



## **PUBLIC SUMMARY REPORT**

# **RSPO SECOND ANNUAL SURVEILLANCE ASSESSMENT (ASA2)**

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

*Report Author*

**Aryo Gustomo – Revised September 2012**

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**SUMMARY**

BSi has conducted the Second Annual Surveillance Assessment (ASA2) of PT TTI operations comprising two mills, four oil palm estates, support services and infrastructure. BSi concludes that PT TTI operations comply with the requirements of RSPO Principles & Criteria : November 2007 and Indonesia National Interpretation Working Group (INA NIWG) Indicators and Guidance : May 2008, RSPO Certification System June 2007 (revised March 2011) including Annex 4: Procedures for Annual Surveillance; and Supply Chain Requirements for CPO Mills: November 2011

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

**ABBREVIATIONS USED**

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

SOP	Standard Operation Procedure
TLE	Tolan Estate
UKL-UPL	Upaya Kelolalaan Lingkungan-Upaya Pemantauan Lingkungan

**1.0 SCOPE OF CERTIFICATION ASSESSMENT****1.1 Identity of Certification Unit**

The PT Tolan Tiga Mills and Estates are located in North Sumatera Province, Indonesia (Figure 1). The GPS location of the mills is shown in Table 1 (Figure 1). The scope of Certification covers 2 (two) Palm Oil Mills and the supply base comprising 4 (four) company owned oil palm Estates.

**Table 1: Mills GPS Locations**

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

**1.2 Production Volume**

The estimated tonnages reported for the ASA2 and the actual production since ASA1 are detailed in Table 2. It should be noted that the Actual tonnages are for only part of a year from the date of ASA1 on 17 May 2011 to 16 May 2012. The projected tonnages for the 2012–2013 period of the Certificate are based on the 5 years Estimate production.

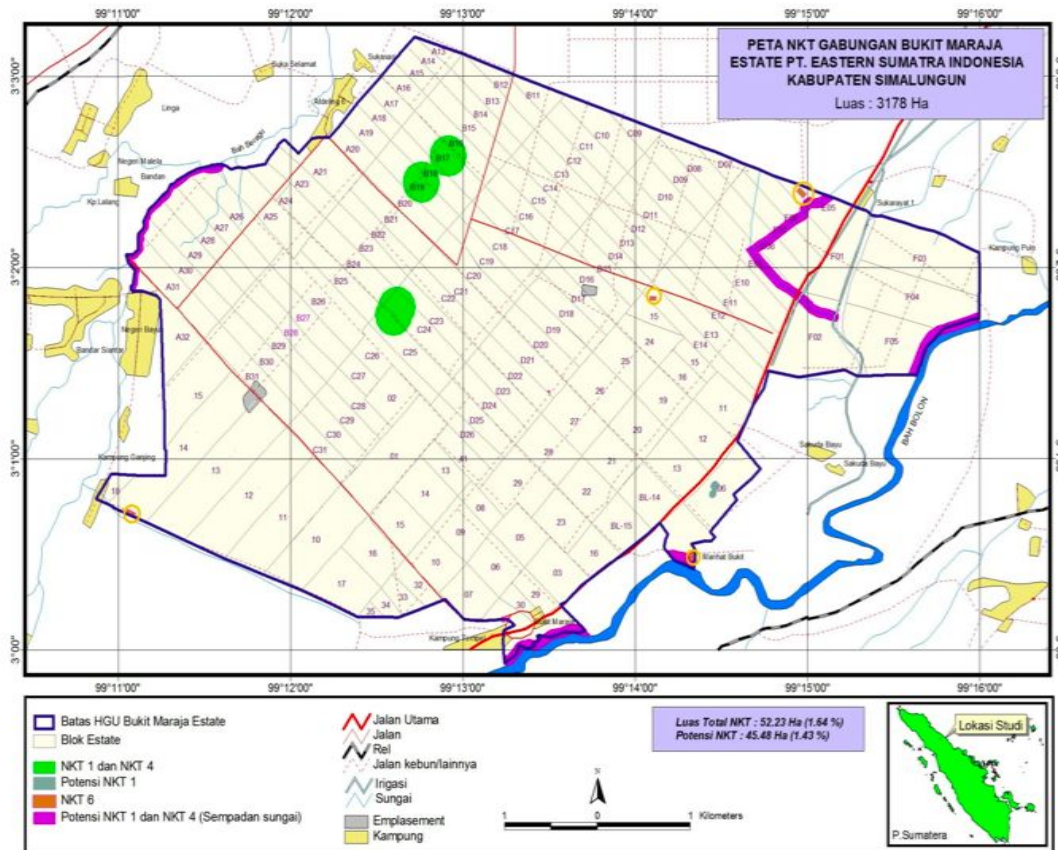
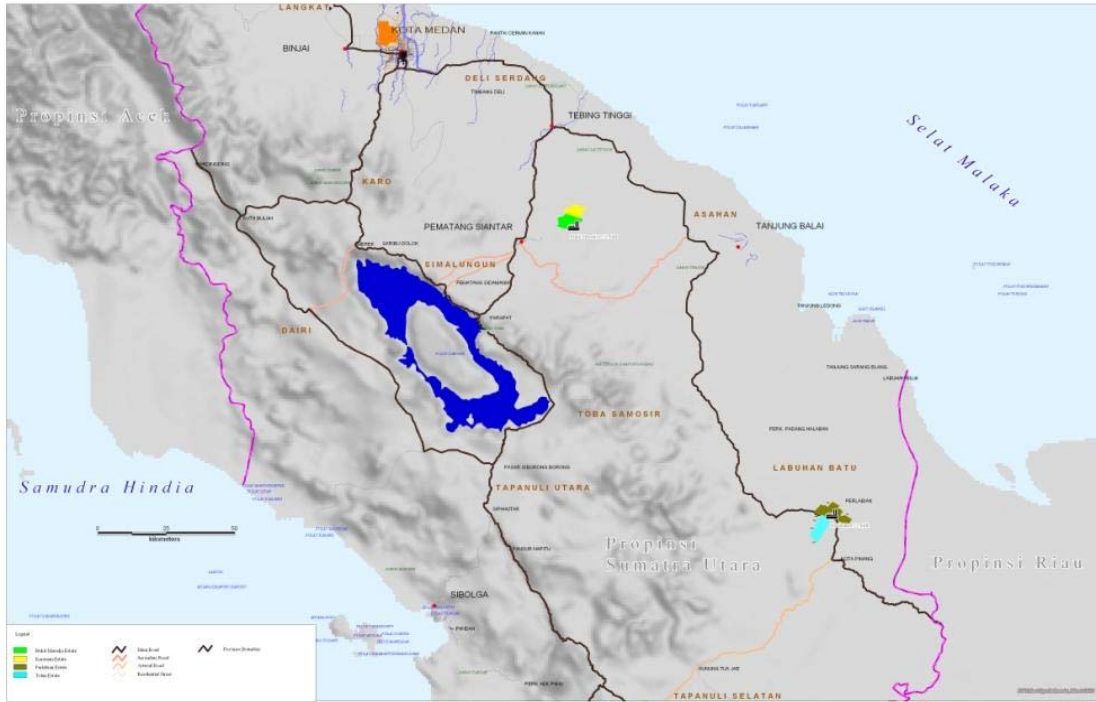
**Table 2: Production tonnages**

Mill	Estimate at 1 <sup>st</sup> ASA 17/05/2011	Actual 17/05/2011–16/05/2012	Projected 17/05/2012–16/05/2013
<b>BMM:</b>			
CPO	35,000	23,959	25,866*
PK	7,500	5,674	6,106*
<b>PLM:</b>			
CPO	43,000	41,146	50,869
PK	11,500	10,455	12,717
			10,041*

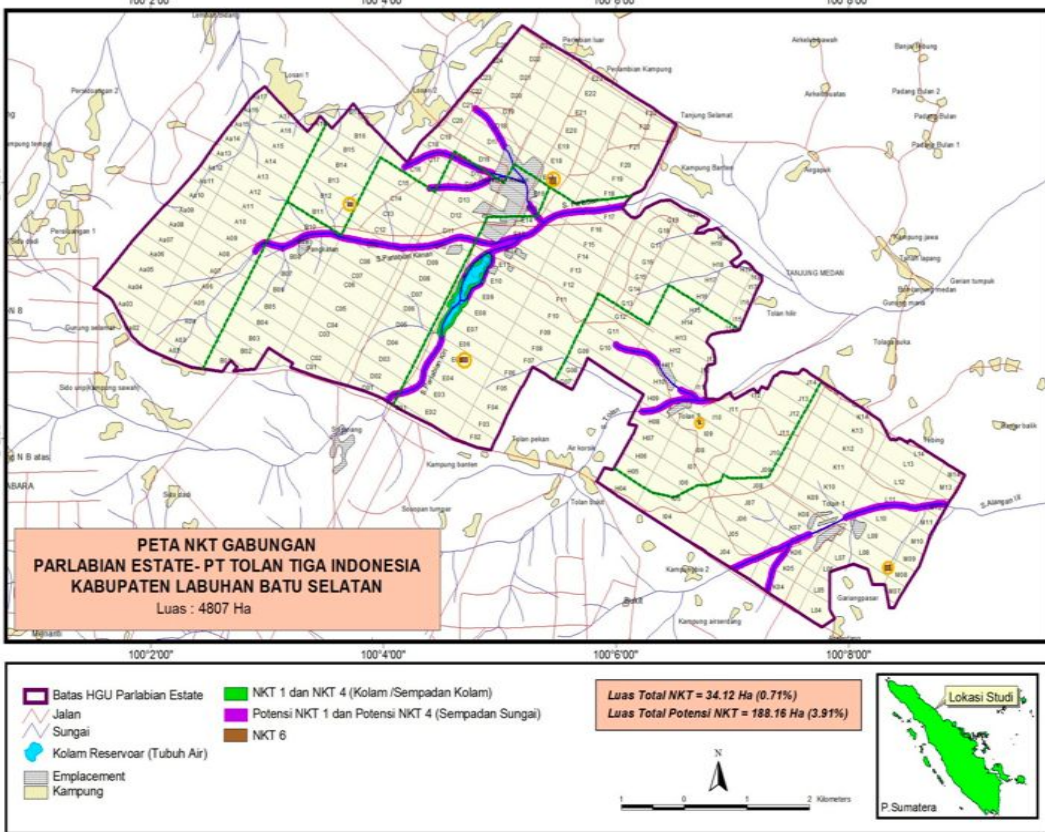
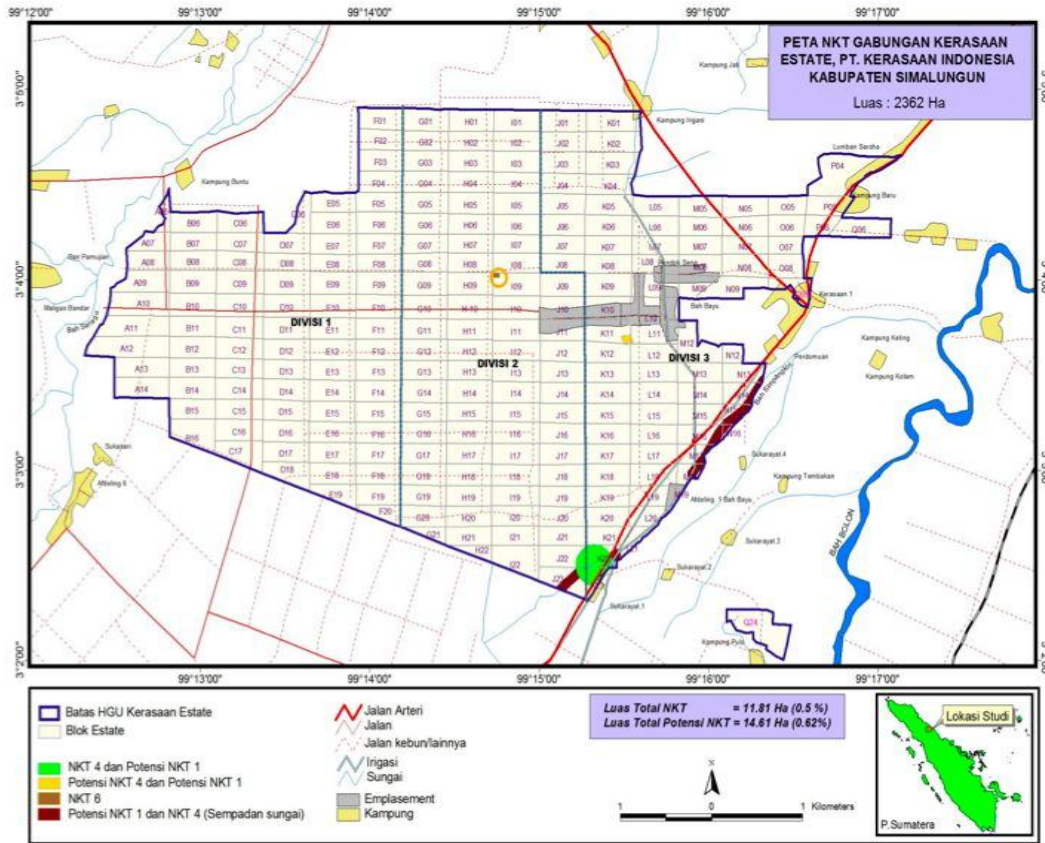
\* Certified volumes

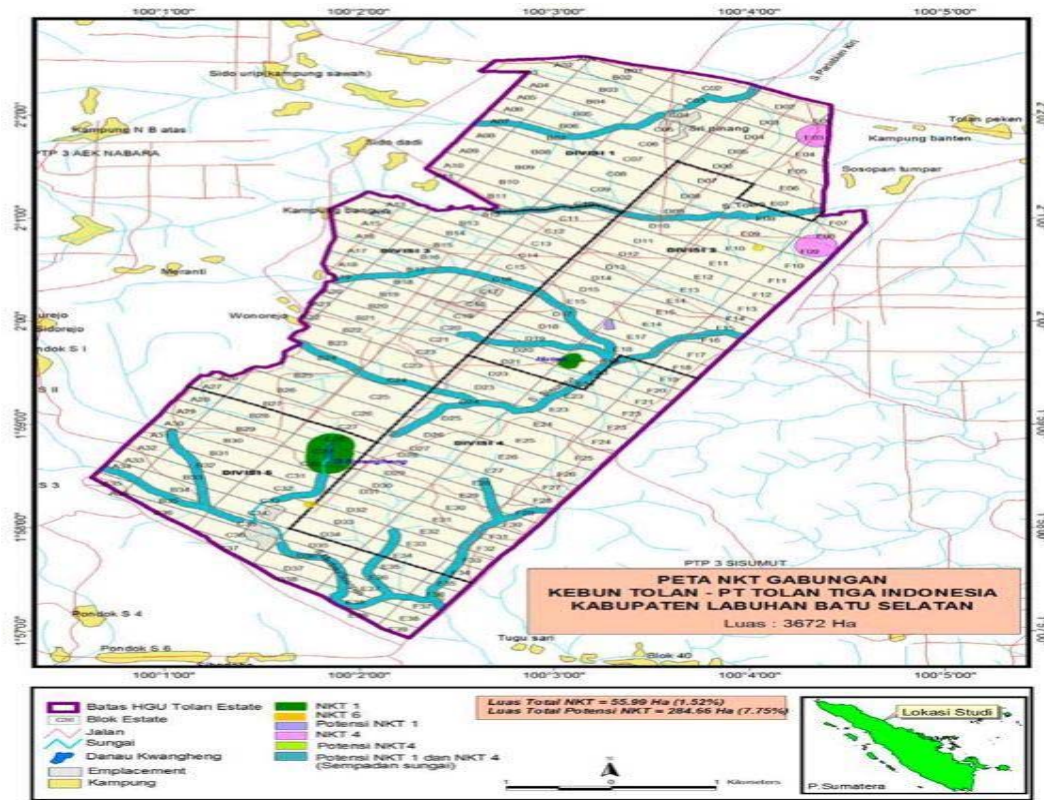
**1.3 Certification details**

SIPEF RSPO Membership No: 1-0021-05-000-00  
 BSI RSPO Certificate No: SPO 555208  
 Initial Certification Assessment: 14/03/2010–20/03/2010  
 Date of Certification: 17/05/2010









#### 1.4 Description of Supply Base and Supply Chain

In the last 2011 to 2012 The FFB processed at both Tolan Tiga Mills is mainly sourced from the 4 (four) Company Estates. Since May 2011, Perlabian Mill has received and processed the FFB from other adjacent estates of Sipef i.e. UMW Estate, TUM Estate and CSM Estate which are starting mature palms.

Thus, the Bukit Maradja Mill is declaring as Supply Chain Segregation, while Perlabian Mill is Supply Chain Mass Balance. The FFB Production of Bukit Maradja Mill and Perlabian Mill are listed in Table 3; while for area statement of the estates are provided in table 4(a), 4(b), and 4(c).

**Table 3. Estate FFB Tonnes Processed**

Source	Estimate at ASA1 17/05/2011	Actual Production 17/05/2011 - 16/05/2012	Projected 17/05/2012 - 16/05/2013
<b>BM POM:</b>			
1. Bukit Maradja Estate	80,000	58,135	65,987
2. Kerasaan Estate	90,000	44,079	45,026
<b>Total</b>	<b>170,000</b>	<b>102,214</b>	<b>111,012</b>
<b>PL POM:</b>			
1. Perlabian Estate	97,000	80,786	82,892
2. Tolan Estate	90,000	90,640	91,741
<b>Sub Total</b>	<b>187,000</b>	<b>171,426</b>	<b>174,633</b>
3. Other Adjacent Estates	-	15,928	47,864
<b>Sub Total</b>	<b>-</b>	<b>15,928</b>	<b>47,864</b>
<b>Total</b>	<b>187,000</b>	<b>187,354</b>	<b>222,497</b>
<b>Total BM + PL POMs</b>	<b>357,000</b>	<b>289,568</b>	<b>333,509</b>

**Table 4(a): Age Profile of Company Estate Planted Palms as per 17 May 2012**

Year	PLE	TLE	BME	KRE	SUM	% of Planted Area
1980	-	-	-	-	-	0.00
1981	-	-	22	-	25	0.17
1982	-	-	34	-	199	0.26
1983	102	-	-	-	173	0.78
1984	-	-	-	38	396	0.29
1985	171	-	65	20	601	1.96
1986	177	-	-	38	260	1.65
1987	187	-	-	-	194	1.43
1988	212	-	63	18	306	2.25
1989	42	-	-	-	42	0.32
1990	31	-	-	-	29	0.24
1991	550	-	33	211		6.09
1992	306		38	-	828	2.64

1993	125	341	16	-	336	3.69
1994	312	-	-	-	468	2.39
1995	191	162	275	347	305	7.47
1996	-	179	350	293	966	6.30
1997	-	423	-	41	828	3.56
1998	-	370	327	78	666	5.94
1999	7	302	373	134	819	6.25
2000	-	296	396	-	833	5.30
2001		234	236	100	692	4.37
2002	336	464	264	100	1,164	8.92
2003	-	132	-	-	132	1.01
2004	202	204	136	101	643	4.93
2005	280	119	126	112	637	4.88
2006	196	-	-	106	302	2.31
2007	212	79	-	85	376	2.88
2008	138	-	-	82	220	1.69
2009	211	91	183	67	552	4.23
2010	327	96	166	166	755	5.79
2011	-	-	-	-	-	0.00
<b>TOTAL</b>	<b>4,315</b>	<b>3,492</b>	<b>3,103</b>	<b>2,137</b>	<b>13,047</b>	<b>100</b>

Since March 2012, Estate Department had performed re-measurements using the GPS in the planting area of each block where there was some reduction due to making drainage and keeping HCV areas as conservation. Those areas were excluded from the total area of planted. Started from 2005, Company has been conducted replanting programme to replace old palms which had reached its cycle.

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

**Table 4(b): Estates Hectare Statement**

Estate	Mature (ha)	Immature (ha)	Total (ha)
Bukit Maradja	2,754	349	3,103
Kerasaan	1,904	233	2,137
Perlabian	3,777	538	4,315
Tolan	3,305	187	3,492
<b>TOTAL</b>	<b>11,740</b>	<b>1,307</b>	<b>13,047</b>

**Table 4(c): PT TTI Hectare Statement**

Mature area	11,740
Immature	1,307
Preparation for oil palm	598
<b>Total area for oil palm</b>	<b>13,645</b>
Nurseries	14
Emplacement, Roads, Mills, Compounds etc	286
Unplanted reserve, incl underwater lease	74
<b>Total leased area</b>	<b>14,019</b>



### 1.5 Other Certifications Held

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

### 1.6 Organisational Information / Contact Person

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

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Sumatera Utara INDONESIA

Contact Person: Olivier Tichit  
Environment & Conservation  
General Manager  
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Email: oliviertichit@tolantiga.co.id

### 1.7 Time Bound Plan for Other Management Units

Other management units of SIPEF :

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

Hargy Oil Palms has been certified on 09 April 2009. A first surveillance audit has been carried out in April 2010, by BSI, and a second surveillance audit in April 2011, by BSI. Hargy is planning to build a new mill which will come with the first certification in 2013.

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

Group 1 : PT Tolan Tiga Indonesia, including 2 mills and 4 estates in North Sumatra, RSPO certified in May 2010. The annual surveillance will be carried out in May 2011.

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

Group 3 : Jabelmalux Group.  
PT Umbul Mas Wisesa, PT Toton Usaha Mandiri and PT Citra Sawit Mandiri are still in development. As communicated to the RSPO, two of the estates, PT Umbul Mas Wisesa and PT Toton Usaha Mandiri, are

currently placed under the RSPO compensation mechanism, based on a cautionary approach. Their situation will be reviewed at time of certification (early 2013). For the third operation, PT Citra Sawit Mandiri, a solution compatible with the RSPO P&C is still under implementation despite delays encountered in 2011. Sipef are complying with local laws and regulations for these three estates, and there are no unresolved disputes.

The fourth estate in the Jabelmalux Group with a significant oil palm area (170 ha) is PT Melania, in South Sumatra. The oil palm area is currently being converted into rubber, and this is almost totally completed and will be completed by early 2013.

At this point review on the documentation of Sipef group which are included in the time bound plan that there are no known legal non-compliances, land or unresolved labour disputes at its other operations. BSI considers Sipef's Time Bound Plan to conform to the RSPO requirements for Partial Certification.

### Inclusion of Smallholders

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

## 2.0 ASSESSMENT PROCESS

### 2.1 Certification Body

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### 2.2 Qualifications of the Lead Assessor and Assessment Team

#### Aryo Gustomo – Lead Assessor

He holds a degree in Agricultural Science - in Agronomy - on the subject of oil palm plantation management; He graduated from Bogor Agriculture University. He had more than 5 (five) years working experience related to



oil palm industries i.e. as a Plant Breeder/Agronomist - with one of the Malaysian oil palm seed producers - and as a Field Assistant with a oil palm plantation company in Indonesia. He has been involved in RSPO implementation and assessment since 2009 as a team member and subsequently as a lead auditor with a RSPO approved certification body covering assessment with RSPO P&C and RSPO NPP in Malaysia and Indonesia. He has completed several training programmes on ISO 9001, 14001 and attended the RSPO Lead Auditor courses as well as trainings on HCV identification and management. Currently, he works for BSi Group as a RSPO Scheme Manager for ASEAN and is a RSPO lead auditor/auditor. He has an excellent oral and written command of Bahasa Indonesia and English. During this assessment, he assessed on the aspect of legal, environment, mill and estate best practices, working safety and emergency preparedness, and supply chain requirement for CPO mills.

#### **Iman Nawireja – Assessor**

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

#### **Nanang Muallib – Assessor**

He holds a Bachelor degree in Forestry Technology from Bogor Agriculture University, 1999. He has 4 years experience worked in the Forest plantation company in Indonesia, and has experiences involves in the several RSPO certification audits as team member. He has attended the 5 days RSPO P&C Certification System Assessment Training held by PT Mutuagung Lestari on 2009 as well as 5 days ISO 9001 auditor training on 2009. He has been approved as an HCV Assessor under RSPO Scheme. He has been involved in many assessment related to the Forestry and sustainable oil palm certification in Indonesia. He has experienced involves in RSPO certification assessments more than 9 oil palm different organizations (including mills and estates) in

Indonesia. He has an excellent command of Bahasa Indonesia and English in both writing and speaking. He is familiar with RSPO P&C Certification assessment and qualified as audit team member. During this assessment, he assessed on the aspect of Legal, estate best practices, HCV identification and management, and also Social community engagement and stakeholders consultation.

#### **Pratama Agung Sedayu – Assessor**

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

### ***2.3 Assessment Methodology, Programme, Site Visits***

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

The Initial Certification Audit was conducted between 14<sup>th</sup> and 20 March 2010.

The first annual surveillance assessment (ASA 1) was conducted from 8-13<sup>th</sup> May 2011.

The second annual surveillance assessment (ASA2) was conducted on 14 – 18<sup>th</sup> May 2012. The audit programme is included as Appendix C.

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

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

The Nonconformities that were assigned and the Observations that were identified during the first annual surveillance assessment were followed up to check the

corrective actions plan. The detail nonconformities findings are detailed in Section 3.2 Page 23.

This report is structured to provide a summary for each Principle & Criteria, together with selected indicators. The assessment was based on random samples and therefore nonconformities may exist that have not been identified. Currently this summary report was reviewed by RSPO Secretariat through external peer reviewer.

#### **2.4 Stakeholder Consultation and List of Stakeholders Contacted**

Internal and external stakeholders were consulted to obtain their views on PT AM environmental and social performance and any issues of concern that they may have. External stakeholders were interviewed at their premises where practical or they were invited to the Mill or the Estate. Internal stakeholders were interviewed in groups in the workplace or at their housing. Company officers were not present at any of the meetings. A list of stakeholders contacted is included at Appendix E.

#### **2.5 Date of Next Surveillance Visit**

It is approximately on April 2013.

### **3.0 ASSESSMENT FINDINGS**

#### **3.1 Summary of Findings**

As outlined in Section 2.3, objective evidence was obtained separately for each Principle, together with details for selected indicators for the Mills and the Estates. The results for each selected indicator from each of these operational areas have been aggregated to provide an assessment of overall conformance of the Company's operations with each Criterion. A statement is provided for each of the Indicators to support the finding of the assessment team.

During ASA2, Four (4) Nonconformities were assigned against Minor Compliance Indicators. PT TTI has prepared a Corrective Action Plan (Appendix D) for addressing the identified nonconformities that was reviewed and accepted by BSi.

Twelve (12) Observations/Opportunities for Improvement were identified. Details of the Nonconformities and Observations are given in Section 3.2 (Page 23).

BSi's assessment of PT TTI operations, comprising two palm oil mill, estates, infrastructure and support services, concludes that PT TTI operations comply with the requirements of RSPO Principles & Criteria : November 2007 and Indonesia National Interpretation Working Group (INA NIWG) Indicators and Guidance : May 2008, RSPO Certification System June 2007 (revised March 2011) including Annex 4: Procedures for Annual

Surveillance; and Supply Chain Requirements for CPO Mills: November 2011

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

#### **PRINCIPLE 1: Commitment to Transparency**

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

PT TTI has continued to operate in a transparent manner and has responded to requests for information in a timely manner. The Mill and Estates have kept their filing systems updated with copies of correspondence from external parties and the company's reply. Copies of policies and management plans are available to the public on request. Inspection of company documents in the field confirmed that the company adequately provides information as the following examples show:

*BME: Review of file "Permintaan Informasi dan Jawaban" indicated the estate received no request of information last year.*

*PLE: All written information requests are recorded on the "Buku Rekaman Permintaan Informasi & Tanggapan". During 2011 there had been no request of information received by the estate. Inspection to the record indicated most of the request was related to permission of on-the job training for Local Senior High School, the last request was received on 12 January 2012. All of permissions were granted.*

Records of requests for information are documented in the "Buku Rekaman Permintaan, Informasi dan Tanggapan" on each estate, but most of the incoming letter is a letter of request for assistance, for example in TLE there is a request letter to the company's practice field by SMK PGRI dated January 24, 2012 (no letters; 099/105.9/SMK PGRI/1/2012). Records of responses to requests for information are documented in the 'User Record Request, and Response Information' on each estate, such as response to a request letter to the company's practice field by SMK PGRI dated January 24, 2012 (letter no; 099/105.9 / SMK PGRI/1/2012) conducted via telephone in which the practice can be started from the date of January 24, 2012 until may 24, 2012.

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

PT TTI has maintained the list of publicly available documents - Documents which will be made publicly

available have been listed on the company web site since February 2010.

PT TTI has designated a special page in company website devoted to request of information at [http://www.tolantiga.co.id/v1/?page\\_id=431](http://www.tolantiga.co.id/v1/?page_id=431) where all stakeholders able to request information on operation permit and SEIA (AMDAL) documents as follows:

- (1) Hak Guna Usaha (HGU)
- (2) Ijin Usaha Perkebunan (IUP)
- (3) Sertifikat Tanda Bukti Hak (Land Title)
- (4) AMDAL
- (5) RKL/RPL
- (6) UKL/UPL
- (7) CD Report
- (8) HCV Assessment Document
- (9) RKL/RPL Monitoring Report
- (10) Land Application Permit

Some examples of public documents are:

Legal document:

1. Copy of HGU for each estate, such as BME; HGU No. 2 dated October 16, 1997 on behalf of Eastern Sumatra, Indonesia with PT 3,177.94 ha area which expired on December 31<sup>st</sup>, 2023. TLE; HGU No. 80/HGU/BPN/1997 with an area of 6042.44 Ha valid until December 31<sup>st</sup>, 2023 and HGU No. 86/HGU/BPN/1997 with an area of 2,436.62 Ha, valid until 30 June 2024.
2. Document of IUP such as BME; No. 208/Menhutbun-VII/2000 dated March 10<sup>th</sup>, 2000, and TLE; No. 213/Menhutbun-VII/2000 dated March 10<sup>th</sup>, 2000.
3. Documents such as the TDP, BME; No. 02.12.1.01.00904/2487/2392 12412/07/2011 dated 15 July 2011, which expired on June 26, 2016.
4. IMB is available, e.g. Building permit BME Housing Manager No. 503/95/SIMB/2004 dated October 12<sup>th</sup>, 2004

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

PT TTI has maintained a register or matrix indicating the records to be kept and the period or retention times for these records. All records should be dated to allow time to be kept to be determined accurately. However, **Observation 01 has raised against indicator 1.1.3: It is found in Tolan Estate, the estate manager and administration officer did not aware retention time for information request and responds records.**

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

There is a corporate affairs dept. in Medan HO which is responsible for legal compliance – at present there is no evidence available to show that PT TTI is as far as

possible complying with legal and other requirements. There is no evidence of chronic noncompliance.

The Company has met the statutory regulations in managing oil palm plantations, for example;

1. AMDAL Documents available such as Environmental Impact Assessment (EIA), as TLE; in accordance with the Decree of the Head Bapedalda Labuan Batu No. RKL / RPL 660/326/BPDL-LB/Set/2006 number dated July 21, 2006. BME; RKL / RPL Number 271/Bpdl/2008, June 2008. KRE; UKL-UPL Number 700/109/BLH/2009, dated April 08, 2009.
2. Land Application Permit is available, such as BME; No. 700/366/Linghup/2009 dated June 18, 2009.
3. Permits are available for foreign workers who work in companies, such as Limited Stay Permit Card, No. 2C11G10119-K dated July 5, 2011 and expired on June 29, 2012, on behalf of Robert Olivier Tichit.
4. The Company has imposed a minimum wage in 2012 in accordance with the Decision of the Governor of North Sumatra; No. 188-44/998/PPKS/2011 about the North Sumatra Provincial Minimum Wage Year 2012 dated 17 November 2012.

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

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

Check on the Summary of Over Time Report of Perlabian Mill, April 2012, there are still several Mill workers excess overtime limit as per regulation requirements (Permenaker No. 102/2004). Example: Gimson (Mandor Pengolahan) on 3 April 2012 had overtime 6 hours (start 08.00, stop 14.00); Warsiman (Mandor Pengolahan) on 3 April 2012 had overtime 5.5. hours (start 14.00, stop 18.30); Amansyahril (Operator Kernel Plant) on 9 April 2012 had overtime 5 hours (start on 21.00, stop on 02.00); Susanto (Operator Kernel Plant) had overtime 4 hours on 9 April 2012 (start at 21.00, stop 01.00). However, based on interview with Labor Department of Labuan Batu Selatan, the rules for overtime pay is applicable for certain time and specific job as mention in Permentan 102/2004. For these oil palm mill workers, it is allowed to work more than 3 hours as long as the company provides other incentive as required by the law. The auditor team review this finding and conclude this progress of observation is acceptable.

There is a list of legal requirements to which PT TTI must comply with. This includes national and local laws as well as conventions to which PT TTI subscribes such as RSPO. There is a list of regulations from local, regional to national related to the RSPO. Compliance evaluation procedure refers to Change Information Act and Regulation (CA/SOP/01) which was passed on November 1, 2011.

In the evaluation of legislation includes the regulatory requirements applicable to oil palm plantations, ensuring compliance, and the party who responsible for compliance.

Evaluation of legislation is done every month and then recapitulated every year by a special officer in charge of this work is Department of Corporate Affairs. In the year 2011 has made Up Date to the two kind of regulation that are;

1. Permentan. 19/Permentan/05.140/3/2011 dated March 29, 2011 regarding the Indonesian Sustainable Palm Oil (ISPO).
2. Permenakertrans. PER.13/Men/X/2011 dated October 28, 2011 regarding the Threshold Value of Physical and Chemical Factors.

In 2012 has made an evaluation of North Sumatra Governor Regulation No. 72 of 2011 on the implementation of waste management of hazardous and toxic materials.

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

PT TTI holds copies of HGU's. These copies of HGU's are held in each estate and the originals are held in Medan HO.

Copies of HGU Certificates are available in each estate, for example;

BME: HGU No. 02 of 1997, dated October 16, 1997, on behalf of PT Eastern Sumatra Indonesia with area 3,177.94 ha. Expires on December 31th, 2023. Letter number HGU. 130/09/IV/1997 dated March 14, 1997.

PLE: HGU 80/HGU/BPN/97 applies until 23 December 2023 covers 4,807.44 Ha.

TLE: HGU 80/HGU/BPN/97 applies until 23 December 2023 cover 1,235 Ha; and HGU 86/HGU/BPN/97 applies until 30 June 2024 covers 2,436.62 Ha.

HGU maps are available for each HGU certificate which describes in detail the boundaries of company areas, completed with coordinates of each boundary peg. Company has provided a plan and its realization on the monitoring of HGU pole which conducted every month by a dedicated officer (Security under supervised by Field Assistant). During monitoring if it is found broken boundary pegs, it will then be followed up depending on the level of damage. For Example: monitoring on the HGU pegs in September 2011 found damage to HGU Pal.

Number 24 in Division II which later on repaired in November 2011.

Based on field inspections indicate that the boundary pegs are always legible and well maintained, for example Boundary peg number 03, 04, 05 (KRE) which are the boundary among the areas of company and local community (Nagori Pordomoanauli).

PT TTI holds the land more than 20 years and until ASA2 it's never been any land dispute with the local community, and there are no outstanding disputes that PT TTI is aware of.

Base on the Letter Hrad. 01/HRAD/CIR/I/10 dated January 4, 2010, in resolving complaints, PT TTI refer to the complaints procedure with external parties (SOP/026/HRA, dated December 23, 2009) or internal (SOP/025/HRA, dated December 23, 2009).

BME: The Company monitored the HGU pegs regularly. Estate assistant checked the HGU peg at each division once a month. The company maintained the HGU peg monitoring record. The records showed that monitoring was conducted since May 2010. Based on document review, there was no land dispute recorded up to date.

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

This is not applicable as the PT TTI development is wholly on Government land which is lease under HGU's – see above. Maps are available in appropriate scale showing extent of all leased land. There are no land settlement schemes on alienated land within PT TTI.

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

There is in place a working plan for at least three years - includes crop projection for up to 10 years, it includes Oil Extraction Rate, Cost of Production, Price forecasts, financial indicators, includes running mean since inception which includes trend forecasts. The business plan will be required for cert assessment. For example in BME was able to demonstrate long term business plan for estate operations. The business plan (consist of table indicating the capital expenditure plan) was projected for 2012 up to 2022. There is in place an annual replanting programme which includes forecasts for the next ten years. This plan in reviewed monthly and therefore is within guidelines. For example: BME was able to demonstrate the replanting plan for 2013 and to date realization has been seen.

***Observation 02 has raised against 3.1.1: Company has prepared Business Plan for 10 years and Estimation of Production for 3 years, however could be improved by taking into account Cost of Production and OER trends into the plan.***



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

PT TTI has maintained Standard Operating Procedures for estates from land clearing to harvesting. This is the form of the “blue book” which includes all relevant SOP’s as required. This “blue book” is available to all managers and assistants in the estate office, for example in BME and TLE: SOP titled Agricultural Manual Oil Palm dated October 1<sup>st</sup>, 2009.

BME was able to demonstrate records of harvesting and fertiliser application inspection. Inspection reporting also recorded in the P2K3LHS minutes.

**Follow up from previous Observation (4.1.1): The regular required inspections did not take place and records were not available at Bukit Maradja from January to April 2011. Therefore records for checking in this period could not confirm monitoring of operations took place. BME has started to record the monitoring of operations. The inspection on harvest quality control, fertiliser application and IPM census/inspection has been viewed. Ex: quality control inspection by Agus dated February 1<sup>st</sup>, 2012. The inspection was incorporated into “kartu audit agronomis (Agronomy audit card)”.**

PT TTI has maintained Standard Operating Procedures (SOP’s) in place with all operational areas of the mills. These SOP’s include all operational areas from reception to dispatch of CPO. They also include the control of deliveries of CPO to the Bulking Terminal in Pelalawan port of Medan. Therefore control is exercised until the CPO is loaded into ships at the port. Example: PLM was able to show SOP for all activities on the mill. PLM also made inspection to make sure the compliance with SOP. Based on field inspection, PLM was able to demonstrate the logbook of operation inspection and control.

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

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

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

Estates were able to demonstrate that visual analysis, leaf analysis, and soil analysis conducted regularly. The consultant on agronomy made the recommendation for fertiliser application accordingly.

The last leaf analysis was in August 2011 by Bah Lias research station (Lonsum). Fertiliser recommendation for first semester of 2012 was viewed.

Based on field inspection (example: to BME and PLE), the cover crop plants (*Mucuna bracteata*) applied on the immature plants.

PT TTI also uses Land Application of POME from both mills. EFB is also applied. This was the case in all estates visited. The permit for land application was available at both Bukit Maradja and Perlabian Mills. Based on field inspection to BME; the mill effluent, palm fronds, EFB and compost were used as soil mulching to improve organic matter.

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

The soil map based on soil analysis. The soil map showed the soil type identified on the field was Bukit Maradja (BME) and Kerasaan (KSE) types. There are no fragile soils reported in the most recent soil survey carried out 2009 by a reputable specialist in the area.

Based on document review and soil map, there was no area with steep slope more than 25 degrees. Based on field inspections, no planting on steep slopes at BME and PLE.

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

Road Management Program document has been viewed; consist of the road maintenance, upkeep by means of using road grader, compactor and back hoe. At BME, a total of 353.54 km of road planned to be maintained in 2012.

There was no evidence sighted of over spraying of herbicides during this assessment. Some estate harvest paths are mechanically slashed reducing total sprayed area. Based on field inspection, sprayer have to implement the spray guidelines as lined out in the SOP; no evidence of over spraying. There will be inspection as part of the IPM programme monitoring. Based on interview with sprayer, the herbicide application was regularly monitored.

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

PT TTI has made efforts to preserve and maintain the buffer zone of the river areas, for example;

1. Signify a limit to the buffer area of the river / spring / reservoir in accordance with applicable regulations.
2. Not to apply chemicals (spray and fertilizer) in areas those have been established as the buffer of the river / spring / reservoir.
3. Rehabilitation in the area of buffer of the river / spring / reservoir to the type of forest plants.
4. Not doing the replanting of the area has been designated as a border area of the river / spring / reservoir.

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

PT TTI has consistently maintained a formal implemented water management plan. Practices do now address control of all water related issues including water quality testing on the drilling well in the worker's housing and monitoring well in land application area.

PT TTI has monitored the water quality of drilling well in accordance to related regulation (Permenkes 416/1990). There were four sample locations of drilling well taken from each estate division. The testing was done monthly by Sucofindo Laboratory of Medan. The latest testing result was on 19 April 2012. In the mean time, testing on the monitoring well was done once a year where the latest result was on 15 March 2012. Samples were taken from two sample point of monitoring well around land application area i.e. Block E-19 and E-27. However, **Observation 03 has raised against indicator 4.4.2: Analysis of underground water from LA monitoring well should follow parameters of PermenLH 29/2003.**

BOD monitoring of waste water for land application was done routinely on every month. The testing was done by Sucofindo laboratory in Medan. The latest test results were sighted i.e. February to April 2012; and it's complied with regulation (< 5,000 mg/l). E.g. test result on February 2012 is 460.6 mg/l; March 2012 is 502.6 mg/l; and April 2012 is 502.6 mg/l

The monitoring on mill water use per tonne of FFB is in place since 2007. For example: the result for January to December 2010 is 1.71 M3/tonne; January to December 2011 is 0.95 M3/tonne; and January to March 2012 is 1.23 M3/tonne. However **Observation 04 has raised against indicator 4.4.4: Bukit Meraja Mill has carried out monitoring of water usage per tonne FFB (example: records for January to March 2012), however the present data have not been evaluated.**

**Minor NC (ref. number: A727870/1) has raised against indicator 4.4.4: Inspection to water intake it was found that the flow meter was broken, therefore record of mill water usage did not show the actual data.**

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

The Integrated Pest Management plan has been consistently documented – includes use of barn owls for rat control, pheromones for Oryctes, Hand Picking of bag worms, manage Ganoderma planting of beneficial plants as well as use of pesticides etc. thereby minimising the use of chemicals and pesticides as far as possible.

There are training records for training of staff in regards to IPM and these are now formally recorded on all occasions. Example: BME was able to demonstrate records of training on IPM. The staffs responsible on pesticide and/or herbicide have the pesticide training from Pesticide commission. Ex: Andi, the warehouse assistant has the certificate to use paracol, dated November 2008.

The estates have identified the plan for Integrated Pest Management. The census record, pest management plan and pest management implementation were recorded. Example: BME was facing serious Ganoderma infection. BME was able to demonstrate extensive data on monitoring Ganoderma infection. As an effort to control the infection, BME applied several techniques particularly for replanting including *Trichoderma* application.

At the Estate: it was sighted the nursery record on beneficial plants (*Mucuna bracteata*, *T. Subulata*, *A. Leptosus*, *C. cobanensis*). There are also records on beneficial plant application on the field. Based on field inspection to BMW and PLE, beneficial plants found on the field.

There is in place the monthly record of monitoring on pesticide toxicity units per Ha and per tonne FBB for Glyphosate, Methyl Metsulfuron and Paraquat diklorida.

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

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

***Conventions, growers are actively seeking to identify alternatives and this is documented.***

There is evidence in place with regards to PT TTI's documented justification for all Agrochemical use. There is a register which records product use, when required, amounts to be used and frequency of use. The documents on target species and justification are available, updated on 2012.

The register of approved agro chemicals updated annually, list of pesticide approved to be used in 2012 available. Record of pesticides usage in 2012 was also available.

Training records for pesticide mixing, MSDS, calibrating the sprayer tools, training on sprayer have been seen during site visits. Example: in BME and PLE.

Inspection to BME, PLE, and KRE; Agrochemical storage was secured, locked by the warehouse staff and assistant. The estate manager must approve the agrochemical release. Ventilation, spill kit, water trap available at the warehouse, found to be adequate. The mixing area is found adequate. Emergency shower was available and found working.

**Follow up from previous Observation (4.6.3): In one estate pesticide shed the eye protection being used by pesticide mixers was inadequate and must be replaced by the correct type of goggles. At the Estates now the goggles used by pesticide mixer at the mixer area found to be adequate, not easily fog.**

The empty pesticide containers were collected at the pesticide warehouse. Every week, the container moved to the B3 facilities at the mill. The waste material was then collected by licensed third party, CV Amindy Barokah (Environmental Minister license number 33 year 2011, dated February 21<sup>st</sup>, 2011). Inspection to BME, PLE, and KRE; MSDSs are available for all pesticide stored at the pesticide storage. The warehouse staff and the warehouse assistant understand the MSDS information.

Paraquat is still used in immature areas and amounts monitored as there is no alternative at this stage. It is also used for selective spraying of volunteer oil palm seedlings and if continuous rain precludes use of alternatives. It still found the use of Paraquat, by recording the use of Paraquat in 2009 till 2011 showed that an increase in the use of paraquat. Based on data provided at BME, the use of paraquat does not indicate sign of decrease; 10 ltr (2009), 249 ltr (2010), 961 ltr (2011). The estate management stated that the high application was due to the replanting back in 2011.

Annual health checks have been conducted at least once a year. The last annual health check conducted back at June 2011. However, inspection to KRE and TLE showed that the company has conducted a medical examination every 3 months to the employee who applied

Agrochemicals by clinic officer. Last examination carried out as follows:

At KRE and PLE; agrochemical operators last examination was held on March 28, 2012 for KRE while PLE was on March 9, 2012; with the results of found some operators who is allergic to certain chemicals. The results of this examination is used for consideration whether the employee should do the treatment or moved to another job. Chemical store operator has periodically gone for medical examination once every year.

All recording the results of medical examination are well documented in the clinic of each estate.

Review on the medical records at estate clinic and interview with spraying operator at KRE and PLE, both are confirmed no indication of spraying operators who are pregnant or breastfeeding.

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

The Mills and estates were able to demonstrate OHS procedure for all operational activities. Field inspection confirms the health and safety aspects have been implemented adequately in the Perlavian and Bukit Meradja estates particularly agrochemical sprayers, fertiliser application area, harvester and chemical mixing area and/or operator. While at the mills the health and safety measure has been implemented at all station in the both mills. Interview with the workers at various stations, health and safety work training has been provided for workers, the mill provided PPE, emergency preparedness simulation has been done, first aid training has been done for some worker, and health and safety meeting conducted regularly.

Regular safety and health meeting was held every month. Records of safety and health meetings were available such in Bukit Meradja and Perlavian Mills.

**Follow up from previous Observation (4.7.2): At Perlavian Estate the records of Safety meetings have not been adequately recorded. PLE held safety meeting regularly each month, the last meeting was held on 3 May 2012 attended by 36 participants. Minutes of discussion available, main point discussed (1) Review of previous meeting, (2) Work accident and investigation, (3) review of the latest work accident, and (4) others issues. Record held on file "Notulen Rapat P2K3 LHS".**

PT TTI has included all employees in the Social Security Insurance (Jamsostek). Inspection to the field and interview with harvesting, spray and fertilizer workers in KRE and PLE declare that they have been incorporated into Jamsostek and understand what covered by the insurance.

Regular Health checks are performed of workers who handled pesticides and records are maintained by the company doctor – these checks are carried out at least

annually – records of health checks have been sighted. However, **Observation 05** has raised against indicator 4.7.4: *in Bukit Meradja mill need to make sure boiler operator helper has undergone regular health examination.*

Risk assessment has been done and covered all operational activities and locations in estate. **Observation 06 (4.7.5):** *At Perlabian Estate emergency shower has not been installed at the chemical mixing area.*

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

**Follow up from previous Observation (4.7.5) NCR Risk control requires improvement as a number of Unsafe acts and Unsafe Conditions were noted including but not limited to the following:**

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

*Mills are now applying improvement on the electrical area such repairing the power points, mill employees now are wearing vest, the welders are equipped with screen protection, the lock out-tag out procedure is being implemented, one hand rail in the press station has now properly repaired.*

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

**Follow up from previous Observation (4.7.5):** **Emergency procedures have not been tested at PLM have not been tested since January 2010.** *The PLM workers have made an emergency preparedness simulation. It has been confirmed with the worker that the latest simulation conducted on April 2012.*

The control and management of fire extinguishers is excellent throughout all areas with evidence of regular inspection in place. Fire Hydrants and Fire pumps are also tested regularly in both mills. Employees have been trained in the use of Fire Fighting equipment.

First Aid equipment is largely available in all operational areas including first aid kits which a strategically place and subject to regular inspection to ensure that they are adequately stocked. First aid training has been done to mandor. Mandor kept the first aid kit with them during work.

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

**Follow up from previous Minor NC (4.7.8):** **At Perlabian Estate is was noted that a number of recent preventable accidents which have occurred have not been fully investigated or documented with a view to preventing recurrence.**

**ASA2 findings:** *PLE maintained “Rekaman Kecelakaan Kerja” to record all of work accident at the estate. Inspection to record confirmed that now estate has properly investigated any accident occurred. For example, the last was accident occurred at 30 April 2012 involving harvester injured to torn with two lost time days. Investigation was made immediately at the same day and recorded in “Supervisor Investigation Accident Report”. This NC was now closed on 18 May 2012.*

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

PT TTI has now maintained formal training programmes as well as there being a regular assessment of training needs for all operations. This formal training requirements and assessment of need takes place in plantations and mills. A training programme is in place for 2012 for all Mills and estates.

Records of training are now complete for employees as mentioned earlier with regards to training records for pesticide sprayers, mill workers, and staff.

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

Training records are therefore kept for all employees.

**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.**

Last revisions of EIA documents are available;



BME and BMM: RKL/RPL was approved by the government in accordance with the Decision letter No. 271/Bpdl/2008 month of June 2008. Extensive EIA study covers an area of 3,178 ha and a Palm Oil Mill capacity of 30 tonnes FFB/Hour.

KRE: UKL-UPL which was approved by the government in accordance with District head of Simalungun decision letter No. 700/109/BLH/2009 dated 8 April 2009.

PLM, PLE, and TLE: RKL/RPL was approved by the government in accordance with District head of Labuhan Batu decision letter No. 660/326/Bpdl-LB/Set/2006 dated 21 July 2006. Palm Oil Mill of 60 tonnes FFB / hour.

**Follow up from previous Observation (5.1.1): Environmental Aspects should be reviewed formally and routinely by all operations. This should occur as a minimum at least every 12 months.**

**ASA2 findings:** *Environmental Aspect Impact for estate operations (e.g. PLE) have been updated as necessary. The last update was carried out at 01 May 2012 (previous update was made on 03 October 2011), due to several impact changes such as planting, EFB application, and fuel. Environmental Aspects & Impacts List of Bukit Meraja Estate, dated 3 May 2012, revision 3.*

The Company has prepared a report on the implementation of the RKL / RPL are reported periodically to the environmental Dept. for example:

BME/BMM: Report on the implementation of RKL / RPL second semester of 2011 were reported to the Environment Agency Simalungun District on January 19, 2012 with delivery receipt number 11,932,403,143.

KRE: Implementation Report of UKL-UPL second semester of 2011 were reported to the Environment Agency of Simalungun District on January 5, 2012.

PLM/PLE/TLE: Report on the implementation of RKL/RPL second semester of 2011 were reported to the Environment Agency of Labuhan Batu district on February 18, 2012 and received on February 25, 2012.

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

**Observation 07 (5.1.2):** *Company has prepared regular RKL/RPL reports twice yearly, the latest was December 2011. However the reports need to be completed with evaluation on trend, critical, and compliance in accordance to existing regulation (Kepmen LH No.45/2005).*

**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.*

PT TTI has maintained a Document Identification of HCV since September 2009, done by an independent agency namely YASBI as described in detail since ASA1. However, **Observation 08 (5.2.1):** *The HCV reports were not able to demonstrate complete information of appropriate peer review process. Example: HCV reports of Tolan Estate and Bukit Meradja Estate.*

Review on the result of HCV identification in BME, KRE and TLE it did not found any critical endangered species. However, it still found the types of species are rare, endangered or protected by law. There are some areas that potentially contain high conservation value, such as buffer zone of the river (HCV 4.1) and the cemetery area (HCV 6).

The Company has a program in place and records of realization on management / monitoring HCV for period of 2012 established on January 5, 2012, include:

- Monitoring on HCV area including the presence of wildlife.
- The socialization of related issues to HCV.
- Making a nursery of local plants.
- Restoration in riparian area.
- Addition/replacement of HCV signboards.
- Training of conservation for appointed person.

The Company has made efforts to protect rare, threatened or endangered species, or habitats of high conservation value, for example;

- Marking the boundaries that have been designated as HCV areas.
  - Prohibition of chemical application (Spray and fertilizers) in areas that have been designated as HCV areas.
  - Installation of the warning signboard on hunting, cutting trees, poisoned, and electrocuted for fishing in all areas of the company.
  - Rehabilitating the HCV area by planting other types of forest plants.
- Perform management and monitoring of rare, Threatened or endangered species or areas that have been designated as HCV areas.

**Follow up from previous Observation (5.2.1): A few of the original signs are now faded and these need to be replaced to become much clearer for both workers and any public.**

**ASA2 findings:** *Field inspection to block D21- E14, cemetery complex identified as HCV 6, the signboard was clearly indicated the HCV status and area. The area has also indicated on the map. PT TTI now has replaced the broken signboard with the new and clear signboards.*

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

PLE/PLM: The most recent HCV study was also carried out by YASBI in September 2009. HCV 1, 4, and 6

identified in estate area, e.g. HCV 1 and 4 (30.67 ha— Block E05, E06, E07, E08, E09, E10, and E11) and HCV 6 found in Block L08, I09, E05, B12, and E17 of totalling 3.45 ha all of which are Muslim cemetery areas.

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

Field inspections and interviews with employees in KRE and TLE, have found that the company has installed a signboard of a rare, threatened or endangered species at strategic places and have been socialized to employees and neighboring communities, for example;

- Posters are rare species, Threatened or endangered species in the offices of BME, KRE and TLE.
- Signboard installation in locations that are identified as areas of HCV, such as KRE; in Block K-22 which is the border area of the water springs (HCV 4.1) and I-9 which is the burial area (HCV 6). In TLE; in Block C-30 which is the water spring (Kwanhung) and Block B 12 this is the buffer area of the river (HCV 4.1).
- Public consultation has been carried out by YASBI involved stakeholders on the identification of HCV during preparation of documents which have been described in detail in the ASA1.

PT TTI has appointed officers who are responsible for the management of HCV in each estate, for example Br. Subambang (Div. I BME). The training of HCV management has been done by Yasbi and followed up with the training of appointed person in cooperation with the Conservation Agency of North Sumatra province, as well as training for identifying tree species and protected wildlife were done on March 14th, 2012.

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

There is a waste management plan in place and it is current. There are formal rubbish collections in all areas at least bi-weekly. This is monitored by the Field Assistants to ensure it happens. The waste management plan is covered in the EMS and includes pesticide contaminated waste, in term of Environmental Aspect & Impact List, latest review on 28 April 2012.

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

PT TTI has made several attempts to manage wastes, for example:

Inorganic household waste collected in a special place prepared by the company on each estate. There is forbidden to do the burning of garbage in residential as well as in the landfill areas. Medical wastes disposed in cooperation with the licensed Hospital equipped with destruction equipment (incinerators). The medical waste by means separated by type of medical wastes are then stored in a secure place in the clinic. After collection, the medical wastes disposed to the clinic hospital.

However, nonconformity has raised against indicator 5.3.3 and Observation against 5.3.4:

**Reference number A727870/2 against 5.3.3:** Inspection to Perlabian Estate it was found several empty oil containers were not kept in Hazardous waste store, furthermore empty chemical containers such as NASCO and sulphuric acid at Bukit Meradja Mill were not properly kept in the permitted hazardous waste store. This nonconformity is considered to be Minor NC.

**OBS 9 (5.3.4):** Record of hazardous waste monitoring is in place; however the record could be improved by ensuring the use of Environmental Department template as appropriate. Example: Bukit Meradja Mill and Perlabian Mill.

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

PT TTI monitors the use of renewable (fibre and shell) and non-renewable energy (diesel) and this is monitored in the form of data which records use of palm product or diesel per tonne of FFB. Example: document of “Rekaman Monitoring Penggunaan Energi Terbarukan” (*Records of Monitoring on renewable energy usage*) – Bukit Maradja POM, January to April 2012. This records has describing a comparison between fibre/shell usage equivalent with fossil fuel (diesel).

However two Minor nonconformities were raised against indicator 5.4.1 and 5.4.2:

**Reference number A727870/3 against 5.4.1:** Record of monitoring on renewable energy use for period of January 2012 up to April 2012 at both mills were available, however the evaluation upon efficiency analysis is not in place. This nonconformities is consider to be Minor NC

**Reference number A727870/4 against 5.4.2:** Record of monitoring on the use fossil fuel for period of January 2012 up to April 2012 at both mills were available, however the evaluation upon efficiency analysis is not in place. This nonconformities is consider to be Minor NC

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

There is no burning in new developments or at replanting. Burning is not allowed by PT TTI and there is no evidence of burning. The estates are using felling, chipping and spreading technique for replanting area. Based on field inspection to Block B10 (TLE), the assessment team found no evidence of burning.

Procedure on emergency responses on land burning was revised back at May 2012. The burning emergency procedure has been trained to the worker.

The pressure of fire hydrants is now checked regularly at scheduled intervals to ensure they remain effective in the case of fire. At BME Fire extinguishers regular checked and inspected, available at various areas. While at PLM: Fires extinguishers widely available at all working station. The fire extinguishers were regularly checked and inspected.

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

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

Boiler stack emissions are measured twice a year check as required by Government regulations – evidence of these inspections is available for both mills. The latest result was on 9 November 2012 for Boiler, Generator, and Ambient tests. All reports indicate that all levels recorded are well below the allowable limits for emissions e.g. Boiler emissions are comply with PermenLH 7/2007 for SO<sub>2</sub>, NO<sub>2</sub>, Cl<sub>2</sub>, NH<sub>3</sub>, HF, and Opacity; Generator emission are comply with KepmenLH 13/1995; and Ambient at mill and housing complex are comply with PP 41/1999)

The strategies to reduce pollution are documented in the EMS documentation. At PLM, the mill has implemented a methane capture program in cooperation with IAS AgriVerde. A copy report of the energy captured has made available to PLM office.

**Follow up taken from previous Observation (5.6.1): A number of sediment traps in place do not show evidence of regular inspection and cleaning during the inspection process.** *ASA2 finding: inspection to both mills, some sediment traps are now looks clean, the maintenance program has now being implemented properly started since year of 2012.*

**Follow up taken from previous Minor Nonconformity (5.6.3): Inspection of housing at PLE and TTE indicated that efforts and strategies to reduce pollution and emission were not implemented, as there is evidence**

**of fire been used to burn domestic waste. Separation and collection of the domestic waste need improvement as domestic refuse was found scattered at the ground adjacent to the housing.** *ASA2 findings: ASA2 findings: PLE and TLE holds awareness programme on zero burning policy regularly including during muster morning and women group meeting and incidentally during health socialization. For example the last awareness session was involving women group held on 02 May 2012 attending by 34 participants. Record held on file “Kelompok Perempuan Lestari”. Inspection to sample of PLE housing of Division 1 and TLE housing of Division 2 confirmed proper manage of domestic waste including separation organic and inorganic waste, final disposal at properly managed land fill, no evident of burning domestic waste. This NC was closed on 18 May 2012.*

**PRINCIPLE 6: Responsible Consideration of Employees and of Individuals and Communities by Growers and Millers**

**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.**

All mills and estates have maintained the approved revised AMDALS, UKL/UPL and RKL/RPL documents as ASA1 findings. These documents are also covered social aspects BME/BMM has a revised RPL and RKL documents approved in June 2008. KRE: UPL and UKL of KRE approved by Kepala Badan Lingkungan Hidup Kabupaten Simalungun on 8 April 2009, letter number 700/109/BLH/2009. PLE/M/TLE: RKL and RPL approved on 21 July 2006, letter of approval number 660/242/BPDL-LB/2006. PLM/M/TLE: relatively good UKL and UPL report, sufficient social aspects such as demography, social integration, education, land holding, family income, housing, working opportunity, community perception, and public health are included..

Social Impact Assessment March 2012 was also maintained.

The SEIA was conducted with the participation of local communities. Social impact assessment document is now available in summary. Monitoring and management of social impact is now also available in summary. All estates have now developed or document social impact monitoring and management. Under the RKL and RPL the unit management should document monitoring report of the environmental impact. . The last monitoring report for Bukit Meraja (covering BMM and BME) was prepared for the period of July to December 2011.

**Follow up taken from previous Minor Non Conformity (6.1.2): Inspection of the RKL/RPL reports indicated**

that monitoring and management of social impact were carried out without the participation of some local communities. ASA 2 findings: *Community participation is made in form of structural interview using questionnaire (Formulir Interview dengan Masyarakat untuk Aspek Sosial—Form Interview with Community for Social Aspect)* twice yearly in accordance to RKL/RPL monitoring requirement. At least, four villages surveyed with minimum 10 respondents being interviewed to get their view and suggestion on (1) regional economy, (2) work and business opportunity, (3) public facility, and (4) community attitude toward company (community relationship, social conflict, perception on environmental impact, and public health). NC was now closed at 18 May 2012.

**Follow up taken from previous Observation (6.1.4):** Company has prepared and submitted six monthly reports to the appropriate government body. However, inspection to the management and monitoring Report (RKL/RPL Report) indicated the report can be improved, since several discrepancies found e.g. report structures in-compliance to the Ministry of Environmental Decree No. 45/2005 and inadequacy of monitoring and management of certain aspects as required by SEIA documents. ASA2 Finding: *review to the monitoring report confirmed that now the report structures already comply with Ministry of Environmental Decree No. 45/2005. Confirmed the latest report of period July – December 2011 has comprehensively covered all indicators to be monitored including air pollution, POME treatment, water quality, and social aspect.*

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

PT TTI has maintained a documented procedure and records of communication and consultation with communities.

Communication and consultation mechanisms have designed in collaboration with local communities and other affected or interested parties. These consider the use of existing local mechanisms and languages. Interview with some villagers, they have understood on how to communicate to the company.

Records of all communications and actions taken in response to input from stakeholders is available. Record held on file “Rekaman Konsultasi dan Komunikasi Stakeholders”.

**Follow up taken from previous Observation (6.2.2):** A list of stakeholders is available at every operating unit; however, the comprehensiveness of the list was not consistent at every operating unit. At PLE/TLE: A good list of stakeholders e.g. consist of government offices,

village heads, workers unions, contractors and suppliers updated at 31 March 2011. BME/KRE/BMM has revised and updated the stakeholders list at 01 April 2011. The list now includes government offices, sub-district office, local people representatives, contractors and suppliers. The list can be improved by adding more detail on the address of the stakeholders. PLM/KRE/BMM: Need to be completed with formal address and updated as necessary. ASA2 findings: *at BME, Stakeholder lists found up to date. Mean while at PLM, Stakeholder list have been updated, completed with address and contact number.*

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

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

Since ASA1, One complaint was received by one of Siluang village inhabitant who complaining natural water flow from estate close to block AA14/15 into his land. Later the villagers installed a “small dam” to prevent the water from entering his land. However, during heavy rain, the dam was swept away and no more complaint was made by the claimant. Record held on file “Buku Keluh Kesah External Parlabian Estate”.

From internal stakeholders, no complaint except for request of house repair. Record held on file “Buku Rekaman Keluh Kesah Internal”.

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

**However, Observation was raised against indicator 6.3.3:**

**OBS 10 (6.3.3):** PT TTI currently did not acquire any new land for more than 20 years and has no plan to expand the existing area. Furthermore there are no enclave areas which require any compensation in the future. Presently company has developed a procedure (Prosedur Tata Cara Perolehan Hak Atas Tanah), however it has not been formalized.

**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.**

Similar to ASA1.

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

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

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

Review on payroll documents it's showed the payments are well documented. Every worker receives a pay advice every time they are paid. PT TTI is keep using Perjanjian Kerja Bersama (PKB) as reference for working condition.

The company is applying The Decision of Minimum Wage set by Provincial Government No. 188-44/988/KPIS/2011 dated 17 November 2011 and minimum wage agreed by Labour Union and plantation companies in Sumatra. Minimum wage agreed is IDR 1.213.000 for daily workers and IDR 1.333.000 for monthly workers. For each minimum wage is accompanied with the rice subsidy (as in kind payment workers 15 kg, wife/husband 9 kg, and up to maximum three children of 7.5 kg each) with value of at least IDR 284.700 (at current price of IDR 7,500 per kg) depending on the number of family members.

Working conditions are documented in the Collective Labour Agreement (CLA/PKB). CLA is the document of agreement between workers represented by Labour Union (Pengurus Serikat Pekerja PT TTI Mandiri (SPTTM)) and the company. The CLA is produced as a form of booklet which is provided to all permanent employees. CLA 2010/2012 was signed by Director General of Industrial Relation, Department of Manpower in 6 October 2010 valid through 6 October 2012.

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

Follow up taken from previous Minor Non Conformity (6.5.4): The mill (BMM and PLM) has implemented new template of contract agreement for contractors that clearly specify contractors abide by labour laws, especially on the minimum regional wages and minimum ages of their workers. For example, at the PLM Agreement No. 03/PLM-HO/EDM/2011 25 March 2011 with PT Gelora Suprindo Mandiri and BMM agreement with PT Triroyal Timurraya No. 01/BMM-HO/EDM/2011 dated 04 April 2011 had specify that contractors must met at minimum wages and minimum ages of their workers. However, at all estates contract agreement with contractors did not yet consistently state labour requirements for example: BME/TRE: Contract between estate and UD Syandi Karya Grub No. 12/KKL/2010 dated 13 August 2010 did not specify contractor to pay at least minimum regional wages (BME) and did not employ underage workers). PLE: inspection of a sample of upkeep contractor agreement dated 01 April 2011 confirmed that company has specified the contractor is to abide labour laws, e.g. minimum wage and minimum age. TLE: already mention minimum age but not yet minimum wage— e.g. contract between estate and CV Mega Surya Pembangunan No. 01/TLE-HO/EDM/2010 dated 12 February 2010. ASA 2 Findings: Following previous finding, PT TTI has amended the contract agreement of contractor by incorporated the specify requirements of minimum wage and age. The new contract template now have been implemented after the last contract has completed. Inspection to the latest contractor agreement, e.g. between BME and upkeep contractor UD Sama Maju No. 13/SM/BM/Div I/BM dated 07 March 2012 confirmed that now minimum wages and minimum ages have been included in the contract. BME's Contract between Estate and UD Adi Karya No. 07/AK/BM/Div.IV/BM dated 07/04/2012; And a contract between BME and UD Sama Maju No. 85/SM/BM/Div.III/BM dated 23/12/2011; it has specified to not use workers under 18 years old and to pay at least minimum regional wages. TLE: Contract between CV Bintang Lapangan No.04/BL-TLE/III/2012 dated 31 Maret 2012. This NC was remain closed on 18 May 2012.

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

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

between organic and inorganic with waste collection twice weekly.

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

PT TTI has consistently implemented a policy on freedom of association. In practice the workers have a freedom to organize a union (there is a labour union called Pengurus Serikat Pekerja PT TTI Mandiri (SPTTM) in each Estate/companies under review). A statement and policy is made formally recognising workers "Freedom of Association".

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

PLE: Incidental meeting with at least once a year. The latest meeting was on 3 February 2012, discussed travel allowance and upgrading of employment status. Record held on file "Notulen Rapat dengan Serikat Pekerja".

**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.**

Similar to ASA1, auditor team did not find any employment of PT TTI workers under the national legal age limit. Company has set up a policy where it does not allow for any employees less than 18 years old.

During audit, ID card and list of workers were checked in sampling at estates and mills, no underage workers were sighted at the work place. Minimum age employed is around 19 to 20 years old. During field visit, company has provided a policy for the harvester who using family genk does not allowed to bring their children to the field, as usual their children would be in the school hours or in the playing ground facility provided by the estate.

**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.**

Similar to ASA1, Statement of equal opportunity policy has publicly available in website, <http://www.tolantiga.co.id/v1/wp-content/uploads/2009/05/equal-employment-opportunity-policy.pdf>, Signed by top management on 30 April 2009. There is no indication of discrimination.

Female and male has the same opportunity in job and payments. Local people also have opportunity for employment.

Interview with worker's representative and local villager were confirmed that company has given equal opportunity in job and payment in particular between local communities and out comers.

**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.**

Similar to ASA1, Sexual harassment policy and grievance mechanisms have been established – there have been no reports received or documented of sexual harassment. Example at BME, based on worker interview, the socialization on sexual harassment policy and sexual harassment mechanism has been informed to the new worker (female workers, part of the sprayer's team at Division I). Currently, member of gender committee will handle all sexual harassment grievances or other gender issues at the work place.

There is proof implementation of reproductive rights and it is written in detail in the PKB documents to guarantee leave and medical treatment. Example at BME, the reproductive rights has been introduced to the worker. The female worker has understanding about the rights. Uniquely fact, most of the female workers interviewed choose to have KB.

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

**ASA2 findings:** Confirmed that now Gender Committee have been named on May 2011. Regular meeting was held monthly for example the last meeting was held on 05 May 2012 attended by 4 Gender Committee representatives, where no significant issue raised. Record held on file "Gender Committee Contact Group".

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

PT TTI has kept on the policy to not received FFB from Small Holders.

Interview of some contractors in sample confirmed that they considered the contract are legal and transparent – are available in either estates for smaller contracts of in

the legal department in Medan for larger capital works contracts. There have been no complaints of late payments received or recorded.

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

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

Example at PLE, community requested donation from the company, mostly on the provision of grader for village road maintenance, religious activities, and education initiatives. For example at 22December2011 Tanjung Selamat village head requested of donation of roofing of early education facilities building. Company provides the donation at 22December2011. Record held on file “Rekaman Community Development”.

Records are in place for all requests and contributions. PT TTI also contributes to local school improvements and in other areas when requested. Records are kept of all activities. Interview with some local villagers confirmed the company has made contributions for local development appropriately. It has no complaints so far.

**PRINCIPLE 7: Responsible Development of New Plantings**

*PT TTI has not carried out any new oil palm developments and there are no plans for expansion of plantings. Principle 7 is not applicable to this Assessment.*

**PRINCIPLE 8: Commitment to Continuous Improvement in Key Areas of Activity**

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

Objectives and Targets have been developed and an improvement plan prepared. The Mill and Estates reviewed the Environmental Action Plan and the Social Action Plan for improvements.

The company has consistently implemented best practices for management of pesticides and the improved controls associated with this program has reduced overall chemicals usage over the past 2 years.

Riparian buffer strips are being established at replant to trap coarse grained sediment from discharge into streams. Estate has reiterate buffer zone during replanting for example along small river at block H10. Vetiver and Guatemala grass are being used to strengthen river and creek banks to prevent erosion.

A Corrective Action Plan for this ASA2 is attached. Appendix D.

**3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions**

The areas assessed during the course of the visit were generally found to be effective. However there are 4 (four) NCs against minor indicator of 4.4.4, 5.3.3, 5.4.1, and 5.4.2; and 12 Observation/Opportunity for improvements were found during this ASA2.

**MINOR NONCONFORMITIES**

Four (4) nonconformities requiring attention were identified. PT TTI has prepared corrective action plan for addressing the non conformities which BSi has reviewed and accepted – *see Appendix D for detail*. Progress towards resolution on the action taken will be followed up at the subsequent surveillance assessment. The details of these Nonconformities are provided below:

**A727870/1: (4.4.4) Inspection to water intake it was found that the flow meter was broken; therefore record of mill water usage did not show the actual data.**

**A727870/2: (5.3.3) Inspection to Perlabian Estate it was found several empty oil containers were not kept in Hazardous waste store, furthermore empty chemical containers such as NASCO and sulphuric acid at Bukit Meradja Mill were not properly kept in the permitted hazardous waste store.**

**A727870/3: (5.4.1) Record of monitoring on renewable energy use for period of January 2012 up to April 2012 at both mill were available, however the evaluation upon efficiency analysis is not in place.**

**A727870/4: (5.4.2) Record of monitoring on the use fossil fuel for period of January 2012 up to April 2012 at both mill were available, however the evaluation upon efficiency analysis is not in place.**

**Observation/Opportunity for improvement**

There are twelve (12) Observations/Opportunities for improvements were identified. The progress with the Observations/Opportunities for Improvement will be checked at the next Annual Surveillance Assessment (ASA3). The Details are of below:

**OBS 1 (1.1.3):** It is found in Tolan Estate, the estate manager and administration officer did not aware retention time for information request and responds records.

**OBS 2 (3.1.1):** Company has prepared Business Plan for 10 years and Estimation of Production for 3 years, however could be improved by taking into account Cost of Production and OER trends into the plan.

**OBS 3 (4.4.2):** Monitoring well has been monitored once a year; the latest was 15 March 2012. However, the parameter should refer to Clean Water Standard

(Permenkes 416/1990) instead of PP 82/2001.

**OBS 4 (4.4.4):** Bukit Meraja Mill has carried out monitoring of water usage per tonne FFB (example: records for January to March 2012), however the present data have not been evaluated.

**OBS 5 (4.7.4):** Bukit Meradja mill need to make sure boiler operator helper has undergone regular health examination.

**OBS 6 (4.7.5):** At Perlabian Estate emergency shower has not been installed at the chemical mixing area.

**OBS 7 (5.1.2):** Company has prepared regular RKL/RPL reports twice yearly, the latest was December 2011. However the report needs to be completed with evaluation on trend, critical, and compliance in accordance to existing regulation (Kepmen LH No.45/2005).

**OBS 8 (5.2.1):** The HCV reports was not able to demonstrate complete information of appropriate peer review process. Example: HCV reports of Tolan Estate and Bukit Meradja Estate.

**OBS 9 (5.3.4):** Record of hazardous waste monitoring is in place, however the record could be improved by ensuring the use of Environmental Department template as appropriate. Example: Bukit Meradja Mill and Perlabian Mill.

**OBS 10 (6.3.3):** PT TTI currently did not acquire any new land for more than 20 years and has no plan to expand the existing area. Furthermore there are no enclave areas which require any compensation in the future. Presently company has developed a procedure (Prosedur Tata Cara Perolehan Hak Atas Tanah), however it has not been formalized.

**OBS 11 (Module D.1 and E.1 SCCS):** it is can be an advantage to improved the current procedure (Prosedur Sistem Mutu) which covering the implementation of all the elements of RSPO Supply Chain standard, November 2011.

**OBS 12 (Module D.3.4 E.3.4 SCCS):** Even though the relevant trading documents have been clearly indicated the trading name (Segregation or Mass balance) e.g. Purchase Contract and Shipping Instruction. However, the weight bride tickets from the Mill to Bulking Station could be improved by indicating the trade name such as \*product name\*/SG or \*product name\*/MB.

### 3.3. Status of Nonconformities (Major and Minor) and Observation Previously Identified

Corrective Actions for 4 (four) Nonconformities identified during the ASA1 have been effectively and consistently implemented and the nonconformity remains closed.

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

**ASA2 findings:** PLE maintained “Rekaman Kecelakaan Kerja” to record all of work accident at the estate. Inspection to record confirmed that now estate has properly investigated any accident occurred. For example, the last was accident occurred at 30 April 2012 involving harvester injured to torn with two lost time days. Investigation was made immediately at the same day and recorded in “Supervisor Investigation Accident Report”. **This NC was closed on 18 May 2012.**

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

**ASA2 findings:** PLE and TLE holds awareness programme on zero burning policy regularly including during muster morning and women group meeting and incidentally during health socialization. For example the last awareness session was involving women group held on 02 May 2012 attending by 34 participants. Record held on file “Kelompok Perempuan Lestari”. Inspection to sample of PLE housing of Division 1 and TLE housing of Division 2 confirmed proper manage of domestic waste including separation organic and inorganic waste, final disposal at properly managed land fill, no evident of burning domestic waste. **This NC was closed on 18 May 2012.**

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

**ASA2 findings:** Community participation is made in form of structural interview using questionnaire (Formulir Interview dengan Masyarakat untuk Aspek Sosial—Form Interview with Community for Social Aspect”) twice yearly in accordance to RKL/RPL monitoring requirement. At least, four villages surveyed with minimum 10 respondents being interviewed to get their view and suggestion on (1) regional economy, (2) work and business opportunity, (3) public facility, and (4) community attitude toward company (community relationship, social conflict, perception on environmental impact, and public health). NC was now closed at 18 May 2012.

**6.5.4 Minor Non Conformity: The mill (BMM and PLM) has implemented new template of contract agreement for contractors that clearly specify contractors abide by labour laws, especially on the minimum regional wages and minimum ages of their workers. For example, at the PLM Agreement No. 03/PLM-HO/EDM/2011 25 March 2011 with PT Gelora Suprindo Mandiri and BMM**



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

**ASA 2 Findings:** Following previous finding, PT TTI has amended the contract agreement of contractor by incorporated the specify requirements of minimum wage and age. The new contract templates now have been implemented after the last contract has completed. Inspection to the latest contractor agreement, e.g. between BME and upkeep contractor UD Sama Maju No. 13/SM/BM/Div I/BM dated 07 March 2012 confirmed that now minimum wages and minimum ages have been included in the contract. BME's Contract between Estate and UD Adi Karya No. 07/AK/BM/Div.IV/BM dated 07/04/2012; And a contract between BME and UD Sama Maju No. 85/SM/BM/Div.III/BM dated 23/12/2011; it has specified to not use workers under 18 years old and to pay at least minimum regional wages. TLE: Contract between CV Bintang Lapangan No.04/BL-TLE/III/2012 dated 31 Maret 2012. **This NC was closed on 18 May 2012.**

#### **Follow up on previous Observation/ Opportunities for Improvements**

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

**ASA2 findings:** Check on the Summary of Over Time Report of Perlamban Mill, April 2012, there are still several Mill workers excess overtime limit as per regulation requirements (Permenaker 102/2004). Example: Gimson (Supervisor) on 3 April 2012 had overtime 6 hours (start 08.00, stop 14.00); Warsiman (Supervisor) on 3 April 2012 had overtime 5.5. hours (start 14.00, stop 18.30); Amansyahril (Kernel Plant operator) on 9 April 2012 had overtime 5 hours (start on 21.00, stop on 02.00); Susanto (Kernel Plant operator) had overtime 4 hours on 9 April 2012 (start at 21.00, stop 01.00). Auditor team met with Labour Department of Labuhan Batu Selatan at their premise and had got important information regarding overtime limit as per regulation requirements; that Permenaker 102/2004 is requires for a certain job and

*time limit which is means no extension permit needed. For palm oil workers are exception especially for supervisor who will much getting more time to do their job because of their responsibility. Auditor team concluded this observation to be closed out.*

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

**ASA 2 findings:** PT TTI has carried out an inspection related to operations activities including Safety, Field activities, workshop, etc. These were done since April 2011, October 2011, November 2011, January 2012, March 2012, and May 2012. Records are in place in term of Visit Report conducted by Environment and Conservation Department.

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

**ASA2 findings:** Inspection to four estates (BME, KRE, PLE, TLE) mixing area confirmed that now estate has implemented full-face mask for pesticide mixers.

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

**ASA2 findings:** PLE held safety meeting regularly each month, the last meeting was held on 3 May 2012 attended by 36 participants. Minutes of discussion available, main point discussed (1) Review of previous meeting, (2) Work accident and investigation, (3) review of the latest work accident, and (4) others issues. Record held on file "Notulen Rapat P2K3 LHS".

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

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

**ASA2 findings:** Auditor team did inspection to follow up this observation as follows:

- Inspection to BMM workshop, it has now repaired the electrical power points and state of lead on welders;
- The mill employees in BMM has now equipped with reflective vest

- The mill workers of BMM has now understood to use screen protection while working in welding area and its properly implemented.
- The lock out-tag out procedure has now properly applied in BMM
- One hand rail at Kernel station in BMM has now been repaired and safety signage was sighted.

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

**ASA2 findings:** There has been simulation on emergency preparedness on April 2012. Records of meeting minutes and attendance list were available.

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

**ASA 2 findings:** Environmental Aspect Impact for estate operation (PLE) been updated as necessary. The last update was carried out at 01 May 2012 (previous updated was made on 03 October 2011), due to several impact changes such as planting, EFB application, and fuel. Environmental Aspects & Impacts List of Bukit Meraja Estate is available, dated 3 May 2012, revision 3.

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

**ASA2 findings:** Good sign observed across the estate operation. E.g. HCV signage in Tolan and Kerasan Estates are now clearer; HCV 6 at Bukit Gong shows clear signboard, indicating the HCV status and the HCV area.

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

**ASA2 findings:** Inspection to PLE workshop areas, it was now regular cleaning of sediment traps has been conducted properly. Most of traps are seem to be clean.

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

**ASA2 Findings:** Review to the monitoring report confirmed that now the report structures already comply with Ministry of Environmental Decree No. 45/2005. Confirmed the latest report of period July – December 2011 has comprehensively covered all indicators to be monitored including air pollution, POME treatment, water quality, and social aspect.

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

**ASA2 findings:** The estates have now updated their stakeholder list, dated February 2012. The update comprised of formal address and phone number.

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

**ASA 2 findings:** in Bukit Meraja Estate has now provided a program of Committee Gender for 2012 such as: routine meeting for all members, Gotong royong, pembuatan taman, penanaman pagar hidup. Records dated 10 May 2012 is in place. Confirmed that now Gender Committee have been named on May 2011. Regular meeting was held monthly for example the last meeting was held on 05 May 2012 attended by 4 Gender Committee representatives, where no significant issue raised. Record held on file "Gender Committee Contact Group".

### **3.4 Noteworthy Positive Components**

1. The company has maintained good relationship with stakeholders particularly local government and local communities. That is why appreciations related for the company contribution for local community has in progress improved such as renovation for praying facilities, village infrastructures and road maintenance, etc.
2. New job and business opportunities for local communities are now improving.
3. The company has now encouraged women's groups to better represent their needs. There are regular meetings held where the women are encouraged to state their views. This is encouraged by PT TTI Management.

### 3.5 *Issues Raised By Stakeholders and Findings with Respect To Each Issue*

#### 1. Contractor (UD Sama Maju)

Temporary work, mainly upkeep and maintenance works, usually only half days work with minimum wages of IDR 22,100 for period of work of 8 to 12. Company paid for IDR 24,290 for above work, he deducts around 10 percent for management fee. Stated this amount is in accordance to minimum regional wages. Company will not allow him to pay less than minimum regional wages as stipulated by government decree. Pay the workers twice monthly around 10 or 20 every month No issue raised during the interview. No complaints as well as No suggestion. Payment timely is around at 7th every month. Workers understand HCV area and protection of flora and fauna—already been brief by estate management

**Company respond:** Company confirmed that it has good relationship with contractor and will continue such improve way.

Auditor Comment: this is positive attitude that company has made,

#### 2. Nagori Sukasari Head (*Head of Sukasari village*)

Stated having good and close relationship between company and community, several community development programme carried out by company in the village. The village around estate, are all old village, mostly inhabit by “kuli kontrak—contract workers” originated from Java, bring in during Dutch era, intended as estate labour. As such, all of them are not indigenous people; there is not customary land around the estate. So far, there was no land dispute or land claim to estate land. If any, it must have been influenced by outsiders who hold fake land title. Around 70% owned cattle for about 10 cattle per person. PT TI has now developed security drain and employee local guard to prevent cattle from entering plantation area due fact that cattle consuming oil palm and disseminate Ganoderma fungal disease. The new policy has effectively preventing cattle from entering the plantation area. Local people of Nagori Sukasari concerned he disruption of income opportunity due to prohibition of cattle in plantation area. Company contribution mainly in form of provision of heavy duty vehicle for kampung road grading and maintenance

**Company Response:** Company has confirmed good relationship with Sukasari villagers and

will consistently contribute for local development.

Auditors Comment: Support of local area is very widespread and could be positive.

#### 3. Department of Agriculture Office, Simalungun District

The head of Agriculture office commented on the high erosion at the bridge connecting main road close to BMM, which damaging the bridge. According to him, high erosion was due to installment of security drain by the estate.

**Company respond:** At 10 of May 2012, a team of Simalungun District, consist of Agriculture Department, Environment Board, Fishery and Livestock Office, and Emergency Board inspected the site and confirmed the problem rooted to the leakage of irrigation channel upstream of the estate instead of security drain of BME. The team will forward recommendation to Bupati for reparation of the cannel.

Auditor comment: Will follow up during subsequent surveillance visits.

#### 4. Local NGO - Aspenta

It was stated having good relationship with the company. They are appreciate the company effort to maintained riparian buffer zone (and enrich it with native species) as it will provide wildlife sanctuary. If possible, then any resources inside the buffer zone (e.g. sand, stone etc.) should be exploited first before preservation as buffer zone

**Company response:** Company has agreed with the comment and will improve maintaining buffer zone area as much as it does.

Auditor response: as positive attitude for company.

#### 4. Other stakeholders

All Stakeholders commented they have very good relationship with company, such as Pematang Satu village head, Department of Environments, and Labour Department.

Company Response: Continue to improve relationships

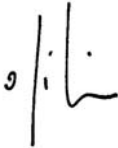
Auditor Comment: Appears that PT TTI standing in the community is well appreciated by stakeholders

### 4.0 *Formal Sign-off*

**4.1 Acknowledgement of Internal Responsibility  
and Formal Sign-off of Assessment Findings**

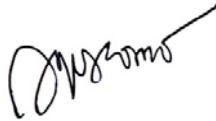
Please sign below to acknowledge receipt of the assessment visit described in this report and confirm the acceptance of the assessment report contents including assessment findings.

Signed for on behalf of  
PT TTI



.....  
**Mr Olivier Tichit**  
Environment and Conservation General Manager  
Date: 18/05/2012

Signed for on behalf of  
BSi Group Singapore Pte Ltd



.....  
**Mr Aryo Gustomo**  
Lead Auditor  
Date: 18/05/2012

## ***Appendix “A”***

### ***Supply Chain Certification Audits***



**Main Report Details**

Standard: Supply Chain Certification requirement for CPO Mills – Module D Segregation

Location: Bukit Maradja Mill, date: 15/05/2012

PT SAN Bulking Station in Pelalawan Port, date 18/05/2012.

Total last transaction in UTZ system until April 2012 as bellowing table:

Source	Derivative	Certified volume 2011 in MT	Shipping	Green Palm registration	Remaining Shipping in MT
Bukit Maradja Mill	CPO	30,156	5,970	None	24,186

\* This was checked refer to UTZ page with total up the quantity entered in the months stated above (Bukit Maradja Mill has no transaction using Green Palm)

**D.1. Documented procedures**

**D.1.1 The facility shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. This shall include at minimum the following:**

**a) Complete and up to date procedures covering the implementation of all the elements in these requirements.**

*Complies – Procedures are current and include all elements of the Supply Chain for controlling the receipt, sale and dispatch of palm products. I.e. Prosedur Sistem Mutu ISO 9001, dated 1 June 2009 comprises of Identification on traceability, Product Maintenances, Order process and delivery controlling, etc. However it is can be an advantage to improved the current procedure (Prosedur Sistem Mutu) which covering the implementation of all the elements of RSPO Supply Chain standard, November 2011 – **Observation 11** -*

**b) The name of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the facilities procedures for the implementation of this standard.** *Complies – The Marketing Manager has responsibility for the Supply Chain aspects of FFB receipts, processing and shipping of palm products. Interview confirmed their knowledge of the RSPO Supply Chain requirements for the respective areas of the operations.*

**D.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFB.**

*Complies – the Mills Weighbridge SOP covers the receiving of FFB and recording details of the Supplier and Transporter. All deliveries of FFB are subject to verification of documentation and quality checks – see D.1.1.a)*

**D.2. Purchasing and goods in**

**D.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received.** *Complies – the Mill records tonnages received at the weighbridge and these are reported daily to Head Office.*

**D.2.2 The facility shall inform the CB immediately if there is a projected overproduction.** *Complies – the company has a mechanism for advising the CB of production variations, which are monitored internally.*

**D.3. Record keeping**

**D.3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.** *Complies – Inspection of records at the Mill confirmed these were updated daily and recap into monthly report.*

**D.3.2 Retention times for all records and reports shall be at least five (5) years.** *Complies – Records are archived and stored for 10 years as per SOP..*

**D.3.3 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.** *Complies – these are updated every three month and reported to Head Office.*

**D.3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. \*product name\*/SG or Segregation. The supply chain model used should be clearly indicated.** *Complies – The company uses the prefix SG on the Product Code. However, even though the relevant trading documents have been clearly indicated the trading name (Segregation or Mass balance) e.g. Purchase Contract and Shipping Instruction. However, the weight bride tickets from the Mill to Bulking Station could be improved by indicating the trade name such as \*product name\*/SG or \*product name\*/MB – **Observation 12** -*

#### **D.4. Sales and good out**

**D.4.1** The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:

- a) The name and address of the buyer;
- b) The date on which the invoice was issued;
- c) A description of the product, including the applicable supply chain model (Segregated or Mass Balance)
- d) The quantity of the products delivered;
- e) Reference to related transport documentation.

*Complies – all of these items (a-e) are included in the company's invoices to buyers. For example: Shipping Instruction dated 23 April 2012 to ADM International SARL, Contract number 00539 – 544 \*SG, CPO 4500 Mt, Vessel: MT NINA Eta dd 23 – 27 April 2012.*

#### **D.5. Processing**

**D.5.1** The facility shall assure and verify through clear procedures and record keeping that the RSPO certified palm oil is kept segregated from non certified material including during transport and storage and be able to demonstrate that it has taken all reasonable measures to ensure that contamination is avoided. The objective is for 100 % segregated material to be reached. The systems should guarantee the minimum standard of 95 % segregated physical material; up to 5 % contamination is allowed. *Complies – The company has owned mechanism on the processing facility in term of working instruction and procedure. Review and site visit confirms all mechanisms are available for each station in the mill, and most of the mill workers are aware.*

**D.5.2** The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated material. *Complies – Bukit Maradja Mill has owned several procedure which might be easily traced back, e.g. Daily report, monthly progress report. The content of these documents showed FFB receipt and processed, CPO and PK produced.*

**D.5.3** 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 operator conforms to these requirements for segregation; The crush is covered through a signed and enforceable agreement. *Not Applicable – The mill is not equipped with palm kernel crushing plant.*

#### **D.6. Training**

**D.6.1** The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems. *Complies – The company maintains records of training. For this Supply chain requirement, the company has conducted training for all staffs on RSPO Supply Chain Standard dated 25 April 2012.*

#### **D.7. Claims**

**D.7.1** 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. *Complies – As of the Assessor's knowledge, the company has not made claims outside of the RSPO rules for Communications an*

**Main Report Details****Standard: Supply Chain Certification requirement for CPO Mills – Module E Mass Balance****Location: Perlabian Mill, date: 16/05/2012****PT SAN Bulking Station in Pelawan Port, date 18/05/2012.**

Total last transaction in UTZ system until April 2012 as bellowing table:

Source	Derivative	Certified volume 2011 in MT	Shipping	Green Palm registration	Remaining Shipping in MT
Perlabian Mill	CPO	51,391	46,929	None	4,462

*\* This was checked refer to UTZ page with total up the quantity entered in the months stated above (Perlabian Mill has no transaction using Green Palm)*

**E.1. Documented procedures**

**E.1.1 The facility shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. This shall include at minimum the following:**

**a) Complete and up to date procedures covering the implementation of all the elements in these requirements.**

*Complies – Procedures are current and include all elements of the Supply Chain for controlling the receipt, sale and dispatch of palm products. I.e. Prosedur Sistem Mutu ISO 9001, dated 1 June 2009 comprises of Identification on traceability, Product Maintenances, Order process and delivery controlling, etc. However it is can be an advantage to improved the current procedure (Prosedur Sistem Mutu) which covering the implementation of all the elements of RSPO Supply Chain standard, November 2011 – **Observation 11** –*

**b) The name of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the facilities procedures for the implementation of this standard.** *Complies – The Marketing Manager has responsibility for the Supply Chain aspects of FFB receipts, processing and shipping of palm products. Interview confirmed their knowledge of the RSPO Supply Chain requirements for the respective areas of the operations.*

**E.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFB.**

*Complies – the Mills Weighbridge SOP covers the receiving of FFB and recording details of the Supplier and Transporter. All deliveries of FFB are subject to verification of documentation and quality checks.*

**E.2. Purchasing and goods in**

**E.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received.** *Complies – the Mill records tonnages received at the weighbridge and these are reported daily to Head Office.*

**E.2.2 The facility shall inform the CB immediately if there is a projected overproduction.** *Complies – the company has a mechanism for advising the CB of production variations, which are monitored internally.*

**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 these requirements.** *Complies – Inspection of records at the Mill confirmed these were updated daily.*

**E.3.2 Retention times for all records and reports shall be at least five (5) years.** *Complies – Records are archived and stored for 10 years a per SOP.*

**E.3.3 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.** *Complies – these are updated monthly and reported to Head Office. The mill only produces CPO and PK.*

**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\*/SG or Mass Balance. The supply chain model used should be clearly indicated.** *Complies – The company uses the prefix MB on the Product Code. However, even though the relevant trading documents have been clearly indicated the trading name (Segregation or Mass balance) e.g. Purchase Contract and Shipping Instruction. However, the weight bride tickets from the Mill to Bulking Station could be improved by indicating the trade name such as \*product name\*/SG or \*product name\*/MB – **Observation 12** –*

**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.** *Not Applicable – The mill is not equipped with palm kernel crushing plant.*

**E.4. Sales and good out**

**E.4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:**

- a) The name and address of the buyer;
- b) The date on which the invoice was issued;
- c) A description of the product, including the applicable supply chain model (Segregated or Mass Balance)
- d) The quantity of the products delivered;
- e) Reference to related transport documentation.

*Complies – all of these items (a-e) are included in the company's invoices to buyers*

#### **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.** *Complies – The company maintains records of training. For this Supply chain requirement, the company has conducted training for all staffs on RSPO Supply Chain Standard dated 25 April 2012.*

#### **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.** *Complies – As of the Assessor's knowledge, the company has not made claims outside of the RSPO rules for Communications and Claims.*

## ***Appendix “B”***

### ***RSPO Certificate Details***



PT Tolan Tiga Indonesia (SIPEF Group)

Gedung Bank Sumut Lt.7

Jl. Imam Bonjol 18

20152 MEDAN NORTH SUMATRA

INDONESIA

Website: [www.tolantiga.co.id](http://www.tolantiga.co.id)

Certificate Number: SPO 555208

Applicable Standards: RSPO Principles & Criteria: 2007; RSPO INA-NIWG May 2008; Supply Chain Certification Requirements for CPO Mills November 2011.

<b>Bukit Maradja Palm Oil Mill and Supply Base</b>				
Location Address		Pamatang Syahkuda, Simalungun, Sumatra Utara, Indonesia		
GPS Location		03°04N-099°15E		
CPO Tonnage Total		25,866 mt		
PK Tonnage Total		6,106 mt		
Own estates FFB Tonnage		111,012 mt		
Non-company Suppliers FFB Tonnage		0 mt		
SIPEF estates	Mature (ha)	Immature (ha)	Total HGU (ha)	Annual FFB Production (mt)
Bukit Maradja Estate	2,754	349	3,178	65,987
Kerasaan Estate	1,904	233	2,362	45,026
<b>TOTAL</b>	<b>4,658</b>	<b>582</b>	<b>5,540</b>	<b>111,012</b>

<b>Perlabian Palm Oil Mill and Supply Base</b>				
Location Address		Kampung Rakyat, Labuhan Batu Selatan, Sumatra Utara, Indonesia		
GPS Location		02°04N-100°04E		
CPO Tonnage Total		50,869 mt		
PK Tonnage Total		12,717 mt		
CPO Claimed for Certification*		41,165 mt		
PK Claimed for Certification*		10,041 mt		
Own estates FFB Tonnage		174,633 mt		
Non-company Suppliers FFB Tonnage – Other adjacent estates		47,864 mt		
SIPEF estates	Mature (ha)	Immature (ha)	Total HGU (ha)	Annual FFB Production (mt)
Perlabian Estate	3,777	538	4,807	82,892
Tolan Estate	3,305	187	3,672	91,741
<b>TOTAL</b>	<b>7,082</b>	<b>725</b>	<b>8,479</b>	<b>174,633</b>

# ***Appendix “C”***

## ***ASA2 Audit Programme***

Date	Time	Subjects	Aryo	Iman	Sedayu	Nanang
Monday, May, 14 <sup>th</sup>	06.00 – 08.00	Auditor team take flight from Jakarta to Medan Pick up at the airport by Tolan Tiga	√	√	√	√
	08.00 – 11.00	Travelling to the site	√	√	√	√
	11.30 – 12.00	Opening Meeting e.g.: <ul style="list-style-type: none"> <li>Confirmation on the scope</li> <li>Presentation by the Estate and mill managers (Estate and mill activities, Supply Chain related to the FFB supplied to the mill, progress of time bound plan).</li> <li>Finalize Audit schedule (including stakeholders consultation)</li> <li>Other business</li> </ul>	√	√	√	√
	12.00 – 13.30	Break/lunch/pray	√	√	√	√
	13.30 – 17.30	Documentation review (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, Time bound plan verification etc)	√	√	√	√
Tuesday, May, 15 <sup>th</sup>	08.00 – 12.00	Bukit Maradja Mill – Review on the documents, Inspection, warehouse, workshop, mill wastes, working safety, Supply chain for CPO mill, etc	√	-	-	-
	08.00 – 12.00	Meeting and interview with stakeholders from Local government, head of village, NGO, etc)	-	√	-	-
	08.00 – 12.00	Estate 1 (Bukit Maradja Estate) – Inspections e.g. Office, worker housing, Clinic, Landfill, Chemical store and mixing, Fertiliser, HCV area, field spraying & harvesting, etc.	-	-	√	√
	12.00 – 13.30	Break/lunch/pray	√	√	√	√
	13.00 – 15.30	Continuing Bukit Maradja Mill – Inspection, warehouse, workshop, mill wastes, working safety, Supply chain for CPO mill, etc	√	-	-	-
	13.00 – 15.30	Continuing meeting and interview with stakeholders from Local government, head of village, NGO, etc)	-	√	-	-
	13.00 – 15.30	Estate 2 (Kerasan Estate) – Inspections e.g. Office, worker housing, Clinic, Landfill, Chemical store and mixing, Fertiliser, HCV area, field spraying & harvesting, etc.	-	-	√	√
	15.30 – 20.30	Travelling to Perlabian Estate with TTI	√	√	√	√
Wednesday, May, 16 <sup>th</sup>	08.00 – 12.00	Perlabian Mill – Review on the documents, Inspection, warehouse, workshop, mill wastes, working safety, Supply chain for CPO mill, etc	√	-	√	-
	08.00 – 12.00	Estate 3 (Perlabian Estate) – Inspections e.g. Office, worker housing, Clinic, Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting, etc.	-	√	-	-
	08.00 – 12.00	Inspect area around Estates – Social issues etc	-	-	-	√
	12.00 – 13.30	Break/lunch/pray	√	√	√	√

Date	Time	Subjects	Aryo	Iman	Sedayu	Nanang
	13.30 – 17.30	Continuing Perlabian Mill – Review on the documents, Inspection, warehouse, workshop, mill wastes, working safety, Supply chain for CPO mill, etc	√	-	√	-
	13.30 – 17.30	Estate 4 (Tolan Estate) – Inspections e.g. Office, worker housing, Clinic, Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting, etc.	-	√	-	-
	13.30 – 17.30	Continuing Inspect area around Estates – Social issues etc	-	-	-	√
	Evening	Overnight in Perlabian Estate - Auditor meeting	√	√	√	√
Thursday, May, 17 <sup>th</sup>	08.00-12.00	Auditor meeting – prepare report	√	√	√	√
	12.00 – 13.30	Break/lunch/pray	√	√	√	√
	13.30 – .....	Leaving guest house to the train station with TTI	√	√	√	√
	14.45 – 19.59	train Rantau Parapat-Medan overnight Medan	√	√	√	√
Friday, May, 18 <sup>th</sup>	07.30 – 10.30	PT SAN Belawan (CPO tanks at Belawan port): Inspection, review document related to Supply Chain	√	√	√	√
	10.30 – 12.00	Audit feedback meeting with TTI in Medan office	√	√	√	√
	12.00 – 13.30	Break/lunch/pray	√	√	√	√
	13.30 – 16.00	Auditor meeting – preparing report for closing meeting	√	√	√	√
	16.00 – 17.00	Closing meeting	√	√	√	√
	Evening	Overnight in Medan	√	√	√	√
Saturday, May, 19 <sup>th</sup>	08.45 – 10.45	Auditor team travelling back to Jakarta	√	√	√	√

## ***Appendix “D”***

### ***Corrective Action Plan of the ASA2 findings***





PT TOLAN TIGA INDONESIA (SIPEF)

**CORRECTIVE ACTION PLAN  
BUKIT MARADJA and PERLABIAN PALM OIL MILLS**

**RSPO ASA2 (SPO555208)  
BSI Report 7832545 (visit from 14 to 19 May 2012).**

Last update : 23 May 2012.  
By : GM-ENC

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

NONCONFORMITIES RAISED		CORRECTIVE ACTIONS	IN CHARGE	TIME TARGET
BSI reference	DESCRIPTION			
A727870/1	P&C 4.4.4 Perlabian POM (PLPOM) – Water flowmeter broken, therefore record of mill water usage did not show actual data.	Replace water flowmeter and ensure that only actual data is used in the records. Incidents (damaged/missing flowmeter) to be shown in the records and mentioned in the minutes of the monthly environmental/safety/social meeting.	Engineering Department / Perlabian POM manager	by end August 2012.
A727870/2	P&C 5.3.3 Perlabian Estate (PLE) and Bukit Maradja POM (BMPOM) – empty oil and chemicals containers not stored in the Hazardous Waste (gudang limbah B3) stores.	1/ Ensure that hazardous waste is stored as per regulations requirements. 2/ Remind all operations about the rules for storage of hazardous waste.	1/ Estates & POM managers. 2/ ENC.	immediate
A727870/3	P&C 5.4.1 BMPOM and PLPOM – No management comments of the monthly renewable energy use monitoring.	POM managers to include specific comments in their monthly reports, indicating if the energy use has been efficient during the month, and analysing changes when applicable.	POM managers (support from Engineering Department and ENC for initial reports)	implemented starting with may reports.
A727870/4	P&C 5.4.2 BMPOM and PLPOM – No management comments of the monthly fossil fuel use monitoring.	POM managers to include specific comments in their monthly reports, indicating if the energy use has been efficient during the month, and analysing changes when applicable.	POM managers (support from Engineering Department and ENC for initial reports)	implemented starting with may reports.
<b>OBSERVATIONS RAISED</b>				
OBS 1	P&C 1.1.3 TLE – manager and administration officer not aware of retention time of documents.	Issue a memo reminding all managers about the retention time of documents, including a list of key documents and their specific retention time.	ENC	completed
OBS 2	P&C 3.1.1			

BSI reference	DESCRIPTION	CORRECTIVE ACTIONS	IN CHARGE	TIME TARGET
	Company long-term business should include projections for cost of production and OER trends.	The company will include long-term projections for cost of production and OER trends in future revisions of the business plans.	Estates department / Engineering department / Finance department.	planned for 2013 business plans revisions.
<b>OBS 3 P&amp;C 4.4.2</b>	Analysis of underground water from LA monitoring well should not follow parameters of PP 82/2001.	The parameters for analysis will be changed to follow Kepmen LH 29/2003 on LA standards.	MW manager / ENC	starting June 2012.
<b>OBS 4 P&amp;C 4.4.4</b>	BMPOM – There is no evaluation of the water usage per tonne FFB, only usage figures.	BMPOM will include comments on water usage efficiency with the monthly usage numbers	MW manager	starting June 2012.
<b>OBS 5 P&amp;C 4.7.4</b>	BMPOM – The boiler operator helper health should be monitored.	The boiler operator helper will be included in the list of employees who are monitored by our polyclinic.	MW manager / Company Doctor	starting June 2012.
<b>OBS 6 P&amp;C 4.7.5</b>	PLE – Emergency shower has not been installed at the chemical mixing area.	An emergency shower will be installed directly at the chemical mixing area.	Estate Manager	before end 2012.
<b>OBS 7 P&amp;C 5.1.2</b>	RKL/RPL reports shall include evaluations on trend, critical, and compliance, as per existing regulation (Kepmen LH 45/2005)	The format of the RKL/RPL reports will be revised and will follow the regulations.	ENC / Estate and MW managers	starting with first half 2012 reports
<b>OBS 8 P&amp;C 5.2.1</b>	HCV reports (eg TLE and BME) have not been peer-reviewed.	HCV reports will be peer-reviewed by qualified personnel.	ENC	before end 2012.
<b>OBS 9 P&amp;C 5.3.4</b>	Records of hazardous waste do not all follow the latest official format.	All hazardous waste reports will be corrected to follow the latest official format.	MW managers / Estate managers / ENC	starting June 2012.
<b>OBS 10 P&amp;C 6.3.3</b>	The SOP for land acquisition has not been finalised.	The SOP for land acquisition will be reviewed by the board of directors and approved.	BoD	before end 2012.
<b>OBS 11 SCCS modules D1 and E1</b>	Existing "Prosedur Sistem Mutu" should be revised to include RSPO SC standard of November 2011.	The ISO "Prosedur Sistem Mutu" will be revised to include the RSPO SC standard.	Engineering Department / ENC	before end 2012.
<b>OBS 12 SCCS modules D3.4 and E3.4</b>	POM weighbridges tickets for CPO should indicate the traceability claim (MB or SG).	Weighbridge tickets will be stamped with clear indication of the traceability claim (MB or SG) in addition to existing information.	Engineering Department / ENC	before July 2012.

Note : ENC = Environment and Conservation department.

***Appendix “E”***  
***List of Stakeholders Contacted***

**LIST OF STAKEHOLDERS CONTACTED**

**INTERNAL STAKEHOLDERS**

<p><b><i>Bukit Maradja Mill</i></b>          Mill manager and staffs          1 boiler operators          1 engine room operators          2 female administration staffs          1 female gender committee member          1 chief of central workshop</p>	<p><b><i>Kerasan Estate</i></b>          Estate manager and staffs          2 field supervisor/mandor          8 female spraying operators          2 male harvesters          Clinic officer          1 warehouse operator</p>	<p><b><i>Bukit Maradja Estate</i></b>          Estate manager and staffs          2 field supervisor/mandor</p>
<p><b><i>Perlabian Mill</i></b>          Mill manager and staffs          2 boiler operators          1 engine room operators          1 female administration staffs          1 warehouse officer          1 female gender committee member</p>	<p><b><i>Perlabian Estate</i></b>          Estate manager and staffs          3 field supervisor/mandor          6 female spraying operators          3 male harvesters</p>	<p><b><i>Tolan Estate</i></b>          Estate manager and staffs          2 male harvesters          1 male spraying supervisor          1 warehouse operator          2 clinic officers</p>

**EXTERNAL STAKEHOLDERS**

<p><b><i>GOVERNMENT DEPARTMENTS</i></b></p> <ul style="list-style-type: none"> <li>• Agriculture Department of Simalungun District</li> <li>• Environmental Department of Simalungun District</li> <li>• Labour Department of Simalungun District</li> <li>• Labour Department of Labuhan Batu Selatan District</li> </ul>	<p><b><i>NGOs and others</i></b>          Aspenta          UD Sama Maju (Contractor)</p>	<p><b><i>Local Communities</i></b>          Sukasari village          Pematang Satu village</p>
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