.1.4 A mechanism to ensure compliance is available. Regular check every three month is carried out. However, it is not well implemented because expiry of the business permit was not detected prior to expiry. **ASA2 findings:** *Auditors consider this observation was not clear and not relevant to indicator requirement. During this assessment, some information related to this issue had been gathered (e.g. progress of business permit application) hence auditor concluded to raise non conformity against indicator 2.2.1. See NC No. A845131/2. This observation will be closed in parallel with closing out of the above mentioned NC. Observation escalated into Non conformity. See NC No. A845131/2. Nonconformity was closed – see detail above.*

4.3.5 During the field visit to block C98A it is noted that there are some sedimentation in the river. Although the management have strategy to minimise soil run-off, monitoring of the river condition will help to identify the source of soil sedimentation. **ASA2 findings:** *PT IIS monitored the erosion rate from areas with slope. Erosion rate monitored on 6 monthly basis. Based on evaluation of soil erosion that has been done, monitoring data shows the erosion rate is acceptable (8 tonnes/year/Ha) according to research department reference. Once PT IIS identified the source, implemented Integrated Soil Conservation Management System. The system comprise of several soil conservation efforts including U-shape frond stacking, maintain ground covers, empty fruit bunch application, platform, silt pit, manual terracing, mechanical terracing, stop bund on ditch, combination of stop bund and silt pit at areas with steep slope and prone to erosion. Auditor considers proper corrective action and effectively implemented.*

4.4.1 It is noted that the water analysis result data was available but the management team did not aware that it is need to analysed to ensure the result is suitable for the use at mill as per requirement. **ASA2 findings:** *Auditors consider this observation should relate to indicator 4.4.2. Based on documentation review during ASA2 there are no evidence on evaluation of water quality test result for river water, domestic usage water and monitoring well for period 2011-2012. This observation escalated into non conformity against 4.4.2. See Minor NC No.A845131/2*

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

ASA2 findings: *PT IIS developed a "List Bahan Kimia KSA tahun 2013" indicating all agrochemical utilized in estate and monitored on monthly basis. Agrochemical identified verified with stock in agrochemical storage and found to have valid registration status. Soga Estate: Starane 480 EC – Fluoroksipir, permit valid until 3 April 2013; Metsulindo – Methyl Metsulforon, valid until 23 June 2016; Agristik – Poliglikol, valid until 11 March 2014; Gramoxone – Paraquat, valid until 18 March 2016; Polydor 25 EC – Lamda Sihalotrin, valid until 15 January 2014; Lindomin 865 SL – Dimetil Amino, valid until 23 June 2016; Biolon 480 EC – Triclophyr 480, valid until 30 April 2014; Bionasa 480 SL – Isopropil Amina, valid until 4 March 2013; Regent – Fipronil, valid until 8 March 2016.*

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

ASA2 findings: *During this assessment the operators interviewed were able to demonstrate good knowledge and explained health and safety implementation at each station. Agrochemical store keeper is able to explain triple rinse and mitigating spillage of agrochemical. Mill operator is also able to explain noise mapping signage and using appropriate PPE on station with high intensity noise.*

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

1. Regular report should refer to DPPL document instead of AMDAL.
2. Company need to ensure that all aspects to be monitored as per DPPL requirement.
3. Ensure that RKL/RPL covers environment and social aspects or issues. No OSH issues include

ASA2 findings: *PT IIS developed RKL/RPL report (first semester of 2012) including impact parameters as per DPPL document as well as social environmental aspects. Record shows all previous issues have been covered.*

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

ASA2 findings: *PT IIS has been developed a working plan for HCV area of 2012 including HCV 6 management plan implementation. For example: management of HCV 6 area in Block number E90C Soga Estate through*

housekeeping and maintenance, HCV area is demarcated.

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

ASA2 findings: During this assessment, Soga Estate consistently send the hazardous waste from agrochemical store, workshop, clinic into temporary hazardous waste storage at workshop. From the temporary storage, hazardous waste is sent to permitted storage area.

Supply Chain Element for palm oil mill Module E 1.1

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

ASA2 findings: Progress from previous issue on last assessment, company has conducted training of RSPO Supply Chain to mill staff in 2012.

However during this assessment, auditor reviewed that latest training for mill staff were not effectively increasing their knowledge of RSPO supply chain standard requirements. Lacks of understanding for Mills staff were sighted during interview and audit.

This observation escalates into NC. See NC No. A845131/8; A845131/9; and A845131/10

Review previous Nonconformities and Observation for Scheme smallholder assessment and the details as follows.

MAJOR NONCONFORMITIES

No open Major nonconformity was identified. All these nonconformities were closed out last year (2012)

MINOR NONCONFORMITIES

Two Minor Nonconformities identified on previous assessment were successfully closed out. Detail of these nonconformities is listed below.

CAR reference AS01/2011/Ukui SH:

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

ASA2 findings: Based on interview with appointed officer in smallholders organisations (i.e. KUD Tani Bahagia, Karya Tani, and Usaha Baru) show demonstrate level of understanding on how to mitigate conflict with relevant protected species. The training material supplied to them explained the solution mechanism if conflict with

protected species is occurred. Up today, there has been no conflict is recorded. **Nonconformity is closed on 9 February 2013.**

CAR reference AS02/2011/Ukui SH:

6.1.3 An implementation timetable for management of impacts is available, which is in accordance with AMDAL **ASA2 findings:** during the audit, social impact management plan developed by nucleus estate which included social activities for smallholder area. Based on management plan document review, timetable for social impact have been under the document "Social Management Plan PT IIS 2012 and 2013". The timetables for social impact have been communicated to smallholder. **Nonconformity was closed on 9 February 2013.**

Previous Observation/Opportunities for improvement

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

ASA2 findings: KUD Karya Tani developed a mechanism for legal checking. There is a list of legal requirement maintained to ensure all legal documents are valid and registered prior to its expiry date. KUD Karya Tani provided the list:

- "Tanda Daftar Perusahaan Koperasi" No. 040624700002 dated 6 February 2012, valid until 6 February 2017. Re-registration No.62/BPMD DAN PPT/TDP/II/2012 dated 1 February 2013.
- "Surat Izin Usaha Perdagangan Menengah" No.15/BPMD DAN PPT/SIUP-PM/II/2012 dated 6 February 2012, valid until 6 February 2017. Re-registration No.62/BPMD DAN PPT/SIUP-PM/II/2013 dated 1 February 2013.
- "Izin Tempat Usaha" No.85/BPMD&PPT/II/2012 dated 6 February 2012, valid until 6 February 2017. Re-registration No.70/BPMD-PPT/I/2013.
- "Pengesahan Akta Perubahan Anggaran Dasar Koperasi Unit Desa Karya Tani" No.01/KPTS/PAD/BH/IV.2/02/V/2009.
- "Nomor Pokok Wajib Pajak" No.1.488.576.8-213.
- "Akta Perubahan Anggaran Dasar Koperasi KUD Karya Tani" with decree No.01/KPTS/PAD/IV.2/02/V/2009 dated 18 May 2009.

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

ASA2 findings: All sampled KUDs shows effort to implement U-shape frond stacking even tough in specific case some farmer members have difficulties to implement because of particular condition (e.g. dissimilar understanding, discipline)

4.5.2 It is noted that all farmers are aware of IPM knowledge and able to explain biological control of leave eating pest and rodent control. However, implementation and planting of beneficial plants are

very limited. Increasing the area of beneficial plant will be an advantage to the farmers.

ASA2 findings: All sampled KUDs developed a programme for applying beneficial plant into the farmer plot, currently the implementation focused on main roads surrounding farmer plots.

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

ASA2 findings: KUD Karya Tani develops the list of agrochemical used. The record shows that all the register listed under Buku Hijau, and registration still valid. Ronda Plus – Iso Propil Amina Glyphosate, valid until 7 August 2013; Grasso – Iso Propil Amina Glyphosate, valid until 10 August 2014; Garlon – Triklolpir, valid until 6 October 2013; Ridatop – Paraquat Diklorida, valid until 6 September 2015; Bravoxone – Paraquat Diklorida, valid until 10 August 2014.

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

ASA2 findings: KUD Tani Bahagia shows documentation evidence of signage, secondary containment and MSDS installed at agrochemical and fertilizer stores.

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

ASA2 findings: Based on interview with farmers from previous sampled KUDs, most of them have been aware and shows improvement of understanding to social and environmental impact identified in AMDAL document.

3.4 Noteworthy Positive Components

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

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

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

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

Appendix D contains list of stakeholders contacted. Methodology used was Focus group Discussion on 5 February 2013 and conducted by the audit team member with social auditing background. Stakeholders consultation attended by participants from community

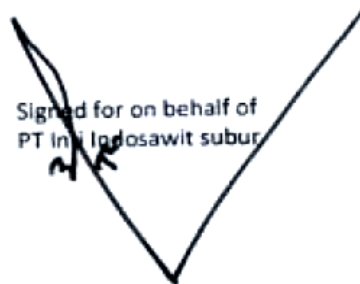
representatives, Scheme Smallholders and their head of cooperatives, religious leaders, contractors, suppliers and government officials from Agriculture Office, Environment office, Workers Union (SPSI).

During stakeholder consultation there was no negative comment or feedback received. Interview with local NGO was very positive and some suggestion was given to the company for continuous improvement.

4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

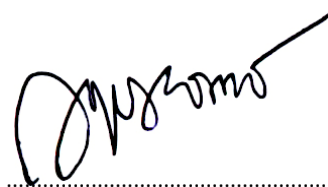
Please sign below to acknowledge receipt of the assessment visit described in this report and confirm the acceptance of the assessment report contents including assessment findings.

Signed for on behalf of
PT Inti Indosawit Subur



Mr. Welly Pardede
Head of Environment & Sustainability
Date: 09 April 2013

Signed for on behalf of
BSi Group Singapore Pte Ltd



Aryo Gustomo
Lead Auditor
Date: 09 April 2013

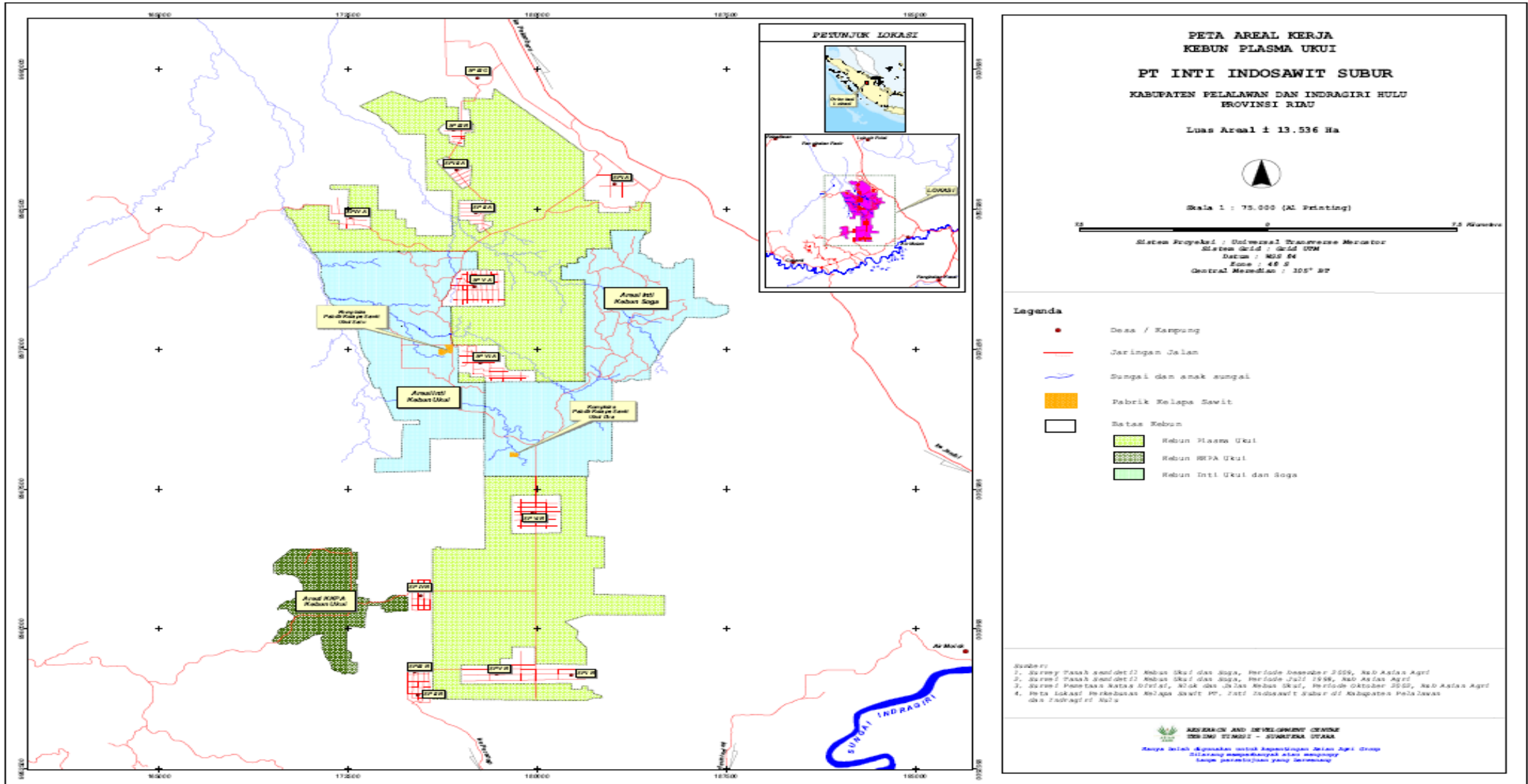


Figure 1: Location of Ukui Group Estate and Scheme Smallholder

Appendix A: PT Inti Indosawit Subur Time bound Plan

Name of Mill	Address	Time bound for certification	Status during Dec 2012
Buatan I	Delik & Pangkalan Kerinci Village, Bunut Langgam District, Pelalawan Regency, Riau	2010	Certified on 16 September 2010
Buatan II	Delik & Pangkalan Kerinci Village, Bunut Langgam District, Pelalawan Regency, Riau	2010	Certified on 16 September 2010
Ukui I	Ukui Village, Ukui District, Pelalawan Regency, Riau	2010	Certified on 1 March 2011
Ukui II	Ukui Village, Ukui District, Pelalawan Regency, Riau	2010	Certified on 1 March 2011
Tungkal Ulu	Pulau Pauh / Penyabungan / Merlung Village, Tungkal Ulu District, Tanjung Jabung Regency, Jambi	2011	Certified on 15 August 2012
Muara Bulian	Singoan / Bukit Sari / Bulian Jaya Village, Muara Bulian / Pelayung District, Batang Hari Regency, Jambi	2011	Certified on 28 August 2012
Topaz	Petapahan Village, Tapung District, Kampar Regency, Riau	2013	-
Taman Raja	Lubuk Bernai / Kampung Baru / Pelabuhan Dagang / Pematang Pauh Village, Tungkal Ulu District, Tanjung Jabung Regency, Jambi	2013	-
Segati	Langkan / Penarikan / Tambak / Sotol Village, Langgam District, Pelalawan Regency, Riau	2014	-
Tanah Datar	Tanah Datar Petatal Village, Talawi District, Asahan Regency, North Sumatera	2015	-
Aek Nabara	S1-S3 / Sukadame Village, Bilah Hulu / Kota Pinang District, Labuhan Batu Regency, North Sumatera	2015	-
Teluk Panjie	Teluk Panjie Village, Kampung Rakyat District, Labuhan Batu Regency, North Sumatera	2015	-
Peranap	Simelinyang / Pauh Ranap / Sengkilo Village, Peranap District, Indragiri Hulu Regency, Riau	2016	-
Bungo Tebo	Tuo Sumai / Sungai Rambai Village, PWK Sumai / Tebo Ulu District, Bungo Tebo Regency, Jambi	2016	-
Tanjung Selamat	Kampung Padang Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatera	2017	-
Gunung Melayu I	Rahuning Village, Bandar Pulau District, Asahan Regency, North Sumatera	2017	-
Gunung Melayu II	Gonting Mahala Village, Bandar Pulau District, Asahan Regency, North Sumatera	2017	-
Negri Lama I	Negri Lama Seberang Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatera	2018	-
Negri Lama II	Negri Lama Seberang Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatera	2018	-
Name of Plantation	Address	Time bound for certification	Status during Dec 2012
Buatan	Delik & Pangkalan Kerinci Village, Bunut Langgam District, Pelalawan Regency, Riau	2010	Certified on 16 September 2010
Ukui & Soga	Ukui Village, Ukui District, Pelalawan Regency, Riau	2011	Certified on 1 March 2011
Buatan (Plasma)	Kerinci Kanan, Pangkalan Kerinci, Dayun Village, Siak & Pelalawan Regency, Riau	2011	Certified on 13 March 2012
Ukui (Plasma)	Ukui & Lubuk Batu Jaya District, Pelalawan & Inhu Regency, Riau	Brought forward from 2012 to 2011	Certified on 11 June 2012
Tungkal Ulu	Pulau Pauh/Penyabungan/Merlung Village, Tungkal Ulu District, Tanjung Jabung Regency, Jambi	2011	Certified on 15 August 2012
Muara Bulian	Singoan/Bukit Sari/ Bulian Jaya Village, Muara Bulian/Pemayung District, Batang Hari Regency, Jambi	2011	Certified on 28 August 2012
Buatan (KKPA)	Kerinci Kanan, Pangkalan Kerinci, Dayun District, Siak & Pelalawan Regency, Riau	2012	Audited on August 2012
Tungkal Ulu (Plasma)	Renah Mendalo, Merlung, Muara Papalik District, Tanjung Jabung Barat Regency, Jambi	2012	Main audit completed Dec 2012. Report under review

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

Appendix B: RSPO Certificate Details

PT Inti Indosawit Subur – Ukui Group

Desa Ukui, Kecamatan Ukui, Pelalawan District,
Riau, Indonesia.

Certificate Number: SPO 565807

Initial Certificate Issued Date: 1 March 2011

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

Standard: RSPO Principle & criteria: 2007; RSPO P&C Indonesian National Interpretation 2008; RSPO P&C for Scheme Smallholder INA-SWG 2009; RSPO Supply Chain for CPO Mills Module E – Mass Balance: 25 November 2011.

Ukui I Palm Oil Mill and Supply Base	
Location	Pelalawan Regency, Riau, Indonesia
Address	Ukui Village, Ukui District, Pelalawan Regency, Riau, Indonesia
GPS	Longitude: 102° 05' 33" E Latitude: 00° 13' 34" S
Estate FFB Tonnage processed	119,320
Scheme Smallholder FFB Tonnage processed	183,144
Outgrowers FFB Tonnage processed*	115,000
CPO Tonnage produced	89,883
PK Tonnage produced	22,961
CPO Tonnage Total claimed**	68,263
PK Tonnage Total claimed**	16,636

* Outgrowers is excluded from the Certification scope

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

Ukui II Palm Oil Mill and Supply Base	
Location	Pelalawan Regency, Riau, Indonesia
Address	Ukui Village, Ukui District, Pelalawan Regency, Riau, Indonesia
GPS	Longitude: 102° 07' 01" E Latitude: 00° 16' 37" S
Estate FFB Tonnage processed	151,348
Scheme Smallholder FFB Tonnage processed	138,210
Outgrowers FFB Tonnage processed*	141,234
CPO Tonnage produced	93,688
PK Tonnage produced	24,124
CPO Tonnage Total claimed**	65,787
PK Tonnage Total claimed**	16,215

* Outgrowers is excluded from the Certification scope

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

Appendix C: Assessment Programme

Date	Time	Subjects	Aryo	Sedayu	Nanang
Monday, 04/02/2013	06.45 – 08.30	Auditors travelling from Jakarta – Pekanbaru Pick up at the airport by PT IIS	√	√	√
	09.00 – 12.30	Travelling to the site (Ukui)	√	√	√
	12.30 – 14.00	Break/Lunch/Pray	√	√	√
	14.00 – 15.00	Opening Meeting: <ul style="list-style-type: none"> • Presentation by the Estate and mill managers, Supply Chain related to the FFB supplied to the mill, progress of Time Bound Plan). • Presentation by Audit team leader and confirmation of assessment scope. Finalize Audit schedule, including stakeholders consultation. • Other business 	√	√	√
	15.00 – 17.00	Document review (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, Time bound plan verification, verify status of previous Non Conformity, etc).	√	√	√
Tuesday, 05/02/2013	08.00 – 12.00	Document review at Mill and Estate (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, etc).	√	√	-
	08.00 – 12.00	Stakeholder Consultation Meeting – Mill, Estate, and Scheme Smallholders: Meeting and interview with stakeholders from Local government, head of village, NGO, contractors, etc.	-	-	√
	12.00 – 14.00	Break/Lunch/Pray	√	√	√
	14.00 – 17.00	Continue Document review (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, etc).	√	√	√
Wednesday, 06/02/2013	08.00 – 12.00	Mills Audit - Mill inspection, warehouse, workshop, mill wastes management, Effluent Ponds, OSH, Environment issues, POME application, workers interview, housing, Supply chain for CPO mill, Review on SEIA documents and records, Document review, etc.	√	-	-
	08.00 – 12.00	Estate Audit – field visit, boundary inspection, Fertiliser application, field spraying, harvesting, workers interview, POME application, buffer zone, HCV area, Enclaves, Office, workshop, worker housing, Landfill, Chemical store and mixing, , etc.	-	√	√
	12.00 – 14.00	Break/Lunch/Pray	√	√	√
	14.00 – 17.00	Continue Mills Audit - Mill inspection, warehouse, workshop, mill wastes management, Effluent Ponds, OSH, Environment issues, POME application, workers interview, housing, Supply chain for CPO mill, Review on SEIA documents and records, Document review, etc.	√	-	-
	14.00 – 17.00	Continue Estate Audit: Inspect workers housing and interview residents, infrastructure, Social issues, waste management, Clinic, review pay documents, visit local community, SEIA etc	-	√	√
	Evening	Auditor meeting.	√	√	√
Thursday, 07/02/2013	08.00 – 12.00	Scheme Smallholder Audit: KUD Bukit Potalo Inspections e.g. Office (Document review)	√	-	-
	08.00 – 12.00	Scheme Smallholder Audit: KUD Mekar Abadi Inspections e.g. Office (Document review)	-	√	√
	12.00 – 14.00	Break/Lunch/Pray	√	√	√
	14.00 – 17.00	Continuing Scheme Smallholder Audit: KUD Bukit Potalo Inspections e.g. Office (Document review), Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting, HCV area, farmer plots. Etc	√	-	-
	14.00 – 17.00	Continuing Scheme Smallholder Audit: KUD Mekar Abadi Inspections e.g. Office (Document review), Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting, HCV area, farmer plots. Etc	-	√	√
Friday, 08/02/2013	08.00 – 12.00	Scheme Smallholder Audit: KUD Sumber Bahagia Inspections e.g. Office, Landfill, Chemical store and mixing, Fertiliser, field spraying	√	√	√

		& harvesting, HCV area, farmer plots. Etc			
	12.00 – 14.00	Break/Lunch/Pray	√	√	√
	14.00 – 17.00	Continuing Scheme Smallholder Audit: KUD 3 Inspections e.g. Office (Document review), Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting, HCV area, farmer plots. Etc	√	√	√
Saturday, 09/02/2013	08.00 – 10.00	Continue Document audit and gather outstanding data/information, preparation for closing meeting.	√	√	√
	10.00 – 12.00	Closing meeting.	√	√	√
	12.00 – 14.00	Break/Lunch/Pray	√	√	√
	14.00 –	Auditors overnight in Guest House of PT IIS Ukui.	√	√	√
Sunday, 10/02/2013	08.00 – 09.30	Auditors travelling to Dangau Sorek Hotel for other audit.	√	√	√

Appendix D: List of Stakeholders Contacted

<p><i>Scheme Smallholders</i></p> <p>Bukit Potalo Smallholders and Cooperative Head Mekar Abadi Smallholders and Cooperative Head Sumber Bahagia Smallholders and Cooperative Head</p>	<p><i>Local Communities</i></p> <p>Air Hitam Village Representative Silikuan Hulu Village Representative Bukit Jaya Village Representative Bagan Limau Village Representative Ukui Sub District Representative</p>
<p><i>Internal Stakeholders</i></p> <p>PT IIS – Ukui Group Management team and Staff Head of the Sustainability Department Manager of the Stakeholder Relation Department General Manager Plasma Manager and Assistants Mill Managers and Assistants Estate Managers and Assistants Facility Administrators Gender Committee Representatives Doctor and Clinic Assistants Male and Female workers</p>	<p><i>NGO and Others</i></p> <p>WWF Indonesia – Riau branch SPSI (Worker Union) of PT IIS</p>
<p><i>Government Departments</i></p> <p>District Labour Office District Agriculture Office District Cooperative Office District Environment Office</p>	

Appendix E: Supply Chain Assessment for the Mills (Module E: Mass Balance)

Requirements	
E.1. Documented procedures	
E.1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified for Mass Balance (MB) supply chain requirements.	<p>Both mills have written documented procedures for the chain of custody with MB model covering certified and non certified FFB. The marketing and mill managers have the responsibility to ensure implementation. Records: Procedure AA-MPM-OP-1400.17-22 (Traceability) dated on 14 January 2013.</p> <p>CAR reference A845131/8</p> <p>E.1.1 Mills has been developed operational procedure related to supply chain standard, however the related document with e-trace procedure is not available. Based on interview with marketing staff during assessment, auditor has not been able to collect objective evidence detailing trading done in e-trace. While based on mill records, in 2012 sales of RSPO certified CPO took place.</p> <p>Corrective action: Organization provided records titled "LUP" January-February 2013 and "Rekap DO Sustainable". LUP for January-February 2013 consist of CPO and Palm Kernel production report including by-product and stock sustainable production. This is compared to Rekap DO Sustainable in which stated the CPO dispatch including date of delivery, delivery order, volume per contract, truck number, volume per truck and balance. The marketing staff is now can explain the extract the database through e-trace system. Nonconformity is closed on 2 April 2013</p>
E.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.	<p>Both mills have documented procedures for the incoming FFB, processing and outgoing palm products (CPO and PK). Marking is made on the receiving documents to differentiate the certified and non-certified FFB received. Records: Procedure AA-SM-405.1-R1 (Traceability Storage tank/warehouse); and Procedure AA-MPM-OP-1400.18-R2 (Mass Balance).</p>
E.2. Purchasing and goods in	
E.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received.	<p>According to relevant procedure as above (E.1.1 and E.1.2), daily records are prepared at the entry point at the weighbridge. Daily summary and monthly summary documented for all the certified and non certified FFB. Records verified by internal and external audit.</p>
E.2.2 The facility shall inform the CB immediately if there is a projected overproduction.	<p>The facilities aware of this procedure.</p>
E.3. Record keeping	
E.3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of certified and noncertified palm products.	<p>Daily records are prepared at the entry point at the weighbridge. Daily summary and monthly summary documented for all the certified and non certified FFB. Records verified by internal and external audit. Records: Laporan Harian Pabrik (Mill daily report), and Laporan Unit Pabrik (Mill Monthly Report).</p> <p>CAR reference A845131/9</p> <p>E.3.1 Record of "Laporan Harian Pabrik", monthly report, "Rekap produksi dan pengiriman CPO plasma" are not accurate and up-to-date. For example: In Ukui I mill, 2012 FFB and CPO product from certified scheme smallholder are not categorize as sustainable product.</p> <p>Corrective Action: Organization provided "Laporan Harian Pabrik" from Ukui I and Ukui II Palm Oil Mills in which indicating the sustainable and non-sustainable FFB received. The daily report also shows the sustainable and non-sustainable CPO and palm kernel balance for the day. Further "Laporan Harian Pabrik" shows the delivery of sustainable and non-sustainable CPO and palm kernel and the balance for the day. Organization also provided evidence of delivery note from cooperative in which stamped with "RSPO certified" to indicate the sustainable FFB delivery. Nonconformity is closed on 2 April 2013.</p>
E.3.2 Retention times for all records and reports shall be at least five (5) years	<p>According to relevant procedure above (E.1.1 and E.1.2) the retention period is specified as 10 years and financial documents retained longer based on the local regulation requirement.</p>
E.3.3 (a) The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis.	<p>According to Procedure AA-MPM-OP-1400.18.R2 (Mass Balance) All the inventory records are maintained and updated on three monthly reports. No PKO and Palm kernel meal at both mill sites.</p>
E.3.3 (b) All volumes of palm oil and palm kernel oil that are delivered are deducted from the material accounting system according to conversion ratios stated by RSPO.	<p>Computerized system in place with the delivery deducted accordingly.</p>
E.3.3 (c) The facility can only deliver Mass Balance sales from a positive stock. However, a facility is allowed to sell short.	<p>Only positive stock id delivered. No short selling.</p>

E.3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/MB or Mass Balance. The supply chain model used should be clearly indicated.	Facilities use Mass Balance model and indicated on the relevant documents, such as weighbridge ticket, Delivery order, and contract.
E.3.5 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that the crush is covered through a signed and enforceable agreement.	No outsourcing activities.
E.4. Sales and goods out	
E.4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information	
(a) The name and address of the buyer	Name and address of buyer written on the invoice.
(b) The date on which the invoice was issued	Date is written.
(c) A description of the product, including the applicable supply chain model (Segregated or Mass Balance)	Product description and supply chain model is written. Mass balance model.
(d) The quantity of the products delivered	Quantity in tones.
(e) Reference to related transport documentation	Weighbridge documents and D/O includes all the transport references.
E.5. Training	
E.5.1 The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems.	<p>Staffs in the weighbridge, inventory, storage and processing, document control have attended training.</p> <p>CAR reference A845131/10</p> <p><i>E.5.1 In Ukui I and Ukui II mill, even though training for RSPO supply chain had been carried out in 2012, lack of understanding of standard requirement and e-trace trading for mill and marketing staff were noted.</i></p> <p>Corrective Action:</p> <p><i>Organization provided training RSPO supply chain and traceability on 28 February 2013 for all staff from Ukui I and Ukui II Palm Oil Mill. Interview with PT IIS's marketing staff through phone call shows understanding of RSPO supply chain.</i></p> <p>Nonconformity is closed on 8 April 2013.</p>
E.6. Claims	
E.6.1 The facility shall only make claims regarding the use of or support of RSPO certified oil palm products that are in compliance with the RSPO Rules for Communications and Claims.	No claims made because the CPO is delivered/sold to downstream refineries.

Total last transaction in UTZ system for period of March 2012 to February 2013 is 8,189 mt. This was checked through eTrace system with total up the quantity entered in the months stated above (Ukui Mills have no transaction using Green Palm so far)