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PUBLIC SUMMARY REPORT

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

PT INTI INDOSAWIT SUBUR TUNGKAL ULU GROUP Jambi Province, Sumatra, INDONESIA

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SUMMARY

BSi has conducted first annual surveillance assessment of PT Inti Indosawit Subur – Tungkal Ulu group's operations on 10 – 14 December 2012, comprising one mill, one oil palm estate, group of scheme smallholders, support services and infrastructure. BSi concludes that PT Inti Indosawit Subur – Tungkal Ulu group operations and the scheme smallholders comply with the requirements of RSPO Principles & Criteria: November 2007, RSPO P&C Indonesia National Interpretation Working Group (INA NIWG) Indicators and Guidance: 2008, RSPO P&C INA-SWG: v1 October 2009 for Scheme Smallholders and RSPO Supply Chain Standard (requirement for CPO Mills): November 2011.

The palm oil mill with processing capacity of 60mt/hr was also assessed against the RSPO Supply Chain Certification Standard for the compliance to the requirement for the CPO mill. It is found that the mill have implemented Mass Balance SCCS requirement to ensure traceability of the incoming and out-going palm products.

For the record, the initial certification assessment was conducted by a different certification body (TUV Nord Indonesia) on 11-14 October 2011 and certificate of compliance was issued on 15 August 2012. The certificate is valid until 14 August 2017. The management of PT IIS decided to transfer the annual surveillance assessment to BSi. BSi conducted transfer of certificate and assessment process based on BSi internal transfer procedure and decision was made to conduct the annual surveillance assessment of Tungkal Ulu Certification Unit on 10 – 14 December 2012. This was discussed communicated with RSPO secretariat during the RT 10 by BSi's scheme manager. The RSPO approved public summary report by the previous certification body was reviewed and found that there were no any outstanding issues or any non conformity from the previous initial assessment.

During this annual surveillance assessment the scheme smallholders within the Tungkal Ulu mill's supply base was assessed as part of the extension of the mill's certification scope. Pre assessment to assess the scheme smallholders' readiness for initial certification was conducted on 18 – 20 October 2012. During the pre assessment, there were three major nonconformities was identified along with three minor non conformities. All this nonconformities was closed by the scheme smallholders prior to the initial certification assessment which was conducted at the same time with the annual surveillance assessment to extent the scope of the Tungkal Ulu mill's certificate and include the scheme smallholders. The implementation of the corrective action was checked and verified during this assessment and found to be effective to close the previous nonconformities.

During the annual surveillance assessment of the mill and initial assessment of the scheme smallholders, there was a major nonconformity and three minor non conformities was identified. The major nonconformity

was closed out and this was verified by BSi Lead auditor. The details are explained in section 3.3 below.

BSi recommends that Tungkal Ulu Group which consist of Tungkal Ulu Mill, Tungkal Ulu estate and the Scheme Smallholders be approved as a producer of RSPO certified sustainable palm oil and maintain the validity of the existing certificate with an extension of scope by including the scheme smallholders into the existing Tungkal Ulu RSPO certificate.

ABBREVIATIONS USED

AMDAL	Analisis Mengenai Dampak Lingkungan
BOD	Biological Oxygen Demand
BPN	Badan Pertahanan Nasional
CPO	Crude Palm Oil
CSR	Corporate Social Responsibility
EFB	Empty Fruit Bunch
EMS	Environmental Management System
ERT	Endangered, Rare and Threatened
ESIA	Environmental Social Impact Assessment
FFB	Fresh Fruit Bunch
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
IUCN	International Union for Conservation of Nature
KER	Kernel Extraction Rate
MSDS	Material Safety Data Sheet
NGO	Non Government Organisation
OER	Oil Extraction rate
OHS	Occupational Health and Safety
PK	Palm Kernel
PMP	Project Management Plan
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
PT IIS	PT Inti Indosawit Subur
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 Tungkal Ulu mill and their supply bases of FFB were assessed against the RSPO Certification System: June 2007 (revised March 2011), RSPO P&C Indonesia National Interpretation Working Group (INA NIWG) Indicators and Guidance: 2008, RSPO P&C INA-SWG: v1 October 2009 for Scheme Smallholders, Annex 4: Procedures for Annual Surveillance and RSPO Supply Chain Standard: November 2011, Module E – CPO Mills: Mass Balance.

1.2 Certification Scope

The scope of the certification covers Tungkal Ulu palm oil mill and the supply base comprising Tungkal Ulu estate and ten Scheme Smallholder cooperatives.

1.3 Location and Maps

The Tungkal Ulu Group's mill, estate and scheme smallholders are located in Pulau Pauh/Penyabungan, Merlung Village, Tungkal Ulu District, Tanjung Jabung Regency, Jambi Province, Indonesia (Figure 1). The GPS location of the mill is shown in Table 1.

Table 1: GPS Location of Mill

MILL	Longitude	Latitude
Tungkal Ulu (Capacity: 60 mt/hr)	102°58'53"E	01°18'01"S

1.4 Description of Supply Base

Tungkal Ulu Smallholder scheme was developed as a condition of the PT IIS – Tungkal Ulu Group's plantation development. These scheme smallholders were assessed by BSI to include into the existing scope of the Tungkal RSPO certificate as part of the company's commitment to bring the associated smallholders into the existing RSPO certificate. A pre-assessment to assess the scheme smallholder's readiness for RSPO certification was conducted on 18-19 October 2012. There were three major nonconformities and three minor nonconformities were raised during the pre-assessment. The management of Tungkal Ulu and the scheme smallholders made necessary corrective action prior to the initial certification assessment which was conducted on 10 – 14 December 2012. The implementation was verified during this assessment and found to be effective to close the previous nonconformities.

Table 2a: Tungkal Ulu Group FFB Supply Details

Source	Actual FFB (mt) for 2011	Budgeted FFB (mt) for 2012*	Actual FFB (mt) for 2012	Budgeted FFB (mt) for 2013**
Tungkal Ulu Supply Base				
Tungkal Ulu estate	107,964	111,236	108,798	117,823
Sub-total	107,964	111,236	108,798	117,823
Scheme Smallholders:				
KUD Bina Usaha	19,633	20,885	19,350	21,874
KUD Sawit Kita	27,163	22,516	31,927	24,928
KUD Karya Kita	29,938	26,004	29,237	27,809
KUD Karya Jaya	27,205	19,436	24,840	19,537
KUD Panca Mukti	12,740	19,353	19,498	18,460
KUD Sari Bumi	14,191	17,532	19,369	17,618
KUD Manuggal Jaya	6,515	4,805	6,050	4,966
KUD Sawit Mulia	32,784	32,509	39,869	32,746
KUD Argo Makmur	22,153	26,008	31,738	25,359
KUD Harapan Jaya	15,968	24,067	28,037	23,400
Sub-total	208,290	213,115	249,915	216,697
GRAND TOTAL	316,254	324,351	358,713	334,520

* Reported during Initial Assessment; ** Projected during ASA 01 and certified.

(Note: The above figures exclude third party crop which is excluded in the scope)

The Tungkal Ulu Group smallholder scheme was originated from government land in late 1990s as part of transmigration project. The smallholders palms were

planted at the same time with the Tungkal Ulu Group own estate.

Fresh Fruit Bunch is sourced from company owned and managed estate, scheme smallholders and from third party (The tonnage is excluded from the certification scope). The Tungkal Ulu Group's actual production for 2011, 2012 and budgeted FFB productions (certified) for the year 2013 are listed in Table 2.

Table 2b shows the details of the FFB processed at Tungkal Ulu palm oil mill. It is noted that part of the total certified FFB production from the Tungkal Ulu scheme smallholders is delivered to external palm oil for processing because the Tungkal Ulu palm oil mill is below capacity to process all the FFB produced by the scheme smallholders. The CPO produced by this external mill is excluded from the certificate because the external mill is not a RSPO certified mill. PT IIS - Tungkal Ulu Group have a legal contract with the external mill to process the FFB from their scheme smallholders.

Table 2b: FFB Processed at Tungkal Ulu Mill

Source	Actual FFB (mt) 2011	Budgeted FFB (mt) for 2012*	Actual FFB (mt) for 2012	Budgeted FFB (mt) for 2013
Tungkal Ulu Estate	107,964	111,236	108,798	117,823
Scheme Smallholders:				
KUD Bina Usaha	19,633	20,885	19,350	21,874
KUD Sawit Kita	27,163	22,516	31,927	24,928
KUD Karya Kita	29,938	26,004	29,237	27,809
KUD Karya Jaya	27,205	19,436	24,840	19,537
KUD Panca Mukti	-	-	-	-
KUD Sari Bumi	1,543	-	450	-
KUD Manuggal Jaya	-	-	-	-
KUD Sawit Mulia	8,610	-	6,919	-
KUD Argo Makmur	7,051	-	18,508	-
KUD Harapan Jaya	5,315	-	4,105	-
Sub-total	126,458	88,841	135,336	94,148
GRAND TOTAL	234,422	200,077	244,134	211,971

Note: 6 scheme smallholder's crop is processed at third party mill through an agreement with Tungkal Ulu Mill. This crop was excluded unless it is processed at Tungkal Ulu Mill.

The scheme smallholders comprise ten cooperative. All the management advice on best practices is given by the scheme manager from PT IIS. There are 4,600 members (Table 4b) in these smallholder schemes covering an area of 9,302 ha (Table 4b) planted with oil palm. The scheme smallholder contributes about 40 - 45% of the total FFB processed in the Tungkal Ulu palm oil mill.

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

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

1.5 Date of Plantings and age profile

Majority of PT IIS – Tungkal Group own estate was planted between 1990 and 2003. However, there was about 7 ha was planted in 2008 which was previously occupied by a local community. This area was obtained through land compensation process which was accepted by all parties involved and the documents are available for verification. Compensation process was completed on 10/12/2007. The smallholder scheme was planted same time with the company's own estate. The smallholder palms were planted between 1990 and 1994. Palms are still in the first planting cycle. A replanting program has been developed for the replanting once the palm age exceed more than 25 years. The age profiles of the palms are shown in Table 3a and 3b below.

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

Age (years)	Total Planted Area (ha)	% of Planted area in Tungkal Ulu Estate	Year of Planting
22	926	21.06	1990
21	1,775	40.38	1991
19	1,645	37.42	1993
9	43	0.98	2003
4	7	0.16	2008
Total	4,396	100.00	

Table 3b: Scheme Smallholders' Age profile of palms

Age (years)	Total Planted Area (ha)	% of planted area under Scheme	Year of Planting
22	642	6.90	1990
21	1,894	20.36	1991
20	5,230	56.22	1992
19	1,434	15.42	1993
18	102	1.10	1994
Total	9,302	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 2005 – Certificate Number ID05/65250 – expiry date 10 June 2014. The palm oil mill was certified under ISCC certification on 12th September 2012 with Certificate number: EU-ISCC-Cert.-DE 100-20120202. The company owned estate obtain ISCC Statement of conformity since 12th September 2012 and valid until 11th September 2013.

1.7 Organisational Information / Contact Person

PT IIS contact details as follows:
RSPO Membership No: 1-0022-06-000-00

PT Inti Indosawit Subur
Jl. M.H. Thamrin No. 31
Jakarta INDONESIA 10230
Contact Person: Ms. Asrini Subrata
Phone: +62 21 230 1119
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 Ukui Group which was the first RSPO assessment for PT IIS conducted by BSI. **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 and recognise the efforts taken by the company to include the scheme smallholders into the RSPO certification. 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. HCV assessment was conducted by RSPO approved assessors.
3. No labour disputes that are not being resolved through an agreed process.
4. No evidence of noncompliance with law noted during the assessment.

1.9 Area of Plantation

The area of palms at company owned estate and smallholders are listed in Tables 4a and 4b. There are no immature areas in estate and smallholders area. Total land area of Tungkal Ulu Group is 4,556ha. Total planted area in Tungkal Ulu estate is 4,396 hectare and the balance area occupied for infrastructures (75ha), roads (70ha), swamp (13ha) and conservation area totalling 121.32ha. All the area is matured. The oldest palm is 22 years old. The replanting cycle is 25 years. The Tungkal Ulu estate already develop replanting program which will commence in 2016 in phases.

Table 4a: Estate and Area of Palms

Estate	Mature (ha)	Immature (ha)	Total Planted (ha)
Tungkal Ulu Estate	4,396	0	4,396
Total	4,396	0	4,396

The area of palms at the Tungkal Ulu scheme smallholders are listed in Tables 4b. There are no immature areas in the smallholder's area. Total planted land area of Tungkal Ulu scheme smallholder group is 9,302ha. Each smallholder owns average about 2ha. All the planted area is matured. Similar to the Tungkal Ulu estate, the oldest palm is 22 years old. The replanting cycle is 25 years. The Tungkal Ulu Scheme Manager already develop replanting program for the scheme smallholders which will commence in 2016 in phases.

Table 4b: Scheme Smallholders members and Area of Palms

Scheme Smallholder	Mature Area (ha)	Immature Area (ha)	Number of members
KUD Bina Usaha	910	0	450
KUD Sawit Kita	1028	0	509
KUD Karya Kita	1168	0	579
KUD Karya Jaya	810	0	400
KUD Panca Mukti	792	0	385
KUD Sari Bumi	764	0	377
KUD Manuggal Jaya	208	0	104
KUD Sawit Mulia	1362	0	676
KUD Argo Makmur	1130	0	560
KUD Harapan Jaya	1130	0	560
Total	9,302	0	4,600

1.10 Approximate Tonnages Certified

The approximate tonnages certified reported during initial certification was based on the budget for the year 2012. During this expansion of the scope, the approximate tonnage certified includes the production from the scheme smallholder based on the budget for the year 2013. The detail of the certified palm products for the Tungkal Ulu Certification Unit is shown in Table 5a and 5b. Table 5c shows the OER and KER trend for the Tungkal Ulu palm oil mill.

Table 5a: Approximate CPO Tonnages Certified and actual production

Tungkal Ulu Mill	CPO			
	2011 Actual	2012 Budget	2012 Actual	2013 Budget
Tungkal Ulu Estate	25,518	26,864	25,367	28,454*
Scheme Smallholder	28,775	20,700	30,484	21,937**
Total	54,293	47,654	55,851	50,391
Third Party***	13,701	16,698	18,145	17,764***
GRAND TOTAL PRODUCTION	67,994	64,262	73,996	68,155

Note: * Included in the scope of Initial Certification
 ** Included in the scope of Certification during ASA 01
 *** Excluded from certified CPO

Total actual certified CPO during the initial certification of Tungkal Ulu certification unit in 2012 was 25,367mt. The total certified CPO for the year 2013 is based on budgeted figure. This time the certified CPO includes the production from Tungkal Ulu scheme smallholders which accumulates to 50,391mt due to the expansion of the scope.

Similarly the certified production of palm kernel is shown in Table 5b. Total palm kernel certified during initial certification in 2012 was 5,909mt.

Table 5b: Approximate PK Tonnages Certified and actual production

Tungkal Ulu Mill	PK			
	2011 Actual	2012 Budget	2012 Actual	2013 Budget*
Tungkal Ulu Estate	5,882	6,118	5,909	6,657
Scheme Smallholder	6,900	4,886	7,328	5,319**
Total	12,782	11,004	13,237	11,976
Third Party***	3,747	4,474	4,947	4,734
GRAND TOTAL PRODUCTION	16,529	15,478	18,184	16,710

Note: * Included in the scope of Certification
 ** Included in the scope of Certification during ASA 01
 *** Excluded from certified CPO

Table 5c: Tungkal Ulu Palm Oil Mill OER and KER Trend

Year	2010	2011	2012	Budget for 2013
Average OER	22.54%	22.41%	22.02%	23.04%
Average KER	5.51%	5.45%	5.41%	5.65%

It is noted that the OER and KER for the Tungkal Ulu mill is fluctuating with expectation of an increase in 2013 due to good agriculture practices by the scheme smallholders. Actual OER in 2012 was 22.46% and KER was 5.41%. Projected OER is 23.04% while KER is 5.65%. The Tungkal Ulu mill expects higher OER in 2013 due to some improvement in the mill oil recovery process to minimise the oil lost during the processing. This is supported by the estate's initiative to maximise the loose fruit recovery from the field which contributed to the higher OER forecast and implementation of best practices by the scheme smallholders.

1.11 Date of Certificate Issued and Scope of Certificate

The initial certification assessment was conducted by a different certification body (TUV Nord Indonesia) on 11-14 October 2011 and certificate of compliance was issued on 15 August 2012. The certificate is valid until 14 August 2017. During the initial certification, the scope only covers the Tungkal Ulu palm oil mill and Tungkal ulu estate. The management of PT IIS – Tungkal Ulu Group decided to transfer the certificate to BSi.

During this assessment, the scope of the certificate includes the production from the company owned Tungkal Ulu estate and scheme smallholders which processed at the Tungkal Ulu Palm Oil Mill. After the approval of the summary report by RSPO, the certificate will include the production from the scheme smallholder as part of the certified supply base beside the existing Tungkal Ulu estate.

The certificate detail as follows:

Initial RSPO Certificate No: TNI-RSPO-H-1211

Date of Initial Assessment: 11 – 14/10/2011

Date of Initial Certification: 15.08.2012

Validity of Initial Certification: 14.08.2017

BSi Certificate No: SPO 594422

BSi Certificate Issued date: RSPO Approval date of the summary report.

2.0 ASSESSMENT PROCESS

2.1 Certification Body

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Genting centre
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Fax: +65 6270 2777
Scheme Manager: Mr Aryo Gustomo
Email: Aryo.Gustomo@bsigroup.com

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

2.2 Qualification of the Lead Assessor and Assessment Team

Senniah Appalasmay – Lead Assessor

He holds degree in Resource Economics from Agriculture University of Malaysia. He has vast experience in Plantation crop management covering oil palm plantation, rubber, cocoa and pepper for more than 10 years. He is also experience in manufacturing sector as a quality controller and production management. He is involved in RSPO implementation and assessment since 2008 as a team member and subsequently as a lead auditor with RSPO approved certification body covering assessment with RSPO P&C, RSPO SCCS and RSPO NPP in Malaysia, Indonesia and Thailand. He has completed ISO 9001:2008, RSPO SCCS awareness training, RSPO Lead Auditor Training Course, RSPO-RED Lead Auditor training course and International Sustainable Carbon Certification (ISCC) Lead Auditor training. Beside RSPO, he is also qualified as ISCC lead auditor. He have experience in other standards i.e. Global Gap Option 1 and 2 (Fruit, vegetable and aquaculture) and GMP B+ as team member.

Iman K. Nawireja – Team Member

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

past 6 years. He has conducting audits of oil palm plantation companies against the RSPO P&C in Indonesia, Malaysia, and PNG both as team member and as leader assessor.

Hendra Wijaya (Environment, EHS, and Best Practice – Mill)

He has graduated BSc in Chemical Engineering from the Bandung Institute of Technology in 1989 and MSc in Chemical Engineering, majoring on Environmental and Safety at the University of Indonesia, in 2009. He has completed lead auditor training in ISO 14001; Environmental Management Accounting training, Social and Environmental Impact Assessment Training (AMDAL); Industrial Wastewater Treatment, Pollution Prevention Cleaner Product, and Industrial Wastewater Treatment. He is a lead auditor in Environmental Audit since 1990s, including Compulsory Audit from the Ministry of Environment on various industries including oil palm mills, estates, and refineries. He has also assisted with audit of RSPO in Malaysia for pre assessment and main assessment.

Ahmad Hazman Bin Hj Yakof

Ahmad Hazman graduated from University of Alabama, USA with a B. Sc. (Mechanical Engineering) in 1988. He holds a Certificate in Training and Development from Institute of Personnel & Development, United Kingdom. Ahmad Hazman holds Certificate in Safety and Health from National Institute of Occupational Safety and Health (NIOSH) which qualifies him as a Certified Safety and Health Office. Currently he is a Lead Auditor for ISO 9001:2008, ISO 14001 and ISO 17025. He attended internal RSPO training and participated in RSPO audits.

This summary report was reviewed internally by Mr. Aryo Gustomo. He is the RSPO scheme Manager and one of the BSi internal reviewer who has involved in report reviewing and certification decision. He has completed RSPO Lead Auditor training as well. Externally, this report was peer reviewed by RSPO peer reviewer.

2.3 Assessment Methodology, Programme, Site Visits

2.3.1 Assessment and Inclusion of Scheme Smallholders

Pre assessment to assess the scheme smallholders' readiness for initial certification was conducted on 18 – 20 October 2012. During the pre assessment, there were three major nonconformities was identified along with three minor non conformities. All this nonconformities was closed by the scheme smallholders prior to the initial certification assessment which was conducted at the same time with the annual surveillance assessment to extent the scope of the mill's certificate and include the scheme smallholders.

The annual assessment and extension of the scope to include the scheme smallholder was conducted on 10 – 14 December 2012. Since the initial assessment of Tungkal Ulu Certification Unit was conducted by

different certification body (TUV Nord Indonesia), transfer assessment was conducted based on BSi Transfer Assessment Procedure. During the transfer assessment, previous summary report and findings was verified and confirmed. There was no any outstanding nonconformity. The scope of the Tungkal Ulu Certification Unit's certificate was re-confirmed. This was continued with the site audit for the Tungkal Ulu palm oil mill, estate and scheme smallholders. During this assessment the scheme smallholders was assessed to include in the certification scope. The assessment program is included in **Appendix C**.

This assessment was conducted using RSPO Certification System June 2007 (revised March 2011), RSPO P&C Indonesia National Interpretation Working Group (INA NIWG) Indicators and Guidance: 2008, RSPO P&C INA-SWG: v1 October 2009 for Scheme Smallholders and RSPO Supply Chain Standard: November 2011, Module E – CPO Mills: Mass Balance.

BSi Audit team conducted an assessment of the scheme smallholders operation comprising ten cooperatives by sampling three cooperatives based on the RSPO sampling formula ($0.8 \sqrt{Y}$ whereby Y is number of cooperatives). This sampling strategy was developed based on the RSPO sample size, the geographical location of the cooperatives and number of smallholder members. The RSPO sampling formula also used for the selection of members to be assessed. The cooperatives sampled were Sawit Mulia, Karya Kita and Manunggal Jaya.

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

The annual assessment was conducted by auditing the certified Tungkal Ulu mill and Tungkal Ulu estate covering all the aspects of the standard required for the surveillance assessment. The methodology for collection of objective evidence includes physical site inspection, observation of operation in the field, interview with workers and staff, interview with external stakeholders and review of records and documents. The assessment was based on random sampling and therefore nonconformities may exist which have not been identified.

In this summary report, the findings of the scheme smallholders are incorporated with the existing Tungkal Ulu Certification Unit's findings because the certification unit is already certified and was assessed during this

time as part of the first annual surveillance assessment which was conducted on 10 – 14 December 2012.

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

2.4 Stakeholder Consultation and a List of Stakeholders Contacted

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

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

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

2.5 Date of Next Surveillance Assessment Visit

The next surveillance assessment visit is planned not later than 12 months of the anniversary date of the certificate. This surveillance assessment will include the certified Tungkal Ulu mill, Tungkal Ulu estate and the scheme smallholders which was included in the certified scope during this 1st Annual Surveillance Assessment.

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 certified Tungkal Ulu mill and estate. Section 3.2 is referring to the findings of the Scheme Smallholder assessment.

During this annual surveillance assessment of the Tungkal Ulu certification unit, there was a major

nonconformity identified. There were also three minor nonconformities raised. All the operating units submitted corrective action plans. The evidence for closing out the major nonconformities was submitted to the audit team leader. The evidence was verified and found to be effectively addressing the nonconformity. The major nonconformity was closed prior to this recommendation for the continuation of the existing certification and includes the scheme smallholder. The detail is explained in section 3.1 and 3.2 below.

Beside the non conformities there were 24 observations for improvement was highlighted to the operation units for consideration as an area for improvement. The minor nonconformities and observation will be followed up and checked during the next annual surveillance assessment.

Based on the findings during the Scheme Smallholders assessment and Annual surveillance Assessment, BSi conclude that PT IIS – Tungkal Ulu Group and its scheme smallholder comply with the requirements of the Indonesia National Interpretation (INA NIWG): 2008, National Interpretation for Scheme Smallholders Republic of Indonesia: October 2009, Version 1 and RSPO Supply Chain Standard: November 2011, Module E – CPO Mills: Mass Balance.

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

3.1 Summary of Findings for the Existing certified unit (Tungkal Ulu Mill and Estate) based on RSPO P&C INA-NIWG: 2008

Principle 1: Commitment to transparency

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

Palm Oil Mill and estate management respond to the stakeholder request as per the revised SOP which are related to environment, social and legal as per RSPO requirement. This SOP AA-GL-5008.1-R1 dated 22 August 2011 to include the 14 days respond time of any request for information. Records inspected shows that the SOP is implemented. Information request is handled by the Public Relation Officer and records are maintained. These records also incorporated with visitor's information and information given to them. Information given was recorded in Information Request and Responses Log Book (*Buku Permintaan Dan Tanggapan Informasi*). Information such as who came, when came, what information requested, how and when it was responded and who responded are recorded. The retention periods of such records are for three years. Old records are kept at the documents store (Gudang Arsip). Sample record checked shows that information

request from District Investment Agency (Badan Penanaman Modal Daerah) dated 13/9/2012 was attended on 16/9/2012 as per SOP.

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.

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

Tungkal Ulu mill and estate has group procedure to ensure compliance with all applicable laws and regulations. This is implemented through procedure SOP AA-GL-5001.1-R0 by making available a list of regulations and legal requirements relevant to the mill and estate. The list of regulation includes laws related to land ownership, environment and social laws, mill operation and polluting activities, forestry, water, safety and health, wage, waste management and other related laws.

Tungkal Ulu palm oil mill comply with the operating and machineries permit requirements, emission reporting, effluent treatment etc. Document audit confirm that compliance to the legal requirements related to mill operations are sufficiently complied. Example, BOD of the effluent at mill is within the permitted level of 5000mg/L. Mill personnel are having competence certificate. Other samples compliance checked were: Land Application Permit: No. 503.8/01/KPPT dated 2/9/2010, Surface water use permit: No. 503.30/01/KPPT/2011 dated 5/7/2011, Tungkal Ulu group land title: No. 06.06.02.08.2.00001 and No. 61/HGU/BPN/2005 for the land area of 4,556ha, Mill permit: No. 532/T/Industri/2005 and Pesticide Store: No. 560/386/4.3/DSTKT.

Company legal department (Social Security and Legal) continue to carry out the tracking of any changes in the law and inform the relevant operating units as necessary if there is any changes related to the mill and estate operation. PT IIS conducted the legal compliance evaluation against National and local regulations. Last evaluation was conducted on 28/9/2012 and found compliance.

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 – Tungkal Ulu Group holds two HGU which was checked and verified during the ASA1 as reported in 2.1 above. It was checked again during this time because previous assessment was conducted by a different certification body.

Field visit includes inspection of the boundary stones. It is found that the boundary stones are visibly maintained at field F12 (BPN/IIS No. 85), field F9 (BPN/IIS No. 83) and records of inspection is maintained at the estate. Boundary stones are photographed during monitoring inspection by the assistant manager. There were no encroachment issues noted or highlighted by the stakeholders who were interviewed during the stakeholders' consultation. Tungkal Ulu estate is surrounded by the scheme smallholder's plots.

The land was initially from the government. During initial development it was under transmigration program which include scheme smallholder development. No land dispute issues were noted during the assessment. Tungkal Ulu group has a mechanism to resolve conflict and stakeholders interviewed confirm that it is accepted by them. Interview with District Agriculture Officer and Transmigration officer confirm that there are no any land disputes.

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

It is noted that the land was initially from the government and incorporated with the transmigration program to develop scheme smallholder project for the community. It is noted that the villagers are aware of the plantation development and they were given opportunity to take part in the plasma scheme smallholder development. These plasma scheme smallholders have a close relationship with the Tungkal Ulu management and during this assessment they are brought into the RSPO certification as well as part of PT IIS commitment to RSPO Certification.

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

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

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

Tungkal Ulu mill and estate have an annual budget and projection for a period of three years for the estate and mill. Annual budget is used as guidance by the manager to ensure management plans in the budget are implemented to achieve the economic financial outcome. The annual budget includes operational cost and revenue, production and target, cost of production, OER, capital expenditure and allocation for the continuous improvement plans including RSPO and other sustainable certification program such as ISCC.

Replanting programme is available commencing in 2016 (550ha) and continues in 2017 (650ha). The replanting programme is prepared by the estate managers as guidance to implement replanting work such as felling, chipping, terracing, cover crop planting, planting of palms and maintenance up to maturity stages. The zero burning technique during replanting was communicated to all executives in the plantation as part of replanting program. Seed are from company's own research station (Topaz Oil Palm Research Station) which is ISO 14001 and ISO 9001 certified seed producer.

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

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

Estate is using Agronomy Policy Manual dated 1 February 2009 as guidance for good agriculture practise. SOPs related to all the estate operations such as nursery, land preparation, planting, field maintenance, harvesting, FFB collection and transport are referred to the manual. Palm Oil Mill has a separate manual which includes SOPs for each processing stations covering 16 sections from receiving of FFB, grading, processing, lab analysis, storage and despatch. The mill revised Policy Manual was dated 26 August 2011. Two new SOPs were incorporated during the revise to include the supply chain requirement on traceability, Mass Balance and quarterly report.

Implementations of the SOPs are monitored through field inspection by the estate assistant managers, Agronomist, Plantation advisers, mill adviser and by RSPO internal audits. PA visit report dated 15 June 2012 No. KTU/VA/FULL 01-12 was checked and found that all the filed operations are covered and monitored during the visit. The most recent internal RSPO audit was carried out on 27 – 28 November 2012. Beside this, Indonesia Sustainable Palm Oil (ISPO) audit was conducted on 6 – 7 December 2012. Corrective action plans are prepared for any findings and it is checked during the subsequent visits. Estate and mill carry out daily monitoring through field inspection records and mill inspection records. It is a routine that the estate and mill management prepare monthly reports and send to the company's head office for monitoring purpose as well.

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

As an area for improvement an observation was raised to consider stacking of fertilizer bags in the fertilizer store by providing walking path for the store clerk for easy supervision. This was immediately addressed on 21 December 2012 by the Tungkal Ulu management by re-stacking the fertilizer bags and placing a notice on the stacking method. Socialization was given to the store supervisor. Picture evidence was submitted to the audit team for verification.

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

The company's Agronomy recommends fertilizer application. Recommendation is determined through annual leaf analysis which carried out in January and February. Agronomy visits the estate prior to the final recommendation which was dated 19 May 2012. Beside inorganic fertilizer, agronomy also makes recommendation for organic fertilizers such as EFB and POME. Soil analysis is carried out once in every five years. The last soil analysis was completed in September 2010 (Report No. 3471). This result is also taken into consideration for the fertilizer recommendation.

EFB is applied at the rate of 45mt/ha per year on selected area with flat terrain and near to the mill to facilitate better application and control the transport cost. Until November 2012 65,652mt was applied at an area covering 1,391ha. Beside EFB, POME from Tungkal Ulu mill is applied at 516ha. The BOD level is within the allowed level of 5000mg/L. BOD result shows BOD is ranging from 1,005 – 4,445mg/L for the last ten months which was within the standard.

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

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

Soil map is available detailing the soil type. It was noted that there is no fragile soil. Majority soil is sandy clay loam. There is no peat soil.

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

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

Tungkal Ulu estate has Conservation Management Plan and Riparian Restoration Programme to protect the river riparian along the streams running through the estate. Protection of riparian zone was to control and minimise any pollution to the stream and maintain the quality. The riparian is maintained as a "no chemical spraying and inorganic fertilizer application" regime. Signage to create awareness to protect river and riparian is visibly maintained. No any kind of agrochemical used along the riparian zone.

POME land application is monitored. BOD is below the allowable level of 5,000mg/L. BOD is analysed at external laboratory. Palm Oil Mill monitor the quantity of POME discharged into furrows in the field with fulltime staff taking care of the application area. BOD result shows BOD is ranging from 1,005 – 4,445mg/L for the last January - November 2012 which was within the standard.

Estate and mill monitor the use of water and the effects of their activities on water resources and waterways. Water management includes monitoring of water usage for processing in the mill, domestic water usage, monitoring of water quality used for processing and domestic household, waste water management and monitoring. Average water usage for processing for the year 2012 range from 1.03 – 1.10m³/mt FFB processed. The average for the year 2012 until October 2012 was 1.03m³/mt FFB processed. Domestic water usage was 0.84m³/mt FFB processed

However, a minor nonconformity was raised against indicator 4.4.2 as follows:

(4.4.2) An implemented water management plan (RSPO P&C INA NIWG 2008). There is no formal written water management plan which includes all the activities related to water extraction, usage, conservation and review of the management plan based on the current condition. There are two separate drinking water analysis conducted by POM and estate. Analysis by the mill shows the e-coli and coliform analysis. However the analysis by the estate for drinking water does not contain analysis of ecoli and coliform. The result for the sample sent on 22/11/2012 is still not available.

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

IPM was documented in SOP AA-APM-OP-1100.10-R1 of the Agriculture manual. This SOP describes all the IPM techniques and methods to be used by the estate in managing oil palm pest. The techniques include prevention through planting beneficial plants such as *tunera subulata* and *cassia cabanensis* along the road side. The total length of these beneficial plants exceeds 60,000 plants. Management plans to erect one barn owl

box per 20 hectare to prevent and control rat population from increasing. At the moment a total of 92 boxes are available now in the field. Control measures are only decided based on early detection by conduction pest census by a team of trained staff and workers. Pesticide is only used when the threshold damage level exceed the threshold level. Staff and workers are given IPM training mainly of census methodology and identification of pest attack.

IPM program is reported through “Pest and Disease Report” by Research and Development Centre. The last report was dated June 2012 confirm that there is no any serious pest damage require any chemical treatment.

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

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

There is a list of agrochemicals used and referenced under “Buku Klasifikasi Pestisida menurut WHO”. Reference is also made to Agriculture Ministry’s decree No 1/2007 regarding pesticide and prohibited pesticide. It is noted that only approved and registered agrochemicals which are permitted by the local relevant authorities are used. 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. Record of training for agrochemical applicators is documented. Last training was conducted by OSH Certified trainer from PT Aprindo Pratama (Safety Training Organiser) approved by the Ministry of Manpower and Transmigration.

Inspection to the storage area confirms that agrochemicals are stored according to the product label and storage instruction. The agrochemical store have permit (No. 560/386/4.3/DSTKT). The store keeper understands the safety procedures and information on the MSDS. Agrochemical waste materials and containers are collected and stored at the schedule waste store. The schedule waste store have valid permit (No. 362A Thn. 2009 valid until 9 July 2014). Triple rinsing method is used before storing the empty containers in the schedule waste 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 (Permit No. 660/748/BLH).

There was memorandum Head Plantation regarding efforts to be taken to reduce the use of Paraquat (*Pengurangan Pemakaian Herbisida yang mengandung Paraquat*) dated 1 September 2009 (No. 001/HP/INT/IX/2009). The management is committed to gradually replace paraquat with Glyphosate but implementation is lacking. It was noted that the use of paraquat was on increasing trend. This was raised as a minor nonconformity under indicator 4.6.5 as explained below. Beside paraquat there are no other Type 1A or Type 1B agrochemicals used.

(4.6.5: Minor nonconformity) Tungkal Ulu Estate Documentary evidence that use of chemicals categorised as World Health Organisation Type 1A or 1B, or listed by the Stockholm or Rotterdam Conventions, and paraquat, is reduced and/or eliminated (RSPO P&C INA NIWG 2008). Document audit shows that there is an increase of paraquat usage from 2011 to 2012 as follows: 2010=947 lits.; 2011=225 lits.; and 2012=298 lit. There is an increase of 73 lits in 2012 compared to 2011. The RSPO requirement is paraquat is reduced and/or eliminated. Memo from the Head of Plantation dated 1/9/2009 No. 001/HP/INT/IX/2009 informed that all operating units must take efforts to reduce paraquat usage.

All the agrochemical applicators go for medical checkup by the qualified doctor on October 2012 at PT Margie Andalan. The previous check up was on January 2012. The medical records confirm that there no any are cases of pesticide poisoning and it is found that all applicators are fit for the agrochemical application.

Company policy on prohibiting pregnant or breast feeding female workers from agrochemical application is implemented continuously. Interview with female applicator and medical records confirm that pregnant female workers are transferred to work without any agrochemical handling such as office helper and housing site cleaners. Company policy on prohibiting pregnant or breast feeding female workers from agrochemical application is implemented. Pregnancy test for all female worker to identify early signs of pregnancy is conducted on monthly basis at the estate clinic by female clinic assistant.

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

OSH Plan, which includes OSH related activities such as safety meeting, safety training, policy implementation, safety briefing, schedule for medical check-up, PPE usage, Emergency Response Plan, monitoring work related accidents, worksite inspections etc with designated responsible person identified compiled under OSH Management Program. OSH Plan and structure (Panitia Pembina Kesehatan dan Keselamatan Kerja) was approved by the West Tanjung Jabung Labour and

Transmigration Department on 3 October 2012 No. 560/2074/4.3/DSTKT.

All occupational hazards and risks have been assessed and identified. OSH Certified trainer from PT Aprindo Pratama (Safety Training Organiser) approved by the Ministry of Manpower and Transmigration is hired to conduct OSH related trainings.

An observation for improvement was raised (4.7) for the mill to consider improving hazard signage's by following the Environment Ministry's signage's guideline.

Drivers are required to attend competency training conducted by safety executive and they are holding driving permits. Safety helmet requirement complied by motor cycle riders. Jamsostek insurance covers any accidents during travelling to work and during work related accidents. Fire fighting team is available in the estate and mill. Training is provided by internal safety executive and external trainers. Another separate risk assessment HIRARC conducted by the OSH department for all the operation such as chemical handling, workshop, field operation and other general work. Rating is given as low, medium or high. When the risk is high, preventive measures is developed to address the risk. Records checked include accident records, first aid training records and OSH meeting records. Safety training was conducted on 27 November 2012, attended by 55 workers; training on limited pesticide was conducted on 19 July 2012, Fire fighting drill at mill on 5 March 2012, first aider training on 4 March 2012, Contractor training on October 2012 etc.

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

As an area for improvement an observation was raised (4.7.8) whereby it was noted that emergency shower is available at mill. Mill should ensure that the water pressure is sufficient at all time.

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

Annual training programme is developed to cover all level of management, workers, smallholders and contractors. Training Manager from the company's training school in Buatan involve in the planning as well and conduct training for the executive as part of "Train the Trainer" program. Most of the safety training s are as per listed in 4.7 above. Work instruction and work related SOPs are communicated as part of on-the-job

training to employees covers mill and estate SOPs and work instructions.

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

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

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

Initial environmental and social impact and aspect identification is in the form of AMDAL which was dated 3 May 1995 (No.SK/Mentan. 014/ANDAL/RKL-RPL/BA/V/95). This was revised and approved by the district environmental impact control department (*Badan Pengendali Dampak Lingkungan Daerah*) No. 309/BLHD/2009 dated 6 October 2010. The assessment covered Tungkal Ulu mill, estate and smallholders. In order to improve environmental management plan, the AMDAL document revised to include new aspects that were not covered under AMDAL such as waste water management, land application of EFB and POME, temporary warehouse for hazardous waste and replanting program under "*Dokumen Pengelolaan dan Pemantauan Lingkungan*" based on Decree of Jambi Governor No.275/X/2009.

During this annual surveillance assessment periodic reporting of the AMDAL in the form of RKL and RPL was checked. Latest RKL/RPL was prepared for the period of January – June 2012 which cover the mill, estate and smallholder. The Tungkal Ulu Group is also certified under ISO 14001 and part of environment related documents are integrated with ISO 14001.

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

Initial HCV assessment was carried out by Agriculture University of Bogor, Indonesia dated September 2011. As reported in the initial certification report, HCV 1.1 and 4.1 at riparian area covering 121.32ha at Tungkal Ulu estate and 13ha was unplanted due to swamp area. This report also includes information on biodiversity area at Scheme Smallholder covering 5.25ha. Now enhancement of the riparian in continuously carried out by stop applying agrochemicals. Identified fauna and flora mainly includes the dipterocarp tree species which found at the riparian area. The protected species of flora and fauna existed in the local areas, where most of the common names are in local name. e.g. Flora:

Mentangur, Jelutung, and Trembesu; while for Fauna: Kobra (Naja sp), Sanca Bodo (Python molurus), Elang Hitam (Ictinaetus malayensis), and Beruk (Macaca nemestrina).

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

Monitoring is carried out by trained qualified full-time onsite staff. He has his own team to ensure that HCV areas are conserved and protected. There is no any incident where HCV was encroached or damaged. There was a 7ha planted after 2005 and documented evidence show that this area was compensated and previously used for farming as well.

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

Documented waste products includes used oil, old battery, used laboratory chemical, clinical waste, effluent, EFB, smoke, dust, fibre and shell, empty chemical container, boiler ash, scrap iron, used tire, linesite waste, line site waste water. Operational hazardous waste products collected and stored in the schedule waste store and disposed through authorised collector PT Emulsion. Last disposed was on 5 July 2012 with manifest number 011202.

However, a Major nonconformity was raised against indicator 5.3.2 as follows:

(5.3.2) Estate and mill waste management and disposal are implemented to avoid or reduce pollution (RSPO P&C INA NIWG 2008). During the field visit to the landfill site at Tungkal Ulu, it was noted that the landfill area is not managed in a way to avoid and reduce pollution. Waste is dump at this site and it is mixed with household organic waste, plastic, paper and garden waste. Improving the efficiency of resource utilisation and recycling potential wastes as nutrients or converting them into value added products is not implemented.

PT IIS provided corrective action plan to the BSI audit team which was reviewed and accepted. The Tungkal Ulu management also submitted evidence of implementing the corrective action to close out the

major nonconformity prior to finalising this report. Details are explained under *section 3.3 Page 24*.

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

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

All energy used in the mill is monitored. Fossil fuel records are maintained and trends shown. The Tungkal Ulu management is considering CDM project to collect biogas from the mill effluent ponds as a continuous improvement plan to reduce green house gas emission. However, it is not finalised yet due to huge capital cost.

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. The trend is analysed through graph. Total shell used until October 2012 was 16,167mt and fibre used was 29,403mt. The utilisation of renewable energy was maximised. It was noted that fossil fuel is mainly used during boiler breakdown. Total energy produced until October 2012 through renewable energy was 318.07 kWh and fossil fuel was 97.11kWh.

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

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

Training on fire fighting was carried out by the District Fire Fighting Authority. Appropriate fire fighting equipment such as fire extinguishers, fire hydrant, siren and mobile water tanks are available for the fire fighting purpose. Information on fire prone area complete with maps available and documented as a Risk Level Analysis for Fire Prone Area (*Analisis Tingkat Kerawanan Kebakaran Lahan*) as guidance to address any field burning incidents..

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

Management of wastes generated by operating units includes collection, storing and disposing through authorised collectors. Once the polluting activity is identified, it is mitigated or collected and kept in the

schedule waste store and recycle wherever possible such as Shell, fibre, EFB, effluent is recycled.

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

An observation for improvement was raised (5.6.3) whereby at the mill oil traps are available as a pollution control device. The upkeep of the oil traps can be improved through a close monitoring of the condition of the traps and clear any EFB in the traps.

Tungka Ulu mill monitor air pollution from boiler and generator. Air pollution measurement was conducted every six months by Labor Department's Laboratory (Laboratorium Pengujian DISKIMPRASWIL) and recorded as Air Emission Monitoring Report (*Laporan Pemantauan Kualitas Udara*). Latest measurements of air emissions were on June 2012 for the first period of the year 2012. These records are reported in RKL/RPL environmental reports as well, and submitted every six months to Jambi District Environmental Department.

Palm Oil Mill Effluent (POME) was processed through series of settling ponds where anaerobic bacteria was used to digest wastes and reduce BOD. The treated effluent was applied to the field in flat beds as land application. POME monitored monthly and the results were summarized in "Tabulation of Waste Water Quality Monitoring Data". The latest updated records were until November 2012. The presented records show compliance to the standard. For example, BOD₅ records showed that the treated waste water applied to land were varied below the permissible maximum standard 5000mg/L, ranging from 1,005mg/L to 4,445mg/L.

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

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

Documented and implemented social impact assessments (SIA) prepared in participation with affected parties for the palm oil mill, plantation and scheme smallholders. Initial SIA was conducted on 5 -11 March 2011 by the RSPO approved assessor team from Bogor Agriculture University.

Social Impact Assessment includes detail on positive and negative effects and documented affected parties. Stakeholder consultation procedure is followed to

further identify impacts. Stakeholder meeting record is available. Main issues focused were Social Impact Evaluation, Free Prior Informed Consent (FPIC), Land Ownership/Status, Land Acquisition and Compensation, Relationship between workers, growers, and local community, Occupational Health and Safety, and Company's Contribution to Local Development. The data on social and economic collected through census method, Focus Group Discussion and survey based on social economical aspect, types of available occupation, and stakeholder's interaction pattern .

Positive and Negative Impacts are described within the report as well as some of recommendations. Based on the recommendations, Tungkal Ulu management developed social management plan which includes action plan, person in charge, time table with target time and status.

The initial SIA was revised in January 2011 to identify any new impacts affecting the surrounding communities through the same process as per the initial assessment. There were no any new issues raised by the stakeholders during the revision of SIA.

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

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

Policy and procedures of consultations with stakeholders is laid out. Records of communications and consultations are available. Stakeholder lists are available and are up dated. Stakeholder list contains smallholders, contractors, supplier, surrounding community leaders, relevant NGOs and the government authorities. Minutes of meeting with stakeholders, record of request and action taken is recorded. Last meeting was conducted on early January and the latest on 27 November 2012. Actions are taken in timely manner. Record of responses and follow up on social impact assessment documented. Public Relation officer Mr. Sukardi at site communicates with the stakeholders.

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

Complaints and dispute resolution procedures includes procedure for external stakeholders (AA-GL-5005.1-R0) (Penanganan Keluhan) and internal stakeholder AA-HR-308.5-R0 (Penyampaian dan Penyelesaian Keluhan Karyawan) which is demonstrably accepted by potentially affected parties is available. Procedure is fully available and extended to all affected parties. This was confirmed by external and internal stakeholders during interview.

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

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

Procedure for identifying and negotiations for legal and customary rights and a procedure for identifying people entitled to compensation are available under SOP AA-GL-5003.1-RI on Land Conflict adopted by management on 5 December 2009 and has undergone first revisions on 22 August 2011.

Standard Operating Procedure on Land Compensations includes procedures on identifications and calculation of compensation which is implemented. Interview with community received compensation gave positive feedback about the system. The compensation payment records available for verification and the public relation officer able to explain history of compensation paid. There is no any pending claim.

Sample of the latest compensation case dated 10 December 2007 belongs to a local community for an area covering 7ha was checked and verified. The process was accepted by the person received the compensation and this was confirmed during the interview with him by the social auditor. Details show that this area was covered by wild rubber and brushes.

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

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

Documents show details of wages, allowances paid and working days. The pay is more than minimum wage rate of the Provincial Minimum Wage in 2012 of Rp 1,142,500. Pay slips checked shows that workers are receiving minimum Rp 1,852,853 to a maximum of Rp 4,085,523. Workers interview reveal that there is no any payment disputes and the payment are prompt on

monthly basis. Payslips are given to workers which show the gross pay and net pay after any deduction. Workers confirm that they understand the calculation method.

Collective agreement for the year 2012 (No. KEP.120/PHIJSK-PKKAD/PKB/VII/2010) was posted in front of the mill and estate communication board. The worker contract include every details of the worker, wage details, conditions relevant to local labour regulation and fringe benefits given by the company. Employment contract of Employee Endang Safari No.14/IIS/PTU/SPK-WT/VI/2012 was checked are found to be comply to the requirements.

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

Contractors agreement includes term and condition need to be complied by both Tungkal Ulu management and contractor which covers safety and health requirement and obligation to applicable local regulations. Contract number (no. 60/SPK/KTU – IIS/VII/2012) between PT IIS and contractor was checked and found to be comply with the regulations.

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

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

Policy for each mill and estate worker to Freedom of association including procedure is based on local law. Minute of meeting conducted between trade union and the management is checked and verified. No outstanding issues or disputes. Last labour union meeting was conducted on 27 November 2012. Interview with union representative Mr. Suwoko (Ketua II) confirm that there is no any issues.

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

There is a documented and published company policy on workers age in accordance with national laws. Policy is

documented under SOP AA-HR-305-2-RO declaring that the company will employ workers aged above 18. Document check on workers register reveals that the workers are above 18 years old. This was also confirmed by the stakeholder interviewed.

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

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

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

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

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

Policy on sexual harassment and violence against women is documented under Environment, Social, Health and Safety Policy. SOP on handling sexual harassment issues available. The company has set up a specific gender committee to facilitate the grievance mechanism to address sexual harassment issues against women. Gender committee comprised by all level of workers and it is for discussing any gender issues.

Policy and SOP on protection of reproductive rights for each mill and estate is available. This has been communicated to all employees. Allowing maternity leave before and after giving birth is proof implementing reproductive rights. Maternity leave records available. This was verified during interview with female employees and records at the clinic.

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

The pricing mechanism for FFB and other services provided to both the mill and the scheme manager was documented. Current and past prices for FFB are publicly available and also displayed on the notice board at the mill and scheme smallholder office. Stakeholders have access to this information.

Pricing is based on government controlled pricing which decided on weekly basis. Contract agreement includes details on price determination for any contract works. All the pricing mechanism is documented and recorded. Work Agreement/Contract for contractors and suppliers available at estate and mill. This includes requirement of labour law, safety, agreed price and other term and condition as reported under criteria 6.5 above.

Interview with contractors and smallholders confirm that they understand the contract details that they are signing. They also confirmed that payments are made promptly and no any outstanding payment issues.

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

The company makes contributions for local development and records are maintained as part of CSR initiative. Surrounding communities are given assistance such as cash money, construction materials, subsidising teacher's salary, educational equipment to school, donation to orphanage homes, upkeep of road leading to the village etc.

Principle 7: Responsible development of new plantings

No new planting planned on any estate included in the scope of this assessment. However, it was noted that about 7ha was planted after November 2005. Due to this reason, related documents were checked to ensure compliance to criteria 7.3. Compensation documentation confirms that the 7ha did not contain any HCV in November 2005. It was previously covered with wild rubber trees and shrubs and used for cash crop farming.

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-Tungkal Ulu Group has implemented social and environmental management by conducting the revision and follows the recommendation from the Department of Environment and public relation. Objectives and targets have been developed and an improvement plan prepared. Since the operating unit already certified under ISO 14001, environment improvement is integrated with ISO 14001 documentation.

As an area for improvement to identified nonconformity during this assessment, the company is in the progress of implementing best practice for the segregation of wastes at source into composts, recyclables and non recyclable for disposal at landfills. This program will enable to reduce the quantity of waste disposed in landfills. This will be further followed up during the next surveillance.

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

Paraquat issue was raised as nonconformity during this assessment. The management is committed to implement a reduction and replace with manual weeding and using alternative herbicide such as glyphosate, using "L" shape frond staking to suppress the weed growth. This will be followed up again during the next surveillance on the improvement.

It was noted that there was a slight improvement in the OER and the mill is expecting to maintain the improvement for the next financial year.

3.2 Summary of Findings-Scheme Smallholder

Principle 1: Commitment to Transparency

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

Scheme manager and head of the scheme smallholders provide information on environment, social, legal issues that is publicly available to stakeholders. Besides this each scheme smallholder organisation attend to any request for information and provide responses. Log book to record requests for information includes date, who request information, responsible person handled and what information was given. Information request recorded in log book titled "Format permintaan/tanggapan informasi Tahun 2012". Information request from the District Cooperative Department dated 8 December 2012 No. 518/327/DKUKM on number of members was attended on the same day by the head of cooperative (KUD). Similar to the Tungkal Ulu mill and estate, the initial response is given within 14 days. All relevant documents are retained for minimum of 3 years and it is stated under Document Master-list. (1.1.1)

As an area for improvement an observation was raised at KUD Sawit Mulia. Information request and response records have been maintained. Review to "Permintaan Tanggapan Informasi" indicated that the record could be improved by recording the date respond was provided to the request.

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

Management documents such as land use right, social and environmental impact assessment report (AMDAL), HCV report, social activities, organizational structure and responsibility are publicly available. The Scheme Manager facilitates the processing of the legal ownership of the smallholder members. (1.2.1)

As an area for improvement an observation was raised at KUD Sawit Mulia, Karya Kita and Manunggal Jaya. There are publicly available documents at KUD. As an area for improvement a list of publicly available document approved by the KUD head can be considered as reference.

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 management of Tungkal Ulu Scheme Manager, Head of Scheme Smallholders' (KUD) confirmed that they are aware about related laws and monitor the compliance. Adequate knowledge regarding implementing main legal requirements relevant to oil palm cultivation is regularly provided by the scheme manager to members of KUD. A list containing 38 regulations was kept at each KUD sampled. This list includes the KepMentan No.60/kpts/KB.510/2/98 on development of scheme smallholders which require contract between scheme management and the company. Compliance were found whereby contracts are available and verified during the audit. (2.1.1)

Compliance related documents inspected include the following:

1. Contract between scheme and company:
 - (a) Karya Kita: No. 23/SP/TU/IX/1995
 - (b) Manunggal Jaya: No. 01/SP/TU/08-1996
 - (c) Sawit Mulia: No. 37/SP/TU/IX/1995
2. Karya Kita Cooperative registration: No. 975/BH/XV/1993.
3. SIUP: 503.10/617/KPPT/2012
4. Building permit for the office: No.503.5/163/KPPT/2012 DATED 9 May 2012
5. AMDAL approved by District Officer (Bupati) West Tanjung Jabur No. 309/2009
6. Land title as per in section 2.2 below.
7. Operational permit for the cooperative office: 503.1/261/KPPT/2012.
8. Noise regulation Permit: 503.6/230/KPPT/2012

Scheme manager updates the head of the scheme smallholders if there is any changes in laws. Scheme manager conduct meetings with the cooperative members to ensure they understand the requirement of the law and comply. Summary of permits and licenses checked and recorded in regulation record book (Buku Regulasi yang berhubungan dengan perkebunan). (2.1.1)

As an area for improvement an observation was raised at KUD Sawit Mulia, Karya Kita and Manunggal Jaya: List of applicable law and regulation was updated by November 2012. This should be indicated on the updated list whenever the update was carried out. Inspection found Government Regulation No. 17/2012 on Cooperative issued on October 2012 was not on the list although they are aware of this regulation. As an area for improvement this can be included in the list.

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

Smallholders are able to show legal ownership of the land or land-use rights (land certificate). Maps are available at the scheme smallholders (cooperative office) showing each plots and the head of scheme understands the map. Head of the Scheme smallholders' keeps copy of the land title of individual members. (2.2.1)

Sample land title of smallholder Mr. Ahmad Kruset checked. Land title number: 540 (06.06.02.12.1.00540) dated 21 August 1995 for the area of 20,373 meter². Members have similar information on the land title. (2.2.1)

As an area for improvement an observation was raised at KUD Sawit Mulia. Document reviewed found all the farmers have legal ownership to the land. Copies of the land title are available to demonstrate ownership. Some of the original copies of the certificate are still at the Bank, while others are in the farmer's hand. As an area for improvement the KUD should consider to collect all the copies and compile for reference.

No any land disputes noted or highlighted during the interview with smallholders, external stakeholders and surrounding community. For any land conflict (if there is any), smallholders have mechanism to address the issue through communication, consultation and grievances mechanism (Mekanisme Komunikasi, Konsultasi dan Keluhan". Any parties with conflict have access to this procedure. (2.2.2)

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

Interview with the PT. IIS-Tungkal Ulu 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 1990s through transmigration program. Interview with community leaders from Bukit Harapan, Pinang Gading village reveal that there are no lands are encumbered by legal or customary rights. (2.3.1)

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

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

Annual management plan developed by the Head of Scheme Smallholders' and their team with assistance from PT IIS Scheme Manager with 4 years projection (2012-2015) on business plan covering FFB Production, cost of planting (seedling, fertilizing, maintenance, harvesting), harvesting and transportation cost and nett profit. Annual report prepared by the head of the scheme and his team. The annual report is audited by independent third party to verify the expense and income account. This is also presented to all members during annual meeting (Rapat Anggota Tahunan). Last annual meeting was conducted on March 2012. (3.1.1)

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

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

Scheme smallholders has copy of the standard operating procedure (Agriculture Manual) to implement Good Agriculture Practice. This includes nursery and seedling selection, fertilizing, spraying, pest control, IPM, harvesting, pruning, road maintenance and transport. PT IIS Scheme Manager also prepares another GAP manual which covers land preparation, planting, field maintenance, IPM, harvesting technique, fertilizer application technique, agrochemical handling etc and training given based on these documents. (4.1.1)

As an area for improvement an observation was raised at KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Scheme smallholder implemented GAP as per SOP, however inspection to sample of smallholders blocks found that frond staking can be further improved by staking in T-Box shape.

Scheme Manager assisted by their own field assistants to monitor the implementation of SOPs by the smallholders. The assistants from PT IIS conduct daily inspection and monitoring to ensure the procedures is implemented as per the GAP manual. Records maintained include fertilizer application, spraying, harvesting, pruning, census etc. (4.1.2)

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 distribution to scheme smallholders/members through cooperative is available at Scheme Manager's office and at the scheme smallholder office. Type of fertilizer (Urea, Kiserite, Dolomit, Borat, etc) and quantity applied (kg) is available with details of application. Fertilizer recommendation through annual leaf sampling and leaf analysis carried out by the company. Application follows the

recommendation. Record of application maintained in cooperative. (4.2.1)

Production records for the past 3 years available. Table 2a above shows the production for 2011, 2012 and projection for 2013. (4.2.2)

As an area for improvement an observation was raised at KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Production record is available on file “Realisasi Produksi Bulanan Kelompok Tani”. The list can be improved by dividing the production with hectarage (208 ha) to determine the productivity per ha.

Application of Empty fruit Bunch (EFB) is limited due to high cost of transport. No EFB application noted. SOP is available for EFB application and training given to members on the application method. (4.2.3)

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

Re-planting will commence in 2019. Existing planting have terrace and “U” shaped frond staking to minimize erosion. Harvesting platform constructed on selected area. Road side drain construction assisted by the Scheme Manager to ensure rain water goes into the drain and no water log on the road. (4.3.1)

Soft grass was noticed during the field visit. No blanket spraying carried out. Only selective and circle spraying carried out. There is no immature area. (4.3.2)

There is no peat land in Scheme Smallholder. (4.3.3)

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 by the R&D department from PT IIS on 19 May 2012 during the agronomy visit to the Tungkal Ulu Group. The training contains details of good agriculture practice related to oil palm cultivation. (4.4.1)

There are terraces and “U” shapes frond stacking system to reduce erosion is implemented in the field and river side to maintain natural vegetation. No terrace was constructed during initial planting but platforms constructed on slope area to facilitate harvesting and to allow water retention. Ground cover maintained with soft weed to avoid water surface run off. Road side drain and silt pit build by the scheme manager when road maintenance carried out along the road to trap any sediments from going into natural waterways. However, it was noted during the field visit that some agrochemical spraying was carried out along the riparian zone. This was raised as a minor nonconformity as per explanation below. (4.4.2)

4.4.2 KUD Sawit Mulia (Scheme Smallholder) Evidence of efforts to prevent erosion and maintain natural water resources (RSPO P&C INA SWG: v1 October 2009 for Scheme Smallholders). Riparian area maintain with natural vegetation along Sungai Jintan. However, inspection to block 3767 found that KUD has not cease spraying along the buffer zone bordering with Sungai Jintan to prevent any erosion on edge of the natural water resource.

Monthly records of fertilizing “kebutuhan Pupuk Kelompok Tani Tahun 2012” is prepare through the help of scheme manager. Sample record shows that 148.5mt MOP applied at KUD Manunggal Jaya in February 2012. Although herbicide application is carried out by the scheme manager’s workers, KUD have copy of herbicide usage with detail of balance stock, area applied, type and quantity (litre/gram) applied under record “Daftar dan Volume Penggunaan Pesticida”. Sample record shows that at KUD Sawit Mulia 83.2litres of Garlon was applied until October 2012. No pesticide usage. (4.4.3)

As an area for improvement an observation was raised at KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Inspection to smallholders blocks indicated several blocks are overgrown with weed. According to SOP, path is sprayed twice a year while circle spraying was done once a year. This was done accordingly. The KUD should monitor the effectiveness of the spraying activity.

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

Census on leaf eating pest and rat was conducted by scheme smallholders and documented. This operation is assisted by the assistants from the company’s scheme management office. Sample record at KUD Sawit Mulia shows last census was carried out in month of November 2012. Detail shows stages of the leaf eating pest such egg, larva, cocoon and caterpillar. Critical trash-hold level is explained in GAP manual and shown on the poster pasted in the KUD office. For caterpillar, the trash-hold level is 5 larva/palm fronds. There is no serious attack reported. (4.5.1)

IPM efforts are mainly through planting of beneficial plants such as tunera subulata, antigonon and cassia. Barn-owl boxes are constructed by the scheme smallholders through the guidance from the scheme manager. At the moment about 1 owl box is covering about 20 smallholder’s plots. There is no serious rat damaged. 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. IPM training was conducted on 16 November 2012. (4.5.2)

Criterion 4.6 Agrochemicals are used in such a way that does not endanger health or the environment. There is no prophylactic use, and where agrochemicals are used that are categorised as World Health Organisation

Type 1A or 1B, or are listed by the Stockholm or Rotterdam Conventions, growers are actively seeking to identify alternatives, and this is documented.

List of agrochemicals used and referenced are based on Tungkal Ulu Group because agrochemical application is organized by the scheme manager from Tungkal Ulu Group. Copy of the reference was made under "Buku Klasifikasi Pestisida menurut WHO" is available at KUD office. Similar reference is also made to Agriculture Ministry's decree No 1/2007 regarding pesticide and prohibited pesticide. Only approved and registered agrochemicals which are permitted by the local relevant authorities are used during application such as Garlon, paraquat, Glyphosate. The type 1A and 1B agrochemical used is paraquat. 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. (4.6.1)

Record of pesticide used for the targeted weeds with appropriate dosage is as per the recommendation on the label are prepared by the assistant manager from the Tungkal Ulu Scheme Management office. Copy is shared with KUD. Quantity used, method and time of application is advised and monitored by the scheme manager. The spraying operation is carried out by the spraying team from Tungkal Ulu Scheme Management office. (4.6.2)

Smallholders are not involved in any agrochemical spraying. PPE is implemented and given by the Scheme Manager to the members of the spraying team such as apron, rubber glove, eye protector, rubber boot, helmet and clean water and soap for washing hand. (4.6.3)

Agrochemicals are stored at the Tungkal Ulu estate's store and stock records maintained by the scheme assistant manager. Some of scheme smallholders members applied pesticide by themselves in the past. Now the scheme manager is organizing the pesticide application. Empty containers are kept and collected at the Tungkal Ulu estate's store and further disposal through the authorised dealer who is collecting the schedule waste from Tungkal Ulu estate. (4.6.4)

Application of agrochemicals in fields by spraying team which set up by the Tungkal Ulu Scheme management. Scheme Manager send applicators for medical checkup at PT Margie Andalan which was conducted by a qualified doctor on October 2012. Interview with scheme smallholders reveal that there is no toxicity cases. (4.6.5)

Record of training for the applicators are available, conducted by PT. IIS Scheme Manager, assistant manager, producer of agrochemicals and by government approved officer from external organisation. Last training was conducted by OSH Certified trainer from PT Aprindo Pratama (Safety Training Organiser) approved by the Ministry of Manpower and Transmigration. (4.6.6)

No pesticide applied. Herbicide application is carried out by the scheme manager's workers, KUD have copy of herbicide usage with detail of balance stock, area applied, type and quantity (litre/gram) applied under record "Daftar dan Volume Penggunaan Pestisida". Sample record shows that at KUD Sawit Mulia 83.2litres of Garlon was applied until October 2012. No pesticide usage. (4.6.7)

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

OSH guidelines are developed and prepared by the Tungkal Ulu Scheme Manager. All the scheme smallholders have this document which covers safe operating procedure, training, PPE implementation, awareness posters and signage. (4.7.1)

Complete training records checked and verified at the scheme smallholder office. Interview with the members of the scheme and seasonal harvesters confirmed that they have attended trainings and able to explain the safe working procedures. Training includes OSH to cover harvesting, agrochemical application and emergency procedure such as first aid treatment and arrangement to send anyone require further medical treatment. First-aid box available at the office and field workers have access to first aid box which was carried along by the field supervisor. Interview with workers in the field reveal that they understand the emergency and OSH requirement related to their work. FFB loading and transport training was conducted at KUD Sawit Mulia on 21 November 2012 attended by 38 participants. Other training details are included in the indicator 4.8.2 under Criteria 4.8. (4.7.2)

Procedure and Emergency Response Plan was explained to the Smallholders by the Tungkal Ulu Scheme Manager and assistant manager. During interview with members of KUD, it was noted that they are able to explain clearly and understand the emergency procedure to handle possible accidents. Emergency training "Noutulen Pelatihan Pertolongan Pertama Gawat Darurat dan Tanggap Darurat" dated 21 May 2012 was tended by 37 members of the KUD at Manunggal Jaya. (4.7.3)

As an area for improvement an observation was raised KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Fire fighting training conducted. KUD should consider to organise a drill on emergency preparedness to their farmers within their area to be understand by their farmers and familiarize with the area if emergency case happens i.e. fire drill using all equipments that KUD have to be familiarize with the step or mechanism to use those equipments.

As an area for improvement an observation was raised KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Since there is no radio communication or handphone signals on KUD farmers area, there should be a mechanism to inform or ask for help if there is an accident on the

farming area, i.e. whistle, “kentongan” as chain reaction signals.

During inspection and interview with smallholders, it is noted that there is no major or fatal accident. Common minor injuries such as thorn prick are noted. After the pre assessment the KUDs sampled are committed to start record these common injuries under simplified record “Rekaman Pengobatan Kecelakaan Kerja” by referring to the cases treated at the village clinic because it is common that these minor injuries are not directly reported to the KUD office. For the month of November 2012 there were 4 thorn prick cases treated at the clinic. (4.7.4)

As an area for improvement an observation was raised KUD Manuggal Jaya: There are accident records. The KUD should use this information to consider accident analysis and mitigation taken for the accident and prevention taken for the future accident.

Records of safety meeting (Rapat Koordinasi Keselamatan Kerja) held with the scheme smallholders organization were available. Meeting was combined with the scheme manager and attended by the group leaders. Last meeting at KUD Sawit Mulia was held on 24 August 2012 attended by group leaders who subsequently disseminate the information to the farmers. (4.7.5)

PPE for the harvester was provided by KUD and by the individual farmer to harvesters. Agrochemical applicators are provided with PPE by the Tungkal Ulu scheme manager. Fire extinguisher and first aid box available at the office and store. (4.7.6)

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

Training Program identified according smallholders’ need which was arranged by both PT. IIS Scheme Manager and Scheme Smallholders management. 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. (4.8.1)

As an area for improvement an observation was raised KUD Manuggal Jaya: The material of training for the harvester should also include accident information occurred within KUD area or plasma area of IIS and how to avoid same incident on the future and if possible also conducted in the farming area.

As an area for improvement an observation was raised KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Training need matrix/table should be prepared to make sure all farmers was trained properly.

Records of trainings are documented at ever KUD. Sample checked was OSH training on 21 November 2012, harvesting training (16 February 2012), IPM

training on 16 November 2012, Pest and Disease Census training was conducted on 28 November 2012. Training on HCV protection, riparian conservation and planting “Perlindungan areal bernilai konservasi tinggi atau areal lindung sungai dan sosialisasi program penanaman” dated 25/04/2012. (4.8.2)

As an area for improvement an observation was raised KUD Sawit Mulia, Karya Kita and Manunggal Jaya: The training module should be tailored made with the local situation and easy to digest by farmers and adjusted by their education background.

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

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

Social Environmental Impact Assessment (SEIA) is in the form of AMDAL and incorporated with the estate documents. A separate section was prepared for the scheme smallholders. (5.1.1)

As an area for improvement an observation was raised KUD Sawit Mulia: Interview of the sample of smallholders indicated low awareness on the impact of oil palm planting. Socialisation on oil palm planting impacts should be considered to all farmers.

Tungkal Ulu Scheme Manager explains about AMDAL to smallholders through internal training. Process of developing the SEIA involves scheme smallholders through consultation. Copy of the assessment (AMDAL) is kept at the cooperative office. (5.1.2)

As an area for improvement an observation was raised KUD Manuggal Jaya: KUD should make another series of environmental training that planned for next year assisted by nucleus, and using simple explanation/training module that can be understand by all farmers.

RKL/RPL prepared by scheme manager. Latest RKL/RPL dated January – June 2012 includes Scheme Smallholder. Copy is available at the scheme office and the head of scheme understand the information reported. (5.1.3)

As an area for improvement an observation was raised KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Improving RKL-RPL reporting by indicating percentage of achievement has been done on the period of reporting if activities still in progress. If completed, should mentioned completed in which year.

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.

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 September 2011. There is HCV 6 in the scheme smallholder area covering about 5.25ha mainly riparian and traditional cemetery at Tanjung Beranak, Bukit Harapan and Pinang Gading.

Smallholders able to name the flora and fauna if found in their plots and recorded in List of protected flora and fauna (Daftar temuan satwa liar). The details include species found, date, number of species and location. However there is no any protected species found. During interview it was noted that smallholders have awareness on protected flora and fauna. There is sign board showing protected species to create awareness among smallholders. (5.2.1)

Scheme smallholders management has appointed a dedicated person to identify 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. (5.2.2)

As an area for improvement an observation was raised at KUD Manuggal Jaya. HCV assessment report is available. Unfortunately the HCV study was not mentioned the HCV animal found in local language that can be easily understood by local community and farmers, and HCV study at least has been understand/read by the person appointed as in-charge person on dealing with HCV appointed based on Decision Letter of KUD Manuggal Jaya No. 004/Kpts/KMJ/III/2012 dated 25 March 2012.

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

Agrochemical waste management plan developed by the PT IIS Scheme Manager and scheme smallholders. Waste management information is posted on the cooperative office notice board. Since the agrochemical spraying is carried out by the company, agrochemical empty containers collected and sent to the estate central collection store and disposed through licensed collectors. (5.3.1)

Scheme smallholders are able to explain clearly of measures to dispose hazardous chemical empty containers. Interview with smallholders and stakeholders found no complaint related to disposal of hazardous chemical. (5.3.2)

As an area for improvement an observation was raised KUD Sawit Mulia, Karya Kita and Manuggal Jaya: Identification of pollution source is available.

Socialization of pollution source on KUD area should be considered.

There are no any complaints from local communities related to disposal of hazardous chemicals. Agrochemicals are applied by the scheme manager through his workers. (5.3.3)

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

Guidance to improve the efficiency of energy use is given by the Scheme Manager to the members of the scheme during the monthly meeting. Smallholders carry out their operational works manually and none mechanised except for the FFB transport. (5.4.1)

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

Zero burning policy is available for the scheme smallholder and applicable for them similar to the PT IIS-Tungkal Ulu Group. Members of the scheme understand the policy. No replanting in near future but the understanding and awareness of zero burning technique during replanting is already explained to the scheme members and they are able to explain during interview. Emergency response procedure is available. All members were given briefing by the Head of smallholder group and Scheme Manager. Awareness and understanding is noted during interview with smallholders. (5.5.1)

Training on emergency response procedure was conducted by PT. IIS Scheme Manager and during interview with smallholders, they have awareness and understand the procedure. (5.5.2)

Fire extinguishers are available within the scheme office and accessible to the members in the scheme office. Fire fighting training was conducted by the Scheme Manager. Simple fire fighting equipment such as knapsack sprayer and "Cangkul" is available to fight any fire incidents in the field. Beside that they have the access to the fire fighting vehicle with water tank from the Tungkal Ulu estate. (5.5.3)

Smallholders receive awareness training and extension service from the scheme management on zero burning technique for land preparation. Training incorporating the land preparation and zero burning technique was conducted on 21 November 2012. (5.5.4)

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

Identification of pollution is carried out by the Scheme Manager with the participation of the scheme members. Copy of the identification is available at the scheme office. Pollutants identified are dust emission from the road and noise from transport and genset. The use of

genset will be stopped once the electricity supply is connected from the government supply which is in the final stage of connection. 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. (5.6.1)

As part of commitment to reducing emission from the genset, the KUD is planning to minimise the use once the government electricity is connected. (5.6.2)

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

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

Social Impact Assessment available and mentioned within frame references of AMDAL. SEIA was prepared by Lemlit Unja. Tungkal Ulu Group prepared SIA assessment by including scheme smallholding through Bogor Agriculture University dated June 2011 as supplement to AMDAL document. Copy is available at KUD. (6.1.1)

As an area for improvement an observation was raised KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Social Impact Assessment is available. Copy of SIA is made available in the KUD office. SIA conducted by Bogor Agriculture University. As an area for improvement, the AMDAL and SIA information should be learned and understood by the KUD officials and farmers.

All impact assessment conducted and referenced to the nucleus estate and scheme smallholder including monitoring and managing of social impact (RPL/RKL) available at KUD. (6.1.2)

Implementation timetable described in master plan of continual improvement. (6.1.3)

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

Smallholders' organization has records on communication and consultation with local communities. All responses related to communication and consultations are well documented/recorded in details. Last consultation meeting was held on 3 January 2012 attended by the representative from community, representative from farmers group. Annual meeting was conducted in March 2012. Regular communication and consultation with local communities conducted by

Smallholders organisation and recorded in Logbook. (6.2.1)

Farmer group communication is through forum, coordination monthly meeting and annual meeting. Smallholders have a periodic meeting, known as annual general assembly (Rapat Anggota Tahunan). Head of the Scheme Smallholders and farmer group leaders are elected during this annual meeting. Last monthly meeting was on 27th November 2012 attended by 27 members at KUD Manunggal Jaya. Each KUD have separate meetings. (6.2.2)

Smallholders organisation has a division which responsible on communication and consultation and a separate body to monitor the activities of the elected scheme management committee. (6.2.3)

Each KUD appoint the head of KUD as person responsible for stakeholder issues and responsible for communication with stakeholders. Sample appointment letter "Surat Keputusan Pengurus KUD No. 001/Kpts/KUD-PM/II/2012 dated 20/02/2012 was checked and found to be appropriate. List of stakeholder available in "Daftar Nama Stakeholders tahun 2012", 18 parties listed. (6.2.4)

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

A system for complaints is in place at the smallholder organisation. The system has been described in mechanism resolution flow chart. (6.3.1)

Logbook is available for recording any complaints and minutes of meeting and respond recorded in the complaint and grievances book if any. No complaint was noted. (6.3.2)

Documented process and outcome of resolution of disputes are not available because there were no any disputes noted or reported to the KUD. Dispute resolution mechanisms were established. The resolution is based on open and consensual agreements with relevant affected parties and monitored by the "Badan Pengawas KUD". (6.3.3)

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

There are no disputes on land acquisition and ownership because the land belongs to farmers and they have land certificate. (6.4.1)

Criterion 6.5 Wage and conditions for employees and for employees of contractors always meet at least legal or minimum industry standards and are sufficient to

meet basic needs of personnel and to provide some discretionary income.

No full time workers employed in the office. Field work and harvesting is carried out by the smallholders themselves with the help of children above 18 years old and sometime by seasonal part time workers. Records of wage payment are available, transparent and understood by the person receiving the wage. (6.5.1)

There is no permanent employee. Part time staff is employed. Agreement for office clerk No. 001/SPK/KUD-KK/11/2012 was checked and verified. It was confirmed by the employee that the agreement was made transparently and freely. (6.5.2)

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

Policy is available for freedom to join and form workers union. However interview with workers reveal that they did not form the union although they have the freedom to form and join trade union. (6.6.1)

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

No child labour noted during the fields inspection. It is also highlighted by the smallholders that education is the priority for their children and they prefer them to go for sport activities during school holidays rather than work in the field. Children above 18 years old who have completed their school sometime helps their parents in the field during harvesting. (6.7.1)

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

No migrant workers are engaged by the smallholders. Amongst the scheme members, equal opportunity policy is similar to PT IIS Tungkal Ulu Group. All the employees and scheme members are treated equally. Interview with employees and scheme members confirmed that they are treated equally and no any kind of discrimination. (6.8.1)

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

Prevention of Sexual Harassment policy is extended to the schemes by the management of PT IIS-Tungkal Ulu

Group and the information is briefed to the members by the Scheme Manager and the group leaders. Female employees in the office aware of the policy and confirmed they aware of the grievances procedure. There is no any sexual harassment cases reported. (6.9.1)

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

It was noted that there is no complaints reported and due to this no repetition complaint from scheme management or others. Verbal feedbacks mostly relates to farmer members regarding queuing at mill which was due to the entry control by the mill. However these are solved relatively on a acceptable mechanism. (6.10.1)

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 and posted on the notice board. The weekly FFB pricing is posted on the notice board at the office, palm oil mill, scheme manager 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 to the scheme management 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. Sample FFB price mechanism checked shown by the scheme manager shows the period covered is from 12 - 18 October 2012 is ranging from Rp 952.97 – Rp 1,206.41/kg. The company pay higher price at Rp 1,210/kg. (6.10.2)

Smallholder's contract is only with the scheme manager who represent PT IIS-Tungkal Ulu Group and it is documented. No other outside contractors. Road maintenance is carried out by scheme manager and the contract is available and checked. Contract payments are through agreed deduction during the monthly payment. Payment to individual group leaders is paid by the head of the scheme. Scheme members confirm that they are paid promptly by the group leaders and this is checked by the scheme manager and head of the scheme. (6.10.3)

Contract on FFB transport between the farmers group and transporter is available on individual basis. Sample checked and review to contract payment of confirmed timely payment to transport contractors. As per contract payment made one month, for example payment to Mukti was paid on 05 December 2012 no receipt 29/KUD-SM/U/XII/2012. (6.10.4)

Credit payments are through deduction from the monthly earning and there is a clear record which is transparent to farmers. (6.10.5)

Road maintenance is organized by the head of smallholder group through the scheme manager with the machinery from the estate. Smallholder cooperative make payment to monthly deduction and it is shown in the monthly spreadsheet. (6.10.6)

Replanting program is prepared in consultation with scheme manager and smallholder members. Replanting program socialised on 21 February 2012. First replanting is scheduled in 2019 at 616 ha. (6.10.7)

Criterion 6.11 Scheme Manager contributes 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, and orphanage home and for the village social activities. (6.11.1)

Principle 7: Responsible development of new plantings.

There is no new development. This principle is Not Applicable to the scheme smallholders.

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

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

The continuous improvement plan includes training enhancement to the scheme members focusing on best agriculture management practices. The Scheme Manager in consultation with the scheme members developed improvement plan based on the social and environmental impacts. (8.1.1)

As an area for improvement an observation was raised at KUD Sawit Mulia, Karya Kita and Manunggal Jaya: The continuous improvement plan (CIP) is available at the KUD and understood by the KUD management. It was noted that CIP is prepared by KUD. Scheme manager should assist to prepare action plans for continuous improvement together with involvement of smallholder, based on consideration of the main social and environmental impacts and opportunities for improvement.

3.3 Detailed identified Nonconformities, Corrective Actions and Auditor Conclusions

There were a major nonconformity and three minor nonconformities raised during this assessment. The Tungkal Ulu management and the scheme smallholders worked together to identify the root cause and came up with a corrective action plan. This plan was checked and verified by BSi audit team. The corrective action was found to be appropriate and sufficient to address the nonconformities. Evidence of implementation for the major nonconformity was submitted to the Bsi audit team and found to be sufficient to close out the major

nonconformity. The evidence of implementation was accepted. The major nonconformity was closed prior to finalizing this summary report.

Section 3.3.1 refers to the nonconformities relates to the Tungkal Ulu mill and estate. Whereas section 3.3.2 refers to the nonconformities relates to the scheme smallholders.

There were no nonconformities identified during the initial certification of the Tungkal Ulu Group.

3.3.1 Nonconformities, Corrective Actions and Auditor Conclusions for the Tungkal Ulu mill and estate (RSPO P&C INA NIWG 2008) – ASA01

MAJOR NONCONFORMITY – ASA01

CAR reference A824193/1:

5.3.2 Estates and mills waste management and disposal are implemented to avoid or reduce pollution.

During the field visit to the landfill site at Tungkal Ulu, it was noted that the landfill area is not managed in a way to avoid and reduce pollution. Waste is dump at this site and it is mixed with household organic waste, plastic, paper and garden waste. Improving the efficiency of resource utilisation and recycling potential wastes as nutrients or converting them into value added products is not implemented.

PT IIS provided corrective action plan to the BSI audit team which was reviewed and accepted. The Tungkal Ulu management also submitted evidence of implementing the corrective action to close out the major nonconformity prior to finalising this report. As a short term corrective action, management immediately assigned a general worker to carry out segregation at the landfill area. Segregated materials was sold to a recycling material collector (i.e. plastic drinking bottles, paper, aluminium can etc) on 20th December 2012 and 15th January 2013 for Rp 1, 400,000. As a long term corrective action plan, the Tungkal ulu Management appointed a permanent contractor (Mr. Misno) by signing a contract dated 2 February 2013 to carry out segregation of household waste into organic and non-organic prior to dumping into landfill. Management also developed a flowchart mechanism to carry out the segregation and implemented by the contractor. Segregated material by the contractor was sold to a recycling material collector (i.e. plastic drinking bottles, paper, aluminium can etc) on 10th February 2013 for Rp 450,000. Beside the above improvement and implementation, socialisation on re-cycling household waste and segregation awareness among workers was conducted 17th December 2012. With this evidence of implementation, the major nonconformity was closed on 10th February 2013. The continuous implementation will be followed up during the next surveillance.

MINOR NONCONFORMITIES - ASA01

CAR reference: A824193/1

4.4.2 An implemented water management plan.

There is no formal written water management plan which includes all the activities related to water extraction, usage, conservation and review of the management plan based on the current condition. There are two separate drinking water analysis conducted by POM and estate. Analysis by the mill shows the e-coli and coliform analysis. However the analysis by the estate for drinking water does not contain analysis of ecoli and coliform. The result for the sample sent on 22/11/2012 is still not available.

Corrective action Plan:

The Tungkal Ulu management took a immediate short term corrective action by following up with laboratory for water analysis result. Water management plan was revised to include all activities related to water consumption and conservation including the interval for drinking water sampling. The mill assistant and the estate's division assistant (Afdeling) was appointed as person in charge to implement. The audit team accepted the Corrective Action Plan as appropriate to address the nonconformity. The actual implementation and evidence of closing out will be followed up during the next surveillance assessment.

CAR reference: A824193/3

4.6.5: Documentary evidence that use of chemicals categorised as World Health Organisation Type 1A or 1B, or listed by the Stockholm or Rotterdam Conventions, and paraquat, is reduced and/or eliminated.

Document audit shows that there is an increase of paraquat usage from 2011 to 2012 as follows: 2010=947 lits.; 2011=225 lits.; and 2012=298 lit. There is an increase of 73 lits in 2012 compared to 2011. The RSPO requirement is paraquat is reduced and/or eliminated. Memo from the Head of Plantation dated 1/9/2009 No. 001/HP/INT/IX/2009 informed that all operating units must take efforts to reduce paraquat usage.

Corrective action Plan:

The Tungkal Ulu management took a immediate short term corrective action by stop using the paraquat until edn of December 2012. For the year 2013, it was planned to ensure the usage is less that in 2012 by monitor the groups usage. Company planned to control the use of Paraquat as refer to annual work budget. The management will seek the R&D department's assistance to find a suitable replacement for paraquat as an alternate. The audit team accepted the Corrective Action Plan as appropriate to address the nonconformity. The actual implementation and evidence of closing out will be followed up during the next surveillance assessment.

Observation for improvement – ASA01

There were four observations for improvement was raised during the Annual Surveillance Assessment of the Tungkal Ulu Palm Oil Mill and Estate.

01: (5.6.3) An observation for improvement was raised whereby at the mill oil traps are available as a pollution

control device. The upkeep of the oil traps can be improved through a close monitoring of the condition of the traps and clear any EFB in the traps.

02: (4.7) An observation for improvement was raised for the mill to consider improving hazard signage's by following the Environment Ministry's signage's guideline.

03: (4.7.8) As an area for improvement an observation was raised whereby it was noted that emergency shower is available at mill. Mill should ensure that the water pressure is sufficient at all time.

04: (General observation) As an area for improvement an observation was raised to consider stacking of fertilizer bags in the fertilizer store by providing walking path for the store clerk for easy supervision. This was immediately addressed on 21 December 2012 by the Tungkal Ulu management by re-stacking the fertilizer bags and placing a notice on the stacking method. Socialization was given to the store supervisor. Picture evidence was submitted to the audit team for verification.

3.3.2 Nonconformities, Corrective Actions and Auditor Conclusions for the Scheme Smallholder (RSPO P&C INA SWG: v1 October 2009 for Scheme Smallholders) – Initial Assessment

MAJOR NONCONFORMITIES-Scheme Smallholder

There were no Major Nonconformities identified during the Scheme Smallholder initial assessment.

MINOR NONCONFORMITIES-Scheme Smallholder

There was one Minor Nonconformity was identified during the Scheme Smallholder Initial Assessment. Detail of the nonconformity is listed below. The closures of this Minor nonconformity will be verified during the next surveillance assessment.

CAR reference: 824193/2

4.4.2 Evidence of efforts to prevent erosion and maintain natural water resources (RSPO P&C INA SWG: v1 October 2009 for Scheme Smallholders).

A Minor nonconformity was assigned against the indicator 4.4.2. At KUD Sawit Mulia riparian area maintain with natural vegetation along Sungai Jintan. However, inspection to block 3767 found that KUD has not cease spraying along the buffer zone bordering with Sungai Jintan to prevent any erosion on edge of the natural water resource.

Corrective action Plan:

The KUD Sawit Mulia identified that poor supervision by the Farmer group Head (Ketua Kelompok Tani – KT) as the root cause why the spraying was not detected. Since the spraying was organised by the Scheme Manager, the KUD will communicate with the Scheme Manger to

ensure spraying is ceased from the riparian zone. Socialization with the farmers group on the protection of riparian was conducted by the KUD. The audit team accepted the Corrective Action Plan as appropriate to address the nonconformity. The actual implementation and evidence of closing out will be followed up during the next surveillance assessment.

Observation for improvement-Scheme Smallholder

01: (1.1.1) As an area for improvement an observation was raised at KUD Sawit Mulia. Information request and response records have been maintained. Review to "Permintaan Tanggapan Informasi" indicated that the record could be improved by recording the date respond was provided to the request.

02: (1.2.1) As an area for improvement an observation was raised at KUD Sawit Mulia, Karya Kita and Manunggal Jaya. There are publicly available documents at KUD. As an area for improvement a list of publicly available document approved by the KUD head can be considered as reference. (1.2.1)

03: (2.1.1) As an area for improvement an observation was raised at KUD Sawit Mulia, Karya Kita and Manunggal Jaya: List of applicable law and regulation was updated by November 2012. This should be indicated on the updated list whenever the update was carried out. Inspection found Government Regulation No. 17/2012 on Cooperative issued on October 2012 was not on the list although they are aware of this regulation. As an area for improvement this can be included in the list.

04: (2.2.1) As an area for improvement an observation was raised at KUD Sawit Mulia. Document reviewed found all the farmers have legal ownership to the land. Copies of the land title are available to demonstrate ownership. Some of the original copies of the certificate are still at the Bank, while others are in the farmer's hand. As an area for improvement the KUD should consider to collect all the copies and compile for reference.

05: (4.1.1) As an area for improvement an observation was raised at KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Scheme smallholder implemented GAP as per SOP, however inspection to sample of smallholders blocks found that frond staking can be further improved by staking in T-Box shape.

06: (4.2.2) As an area for improvement an observation was raised at KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Production record is available on file "Realisasi Produksi Bulanan Kelompok Tani". The list can be improved by dividing the production with hectarage (208 ha) to determine the productivity per ha.

07: (4.4.3) As an area for improvement an observation was raised at KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Inspection to smallholders blocks indicated several blocks are outgrown with weed.

According to SOP, path is sprayed twice a year while circle spraying was done once a year. This was done accordingly. The KUD should monitor the effectiveness of the spraying activity.

08: (4.7.3) As an area for improvement an observation was raised KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Fire fighting training conducted. KUD should consider making drill on emergency preparedness to their farmers within their area to be understand by their farmers and familiarize with the area if emergency case happens i.e. fire drill using all equipments that KUD have to be familiarize with the step or mechanism to use those equipments.

09: (4.7.3) As an area for improvement an observation was raised KUD Sawit Mulia, Karya Kita and Manunggal Jaya: since there is no radio communication or handphone signals on KUD farmers area, there should be a mechanism to inform or asking help if there is accident on the farming area, i.e. whistle, "kentongan" as chain reaction signals.

10: (4.7.4) As an area for improvement an observation was raised KUD Manunggal Jaya: There are accident records. The KUD should use this information to consider accident analysis and mitigation taken for the accident and prevention taken for the future accident.

11: (4.8) As an area for improvement an observation was raised KUD Manunggal Jaya: The material of training for the harvester should also include accident information occurred within KUD area or plasma area of IIS and how to avoid same incident on the future and if possible also conducted in the farming area.

12: (4.8) As an area for improvement an observation was raised KUD Sawit Mulia, Karya Kita and Manunggal Jaya: The training module should be tailored made with the local situation and easy to digest by farmers and adjusted by their education background.

13: (4.8) As an area for improvement an observation was raised KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Training need matrix/table should be prepared to make sure all farmers was trained properly.

14: (5.1.3) As an area for improvement an observation was raised KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Improving RKL-RPL reporting by indicating percentage of achievement has been done on the period of reporting if activities still in progress. If completed, should mentioned completed in which year.

15: (5.1.1) As an area for improvement an observation was raised KUD Sawit Mulia: Interview of the sample of smallholders indicated low awareness on the impact of oil palm planting. Socialisation on oil palm planting impacts should be considered to all farmers.

16: (5.1.2) As an area for improvement an observation was raised KUD Manunggal Jaya: KUD should make another series of environmental training that planned

for next year assisted by nucleus, and using simple explanation/training module that can be understood by all farmers.

17: (5.2.2) As an area for improvement an observation was raised HCV assessment report available. Unfortunately the HCV study was not mentioned the HCV animal found in local language that can be easily understood by local community and farmers, and HCV study at least has been understand/read by the person appointed as in-charge person on dealing with HCV species, officer of animals protection appointed based on Decision Letter of KUD Manunggal Jaya No. 004/Kpts/KMJ/III/2012 dated 25 March 2012.

18: (5.3.2) As an area for improvement an observation was raised KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Identification of pollution source is available. Socialization of pollution source on KUD area should be considered.

19: (6.1.1) As an area for improvement an observation was raised KUD Sawit Mulia, Karya Kita and Manunggal Jaya: Social Impact Assessment is available. Copy of SIA is made available in the KUD office. SIA conducted by Bogor Agriculture University. As an area for improvement, the AMDAL and SIA information should be learned and understood by the KUD officials and farmers.

20: (8.1.1) As an area for improvement an observation was raised KUD Sawit Mulia, Karya Kita and Manunggal Jaya: The continuous improvement plan is available at the KUD and understood by the KUD management. It was noted that CIP is prepared by KUD. Scheme manager should prepare action plans for continuous improvement together with involvement of smallholder, based on consideration of the main social and environmental impacts and opportunities for improvement.

3.4 Noteworthy Positive Components

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

It was noted that the scheme smallholders are committed to sustainable practices and implanting best agriculture practices which indirectly increasing yield and indirectly increase household income.

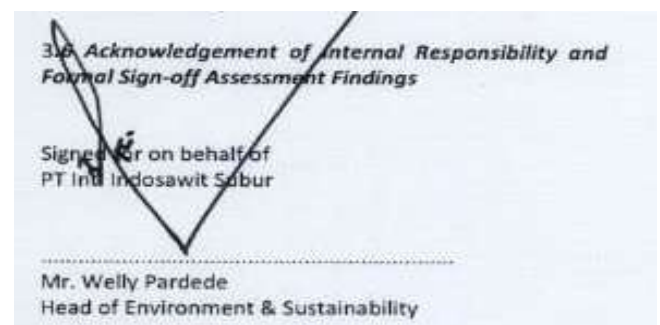
During this assessment there was no any kind of disputes highlighted to the audit team by internal and external stakeholders. Interview with local community and government department officials further confirm that there is no any kind of disputes.

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 by visiting the stakeholder. It was 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). Initial stakeholder meeting was conducted during the pre assessment and subsequent meeting was conducted on 11 – 12 December 2012 during the annual surveillance assessment for the mill and estate which incorporated with the scheme smallholder's initial assessment. District Environment Department confirm that the company and scheme smallholders comply with legal issues. Transmigration officer confirm that there is no any disputes between company and smallholders. Agriculture officer confirmed that there is no any kind of land disputes.

This was discussed with the management and the management agreed to implement such as contribution to local community development.

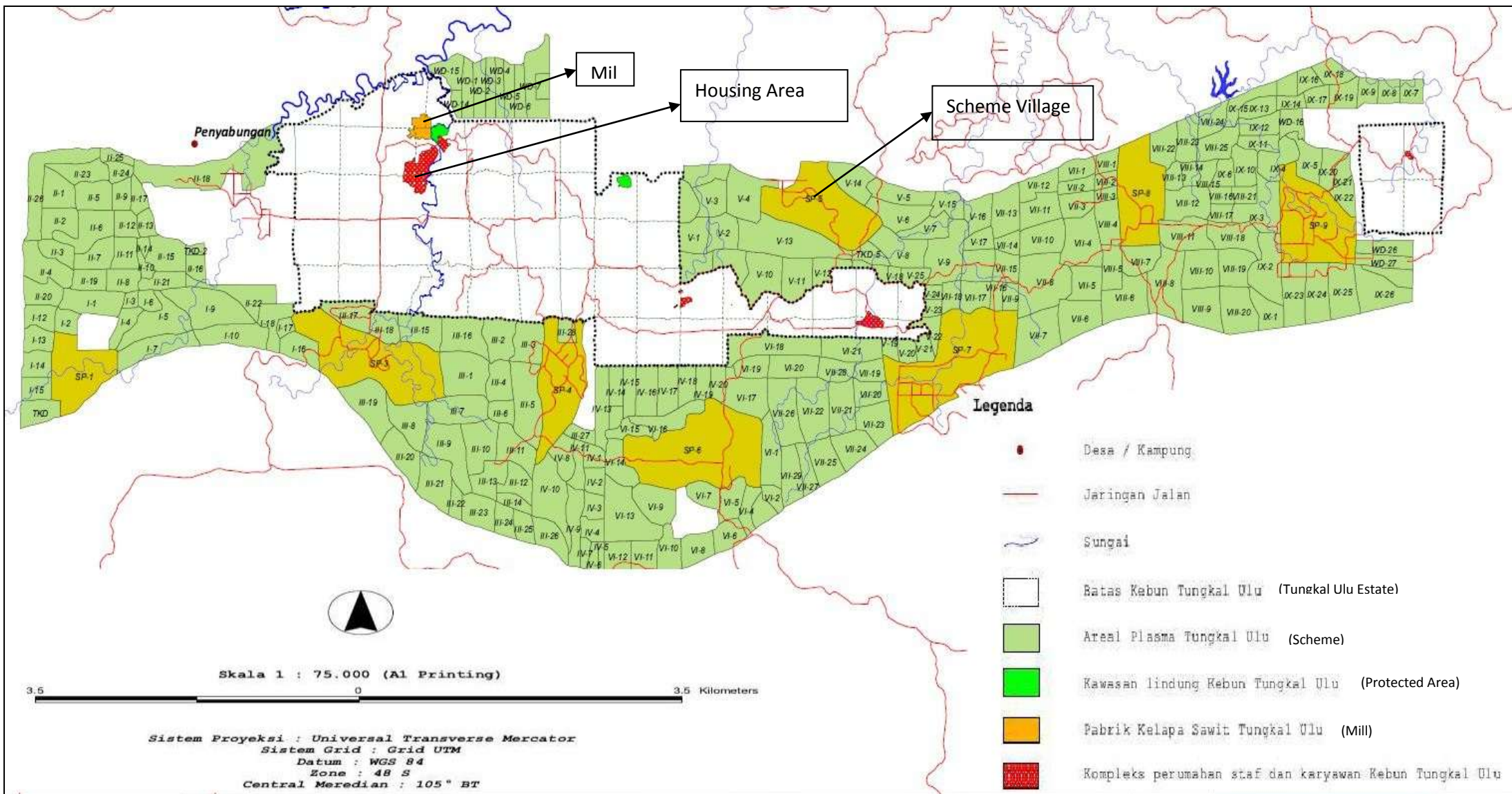
During the Scheme Smallholder Notification/Announcement on the RSPO, Company and BSI website, there was no any comments or feedback received in writing.



Signed for on behalf of
BSI Group Singapore Pte Ltd

Senniah Appalasamy
BSI RSPO Lead Auditor

Figure 1: Location of Tungkal Ulu Group’s Mill, Estate and Scheme Smallholders



Appendix A: PT Inti Indosawit Subur Time bound Plan

Name of Mill	Address	Time bound for certification	Status during ASA01
Buatan I	Delik & Pangkalan Kerinci Village, Bunut Langgam District, Pelalawan Regency, Riau	2010	Certified on 16 September 2010
Buatan II	Delik & Pangkalan Kerinci Village, Bunut Langgam District, Pelalawan Regency, Riau	2010	Certified on 16 September 2010
Ukui I	Ukui Village, Ukui District, Pelalawan Regency, Riau	2011	Certified on 1 March 2011
Ukui II	Ukui Village, Ukui District, Pelalawan Regency, Riau	2011	Certified on 1 March 2011
Tungkal Ulu	Pulau Pauh / Penyabungan / Merlung Village, Tungkal Ulu District, Tanjung Jabung Regency, Jambi	2012	Certified on 15 August 2012
Muara Bulian	Singoan / Bukit Sari / Bulian Jaya Village, Muara Bulian / Pemayung District, Batang Hari Regency, Jambi	2012	Certified on 28 August 2012
Topaz	Petapahan Village, Tapung District, Kampar Regency, Riau	2013	Jan. 2013: Company is in the process of engaging Certification Body
Taman Raja	Lubuk Bernai / Kampung Baru / Pelabuhan Dagang / Pematang Pauh Village, Tungkal Ulu District, Tanjung Jabung Regency, Jambi	2013	Jan. 2013: Company is in the process of engaging Certification Body
Segati	Langkan / Penarikan / Tambak / Sotol Village, Langgam District, Pelalawan Regency, Riau	2014	-
Tanah Datar	Tanah Datar Petatal Village, Talawi District, Asahan Regency, North Sumatera	2015	-
Aek Nabara	S1-S3 / Sukadame Village, Bilah Hulu / Kota Pinang District, Labuhan Batu Regency, North Sumatera	2015	-
Teluk Panjie	Teluk Panjie Village, Kampung Rakyat District, Labuhan Batu Regency, North Sumatera	2015	-
Peranap	Simelinyang / Pauh Ranap / Sengkilo Village, Peranap District, Indragiri Hulu Regency, Riau	2016	-
Bungo Tebo	Tuo Sumai / Sungai Rambai Village, PWK Sumai / Tebo Ulu District, Bungo Tebo Regency, Jambi	2016	-
Tanjung Selamat	Kampung Padang Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatera	2017	-
Gunung Melayu I	Rahuning Village, Bandar Pulau District, Asahan Regency, North Sumatera	2017	-
Gunung Melayu II	Gonting Mahala Village, Bandar Pulau District, Asahan Regency, North Sumatera	2017	-
Nagri Lama I	Nagri Lama Seberang Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatera	2018	-
Nagri Lama II	Nagri Lama Seberang Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatera	2018	-
Name of Plantation	Address	Time bound for certification	Status during ASA01
Buatan	Delik & Pangkalan Kerinci Village, Bunut Langgam District, Pelalawan Regency, Riau	2010	Certified on 16 September 2010
Ukui & Soga	Ukui Village, Ukui District, Pelalawan Regency, Riau	2011	Certified on 1 March 2011
Buatan (Plasma)	Kerinci Kanan, Pangkalan Kerinci, Dayun Village, Siak & Pelalawan Regency, Riau	2011	Certified on 13 March 2012
Ukui (Plasma)	Ukui & Lubuk Batu Jaya District, Pelalawan & Inhu Regency, Riau	Brought forward from 2012 to 2011	Certified since 11 June 2012
Tungkal Ulu	Desa Pulau Pauh/Penyabungan/Merlung, Kec. Tungkal Ulu, Kab. Tanjung Jabung, Jambi	2012	Certified on 15 August 2012
Muara Bulian	Desa Singoan/Bukit Sari/ Bulian Jaya, Kec. Muara Bulian/Pemayung, Kab. Batang Hari, Jambi	2012	Certified on 28 August 2012
Buatan (KKPA)	Kerinci Kanan, Pangkalan Kerinci, Dayun District, Siak & Pelalawan Regency, Riau	Revised from 2011 to 2012	Certified on 17 January 2013
Tungkal Ulu (Plasma)	Renah Mendalo, Merlung, Muara Papalik District, Tanjung Jabung Barat Regency, Jambi	2012	Audited on December 2012. Report under review.

Muara Bulian (Plasma)	Maro Sebo Ilir District, Batanghari Regency, Jambi	2012	Audited on December 2012. Report under review.
Muara Bulian (KKPA)	Maro Sebo Ilir District, Batanghari Regency, Jambi	2012	Audited on December 2012. Report under review.
Topaz & Seed Garden	Petapahan Village, Tapung District, Kampar Regency, Riau	2013	Jan. 2013: Company is in the process of engaging Certification Body
Taman Raja & Badang	Lubuk Bernai / Kampung Baru / Pelabuhan Dagang / Pematang Pauh Village, Tungkal Ulu District, Tanjung Jabung Regency, Jambi	2013	Jan. 2013: Company is in the process of engaging Certification Body
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: PT Inti Indosawit Subur – Tungkal Ulu Group RSPO Certificate Details

PT Inti Indosawit Subur-Tungkal Ulu Group: Pulau Pauh/Penyabungan, Merlung Village, Tungkal Ulu District, Tanjung Jabung Regency, Jambi Province, Indonesia.

BSi Certificate Number: SPO 594422

Previous CB's Certificate Number: TNI – RSPO – H - 1211

Initial Certificate Issued Date: 15 August 2012

Certificate Validity: 14 August 2017

Expansion of Certificate with inclusion of Scheme Smallholder: Summary Report Approval Date by RSPO

Standard: RSPO Certification System, June 2007 (revised March 2011), RSPO P&C Indonesia National Interpretation Working Group (INA NIWG) Indicators and Guidance: 2008, RSPO P&C INA-SWG: v1 October 2009 for Scheme Smallholders and RSPO Supply Chain Standard, November 2011 for CPO Mills – Module E: Mass Balance.

Tungkal Ulu Palm Oil Mill and Supply Base	
Location	Tungkal Ulu District, Jambi Province, Indonesia.
Address	Pulau Pauh/Penyabungan, Merlung Village, Tungkal Ulu District, Tanjung Jabung Regency, Jambi Province, Indonesia.
GPS	Longitude: 102°58'53"E; Latitude: 01°18'01"S
CPO Tonnage Total Production (Certified)	50,391
PK Tonnage Total Production(Certified)	11,976
Company Estate Certified FFB Tonnage	117,823
Scheme Smallholder Certified FFB Tonnage	94,148
Scheme Smallholder's Certified FFB Tonnage Processed at external Palm Oil Mill #	122,549

122,549mt of certified FFB from Scheme Smallholders processed at external third party mill. The CPO produced from this mill excluded from the above certified CPO tonnage.

Appendix C: Annual Surveillance and Scheme Smallholder Assessment Programme

Audit team: SA: Senniah Appalamy; IN: Iman Nawireja; H: Hendra; AH: Ahmad Hazman						
Date	Time	Details	SA	IN	H	AH
Monday 10 Dec. 2012	PM	Transfer Assessment (transfer from previous Certification Body). Verify certificate, scope, validity, previous report and any outstanding NC, Observation or stakeholder comments) & Time bound plan verification. Opening Meeting by Auditors Presentation by Estate and Mill Manager	√	-	-	-
Tuesday 11 Dec. 2012	AM	Tungkal Ulu Mill: 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.	√	-	√	√
		Stakeholder Consultation – Mill and Estate: Meeting and interview with stakeholders from Local government, head of village, NGO, contractors, etc.	-	√	-	-
	PM	Continue Mill Audit: Document review e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, verify status of any Non Conformity, etc).	√	-	√	√
		Stakeholder Consultation – Scheme Smallholder: Meeting and interview with stakeholders from Local government, head of village, NGO, contractors, etc.	-	√	-	-
Wednesday 12 Dec. 2012	AM	Tungkal Ulu Estate – field visit, boundary inspection, Fertiliser application, field spraying, harvesting, workers interview, POME application, buffer zone, HCV area, Enclaves, Office, workshop, worker housing, Landfill, Chemical store and mixing area, etc.	√	-	√	-
		Scheme Smallholdert: KUD Sawit Mulia Inspections e.g. Office, Landfill, Chemical store and mixing area, Fertiliser, field spraying & harvesting, HCV area, farmer plots, boundary etc.	-	√	-	√
	PM	Continue Estate and Scheme Smallholder Audit: Inspect workers housing and interview residents, infrastructure, Social issues, waste management, Clinic, review pay documents, visit local community, SEIA and Document Audit, etc	√	√	√	√
	PM	Auditor Meeting	√	√	√	√
Thursday 13 Dec. 2012	AM	Scheme Smallholder Audit: KUD Karya Kita Inspections e.g. Office, Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting, HCV area, farmer plots. etc	√	-	-	√
		Scheme Smallholder Audit: KUD Koperasi Manunggal Jaya Inspections e.g. Office, Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting, HCV area, farmer plots. etc	-	√	√	-
	PM	Continuing Scheme Smallholder Audit: KUD Karya Kita	√	-	-	√
		Continuing Scheme Smallholder Audit: KUD Koperasi Manunggal Jaya				
Friday 14 Dec. 2012	AM	Continue Document audit, verify stakeholder feedback with management and gather outstanding data/information, preparation for closing meeting.	-	√	√	-
	PM	Closing Meeting.				

Appendix D: List of Stakeholders Contacted

<p>Smallholders</p> <p>KUD Bina Usaha Smallholders and Cooperative Head and members KUD Sawit Kita Smallholders and Cooperative Head and members KUD Karya Kita Smallholders and Cooperative Head and members KUD Karya Jaya Smallholders and Cooperative Head and members KUD Panca Mukti Smallholders and Cooperative Head and members KUD Sari Bumi Smallholders and Cooperative Head and members KUD Manuggal Jaya Smallholders and Cooperative Head and members KUD Sawit Mulia Smallholders and Cooperative Head and members KUD Argo Makmur Smallholders and Cooperative Head and members KUD Harapan Jaya Smallholders and Cooperative Head and members</p>	<p>Local Communities</p> <p>Merlung Village Representative Desa Singoan Village Representative Tanjung Benanak Village Head Tanjung Benanak Village Secretary Pinang Gading Village Bukit Harapan Village</p>
<p>Internal Stakeholders</p> <p>PT IIS – Tungkal Ulu Group Management team and Staff Head of the Sustainability Department Manager of the Stakeholder Relation Department General Manager Scheme Manger Scheme Assistant Managers Mill Managers and Assistants Estate Managers and Assistants Facility Administrators Gender Committee Representatives Doctor and Clinic Assistants Male and Female workers Workers Union Representatives</p>	<p>NGO and Others</p> <p>Asosiasi Kelapa Sawit Indonesia</p>
<p>Government Departments</p> <p>District Agriculture Office, West Tanjung Jabung District District Environment Officer, West Tanjung Jabung District National Land Office, West Tanjung Jabung District Transmigration Officer, West Tanjung Jabung District Cooperative Office, West Tanjung Jabung District Oil Palm Farmers Association (Serikat Petani Kelapa Sawit)</p>	

Appendix E: Supply Chain Assessment for Tungkal Ulu Mill (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.	Tungkal Ulu mill have written documented procedures for the chain of custody with MB model covering certified and non certified FFB dated 25/2/2012. The mill managers have the responsibility to ensure implementation.
E.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.	Tungkal Ulu Mill has documented procedures for the incoming FFB, processing and outgoing palm products (CPO and PK). Marking is made on the receiving documents to differentiate the certified and non-certified FFB received.
E.2. Purchasing and goods in	
E.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received.	Daily records are prepared at the entry point at the weighbridge. Daily summary and monthly summary documented for all the certified and non certified FFB. Records verified by internal and external audit.
E.2.2 The facility shall inform the CB immediately if there is a projected overproduction.	The facilities aware of this procedure.
E.3. Record keeping	
E.3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of certified and noncertified palm products.	Daily records are prepared at the entry point at the weighbridge. Daily summary and monthly summary documented for all the certified and non certified FFB. Records verified by internal and external audit.
E.3.2 Retention times for all records and reports shall be at least five (5) years	The retention period is specified as five years and financial documents retained longer based on the local regulation requirement.
E.3.3 (a) The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis.	All the inventory records are maintained and updated on daily basis and Monthly report shows monthly inventory. No Palm Kernel Oil and Palm kernel meal at the mill because there is no kernel crushing at the mill.
E.3.3 (b) All volumes of palm oil and palm kernel oil that are delivered are deducted from the material accounting system according to conversion ratios stated by RSPO.	Computerized system in place with the delivery deducted accordingly.
E.3.3 (c) The facility can only deliver Mass Balance sales from a positive stock. However, a facility is allowed to sell short.	Mill aware that only positive stock can be delivered. No sale of certified product has been carried out.
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 system available to indicate on the relevant documents. Personnel involved in the document preparation such as mill manager, weighbridge clerk, chief clerk (KTU), sales administrator and head office sustainability team representative confirmed that "product name/MB" will be used during delivery of certified palm product.
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	There is no sale of certified palm product since certified. However there were sales through ISCC system. Sales from GreenPalm cannot be traced back to mill because no traceability number in the system. Existing system was checked and verified.
(a) The name and address of the buyer	Name and address of buyer written on the invoice.
(b) The date on which the invoice was issued	Date is written.
(c) A description of the product, including the applicable supply chain model (Segregated or Mass Balance)	Product description and supply chain model is written. Mass balance model.
(d) The quantity of the products delivered	Quantity in tones.
(e) Reference to related transport documentation	Weighbridge documents and D/O includes all the transport references.
E.5. Training	
E.5.1 The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems.	Staffs in the weighbridge, inventory, storage and processing, document control have attended training on 19/7/2012 covering all the requirement of RSPO Supply Chain Standard for CPO Mills – Module E: Mass Balance.
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. No RSPO certified palm product delivered/sold.

Appendix F: Tungkal Ulu Certified Supply Base Planted area, Number of Smallholders and FFB Actual and Projected Details

Source	Planted Area	Number of Smallholders	Actual FFB (mt) for 2011	Budgeted FFB (mt) for 2012*	Actual FFB (mt) for 2012	Budgeted FFB (mt) for 2013**
Tungkal Ulu Supply Base						
Tungkal Ulu estate	4,396	-	107,964	111,236	108,798	117,823
Sub-total	4,396	-	107,964	111,236	108,798	117,823
Scheme Smallholders Supply Base:						
KUD Bina Usaha	910	450	19,633	20,885	19,350	21,874
KUD Sawit Kita	1028	509	27,163	22,516	31,927	24,928
KUD Karya Kita	1168	579	29,938	26,004	29,237	27,809
KUD Karya Jaya	810	400	27,205	19,436	24,840	19,537
KUD Panca Mukti	792	385	12,740	19,353	19,498	18,460
KUD Sari Bumi	764	377	14,191	17,532	19,369	17,618
KUD Manuggal Jaya	208	104	6,515	4,805	6,050	4,966
KUD Sawit Mulia	1362	676	32,784	32,509	39,869	32,746
KUD Argo Makmur	1130	560	22,153	26,008	31,738	25,359
KUD Harapan Jaya	1130	560	15,968	24,067	28,037	23,400
Sub-total			208,290	213,115	249,915	216,697
GRAND TOTAL	9,302	4,600	316,254	324,351	358,713	334,520**

* Reported during Initial Assessment.

** Projected during ASA 01 and certified.

122,549mt FFB (from the total of 216,697m) produced by the scheme smallholders are processed at a third party mill through an agreement with Tungkal Ulu Mill. The CPO produced from this crop was excluded unless it is processed at certified Tungkal Ulu Mill.

(Note: The above figures exclude third party crop which is excluded in the scope)