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PUBLIC SUMMARY REPORT

RSPO

THIRD ANNUAL SURVEILLANCE ASSESSMENT (ASA3)

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

Report Author:

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SUMMARY

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

BSI recommends the continuation of Ukui Group which consist of Ukui I mill, Ukui II mill, Kernel Crushing Plant (in Ukui I mill), Ukui estate, Soga estate and the Scheme Smallholders to be approved as a producer of RSPO certified sustainable palm oil.

ABBREVIATIONS USED

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

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

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation Used

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

1.2 Certification Scope

The scope of Certification covers two (2) Palm Oil Mills with one (1) Kernel Crushing Plant and the supply base comprising two (2) companies owned Estates and Scheme Smallholders.

1.3 Location and Maps

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

Table 1: Mills GPS Locations

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

1.4 Description of Supply Base

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

Table 2a: Ukui I Mill FFB Supply Details

Source	Estimation as at ASA 2 (2013)	Actual as for 2013	Projection as at ASA3 (2014)
Ukui I Supply Base			
Ukui estate	119,320	110,664	115,959
Soga estate	-	-	-
Sub-total	119,320	110,664	115,959
Scheme Smallholders:			
KUD Sumber Makmur	37,600	35,695	39,378
KUD Bina Usaha Baru	14,784	14,207	14,437
KUD Bakti	10,752	10,462	10,752
KUD Karya Bersama	20,736	22,083	22,904
KUD Sawit Subur	21,792	22,952	23,608
KUD Bina Sejahtera	29,664	29,611	30,157
KUD Sumber Bahagia	28,844	25,793	28,838
KUD Bukit Potalo	9,486	9,913	10,930
KUD Usaha Baru	9,486	7,351	8,042
Sub-total	183,144	178,067	189,046
Outgrowers *	115,000	121,211	100,000
Total Ukui I supply	417,464	409,942	405,005

*Outgrowers is excluded from the certification scope

Table 2b: Ukui II Mill FFB Supply Details

Source	Estimation as at ASA02 (2013)	Actual as for 2013	Projection as at ASA3 (2014)
Ukui II Supply Base			
Soga Estate	151,348	137,785	145,743
Ukui Estate	-	-	-
Sub-total	151,348	137,785	145,743
Scheme Smallholders			
KUD Tani Subur	18,842	17,122	17,012
KUD Karya Tani	18,166	18,655	18,787
KUD Mekar Abadi	13,761	13,128	13,180
KUD Trani Maju	23,442	25,390	25,526
KUD Tani Bahagia	32,784	34,159	33,632
KUD Usaha Tani	31,215	35,131	34,476
Sub-total	138,210	143,585	142,613
Outgrowers*	141,234	106,510	121,619
Total Ukui II supply	430,792	387,880	409,975

*Outgrowers is excluded from the certification scope

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

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

1.5 Date of Plantings and age profile

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

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

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

Table 3b: Scheme Smallholders' Age profile of palms

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

Age (years)	Total Planted Area (ha)	% of planted area
1994	200	1.48
1995	788	5.82
Total	13,536	100.00

1.6 Other Certifications Held

PT IIS which managing the scheme smallholder has implemented an Environmental Management system and was awarded ISO 14001 Certification on 10th June 2008 – Certificate Number ID05/65250 – expiry date 10 June 2014. Both palm oil mills are recertified under ISCC certification on 13th February 2014 Certificate number a) Ukui I Mill: EU-ISCC-Cert-DE100-20141163 and b) Ukui II Mill: EU-ISCC-Cert-DE100-20141164. The company owned estates obtain ISCC Statement of conformity since 6th October 2011.

1.7 Organisational Information / Contact Person

PT IIS contact details as follows:

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

1.8 Time Bound Plan for Other Management Units

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

There are 19 palm oil mills and 27 estates own by PT IIS. PT IIS also have 11 plasma smallholder schemes covering approximately 60,000 ha. PT IIS already submitted the time bound plan to BSI during the initial assessment of this Ukui Group. **Appendix A** shows the time bound plan which includes the smallholders. Once the palm oil mill is certified, expansion of the palm oil mill certificate is carried out by including the smallholders into the existing certificate.

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

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

1. There are no unresolved significant land disputes.
2. No replacement of primary forest or loss of HCV. New land acquisition follows the RSPO NPP process including public notification of new planting.

3. No labour disputes that are not being resolved through an agreed process.
4. No evidence of noncompliance with law noted.

1.9 Area of Plantation

The area of palms at company owned estates and smallholders are listed in Tables 4a and 4b. The activity conducted was planting free-space area in term of ex-football field in the estate. The management has built new football field for the workers in different location. There is no immature area in the scheme smallholder plots.

Table 4a: Estate and Area of Palms

Estate	Mature (ha)	Immature (ha)
Ukui	4,271	0
Soga	5,130	10
Sub total	9,401	10
HCV area	234	0
Infrastructure	86	0
Total	9,731	10

Table 4b: Scheme Smallholders members and Area of Palms

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

1.10 Approximate Tonnages Certified

The approximate tonnages certified reported during initial certification was based on the budget for the year 2010. As a result of expansion of the scope in 2012, the approximate tonnage certified includes the production from the scheme smallholder based on the budget for the year 2013. The detail is shown in Table 5.

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

Ukui I Mill	CPO		
	2013 Budget	2013 Actual	2014 Budget
Ukui Estate	27,861	24,893	26,381

Ukui I Mill	CPO		
	2013 Budget	2013 Actual	2014 Budget
Scheme Smallholder	40,402	37,141	39,983
Subtotal Certified	68,263	62,034	66,364
Outgrowers*	21,620	21,735	18,100
Total	89,883	83,769	84,464

* Outgrowers is excluded from certification scope.

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

Ukui II Mill	CPO		
	2013 Budget	2013 Actual	2014 Budget
Soga Estate	35,491	31,456	33,521
Scheme Smallholder	30,296	30,672	30,662
Subtotal Certified	65,787	62,128	64,183
Outgrowers*	27,901	20,571	23,664
Total	93,688	82,699	87,847

* Outgrowers is excluded from certification scope.

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

Ukui I Mill	PK			PKO
	2013 Budget	2013 Actual	2014 Budget	2014 Budget
Ukui Estate	6,563	6,124	6,552	2,884
Scheme Smallholder	10,073	9,842	10,681	4,669
Subtotal Certified	16,636	15,966	17,233	7,553
Outgrowers*	6,325	6,661	5,650	-
Total	22,961	22,627	22,883	7,553

* Outgrowers is excluded from certification scope.

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

Ukui II Mill	PK			PKO**
	2013 Budget	2013 Actual	2014 Budget	2014 Budget
Soga Estate	8,475	7,470	8,016	3,527
Scheme Smallholder	7,740	7,783	7,844	3,451
Subtotal Certified	16,215	15,253	15,860	6,978
Outgrowers*	7,909	5,774	6,689	-
Total	24,124	21,027	22,549	6,978

* Outgrowers is excluded from certification scope.

** PK from Ukui II Mill sent for process in Ukui I Mill

Table 5e: Approximate Tonnages Certified during ASA3

Mill		2014 Budget		
		CPO	PK*	PKO
Ukui I	Ukui Estate	26,381	6,552	2,884
	Scheme Smallholder	39,983	10,681	4,669
Subtotal 1		66,364	17,233	7,553
Ukui II	Soga Estate	33,521	8,016	3,527
	Scheme Smallholder	30,662	7,844	3,451
Subtotal 2		64,183	15,860	6,978
Grand Total (1+2)		130,547	33,093	14,531

*PK processed and sold in PKO

1.11 Date of Certificate Issued and next surveillance visits

The initial certificate issued on 1 March 2011, with extension to include scheme smallholder on 11 June 2012. The scope of the certificate includes the production from the company owned estates and scheme smallholders which processed at the Ukui I and Ukui II Palm Oil Mills. The reissuance date of certificate would be after the approval of the summary report. The next surveillance visit will be not longer than 12 month of certificate anniversary date. The next surveillance visit is approximately on December 2014.

2.0 ASSESSMENT PROCESS

2.1 Certification Body

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

2.2 Qualification of the Lead Assessor and Assessment Team

Aryo Gustomo – Lead Assessor

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

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

Nanang Muallib – Assessor

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

Pratama Agung Sedayu – Assessor

He graduated from University of Jenderal Soedirman – Indonesia on 2008, majoring in Social Economic of Agriculture. He involved in RSPO certification since 2009 as a team member covering assessment with RSPO P&C for various company in Indonesian and Malaysia. He completed the ISO 9001:2008 and OHSAS 18001:2007 Lead Auditor course, HCV identification and management training, ISPO lead auditor training, and RSPO Lead auditor endorsed course. He can communicate fluently in Bahasa Indonesia and English, both oral and written. During this assessment, he assessed the estate and smallholder best practices, environment, working safety, and emergency preparedness.

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

2.3 Assessment Methodology and Programme

The Third Annual Surveillance Assessment (ASA3) of the Mills and Estates was carried out on 25 – 30 November 2013. The Assessment Programme is included as Appendix C. The Programme included assessments of the Two Mills, Two company managed Estates, Ukui and Soga, and three sample KUDs (Bina Usaha Baru, Karya Bersama and Tani Subur) against all of the RSPO Principles & Criteria and applicable RSPO indicators. The three sample KUDs had not previously been assessed.

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

The assessors carried out follow-up checks on the effectiveness of corrective actions for the nonconformities and Observations/ Opportunities for Improvement that were identified during ASA2.

The methodology for collection of objective evidence included physical site inspections, observations of tasks and processes, interviews of staff, workers and their families and external stakeholders, review of documentation and monitoring data. Checklists and questionnaires were used to guide the collection of information.

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

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

2.4 Stakeholder Consultation and a List of Stakeholders Contacted

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

2.5 Date of Next Surveillance Assessment Visit

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

3. ASSESSMENT FINDINGS

The assessment findings are reported in two parts. Section 3.1 is referring to the finding of the Annual Surveillance Assessment covering the two certified mills

and estates. Section 3.2 is referring to the findings of the Scheme Smallholder annual surveillance assessment.

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

Principle 1: Commitment to transparency

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

PT IIS has maintained Standard Operating Procedure for handling information request and response under AA-GL-5008.1-R1 effective date 22 August 2011. Under the procedure, the response must be provided to stakeholder in 15 working days. The retention time for information request and response records sets as 3 years. A responsible officer is appointed to receive any information request from stakeholders, both verbal or through letter. The officer also maintains the logbook for information request and responses. The information request from relevant authorities recorded under "Permintaan Informasi rutin" (Routine Information Request Book). The information request from other interested parties recorded under "Permintaan Informasi Lain tahun 2011-2012" (Others Information Request Book, 2011/2012). Document review confirmed PT IIS has made response to information request in appropriate and timely manner. The Response of information request from relevant authorities is compiled under "Laporan Rutin" (Routine report book). Based on the procedure SOP AA-GL-5008.1-R1, the record of information requests and responses were kept for 3 years. Document review confirmed all of current records are kept does not exceed 3 years.

Observation 01 (1.1.2) – Company could improve monitoring performance on response upon information request from stakeholders through updating the latest status of action plan.

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

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

minimum of three years and government related documents maintained as per requirement of the law.

Stakeholder information request recorded under “Logbook permintaan dan Tanggapan terhadap Permintaan Informasi dari Stakeholder”. Up to October 2013, 13 information requests were recorded for Ukui Estate. The information type recorded such as letter from “Kepala Dinas Perkebunan Kabupaten Pelalawan” No. 566/DTKT-WWAS/2013/374 dated 6 May 2013 related to “Perekutan peserta penyuluhan peraturan perundang-undangan di ketenagakerjaan TA 2013” and subsequently responded by Estate management through assigned delegation for the activity on 20-21 May 2013. Company consistently implement the procedure related to publicly available document, retention time, information request and response were maintained for 3 years after fulfilment.

Principle 2: Compliance with applicable laws and regulations

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

PT IIS maintained SOP for compliance with legal indicators and its changes under SOP AA-GL-5001.1-R0 dated 5 December 2009. PT IIS maintained document “Evaluasi Kepatuhan Hukum” (Evaluation of Legal Compliance) dated 2 December 2012. The Legal Department of PT IIS’s Head office issued a Memorandum for all units under PT IIS management with regards Updating Current Regulation. PT IIS has evaluated the changes with the latest regulation. For example: On November 2013, PT IIS carried out the regulation compliance evaluation against all applicable requirement on the issuance of Permentan No. 98/Permentan/OT.140/9/2013 dated 30 September 2013 related to “Pedoman Perizinan Usaha Perkebunan”.

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

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

Follow up from previous Major nonconformity (01) against 2.1.1 There is no sufficient evidence that sub-contracted backhoe loader operator from Soga Estate holds valid operation license (SIO). This Major nonconformity closed on 2 April 2013.

Corrective Action: PT IIS has requested the sub-contractor company to provide heavy machinery operator holds valid operation license (SIO) from “Dinas Sosial Tenaga Kerja dan Transmigrasi”. Sample seen backhoe operators SIO under Mr.MS is valid up to September 2017. **Nonconformity closed in 2 April 2013.**

ASA3 findings: Estate has been able to shows backhoe loader operator permit (surat izin operator) from contractor. Surat Izin Operator under the name Marsidi

Simbolon (No.SIO.029.008/PAT/2012 valid through 20 September 2017) and Hari Harianto (No.SIO.030/008/PAT/2012 valid through 20 September 2017). Consistent implementation is evident.

Observation 02 (2.1.3) – Palm oil mills shall improve record keeping in term of availability regulation, such as copy of Permenkes No.416 tahun 1990 and PP No.82 tahun 2001.

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

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

In relation with development of kernel crushing plant, PT IIS has obtains Izin Usaha Perkebunan-Pengolahan (IUP-P). The new business permit is in accordance with Pelalawan regent decree (Keputusan Bupati Pelalawan) dated 29 May 2013 related to Izin Usaha Perkebunan-Pengolahan (IUP-P) for kernel processing plant PT Inti Indosawit Subur-Ukui I Palm Oil Mill with processing capacity of 200 tons/day.

Follow up from previous Major nonconformity (02) against 2.2.1

PT IIS was not able to provide objective evidence of business permit (IUP) for area under HGU No.78/HGU/BPN-RI/2008 for area 2,704 Ha and HGU No.115/HGU/BPN-RI/2009 for area 299.52 Ha. The proposal of IUP has been forwarded to local authorities since December 2012. Major NC is considered closed on 8 April 2013.

Corrective Action: PT IIS has provided update on List of permit “Daftar Perizinan Umum Kebun Ukui” on March 2013. Organization shows letter No.123/MB-RH2/Ext/12/12 dated 12 December 2012 on application for Izin Usaha Perkebunan untuk Budidaya. In which organization applied for business permit for area under HGU No.78/HGU/BPN-RI/2008; 2,704 Ha and HGU No.115/HGU/BPN-RI/2009; 299.52 Ha. PT IIS has showed an official letter from Forestry and Plantation Department of Pelalawan District stating that PT IIS application for IUP since December 2012 has been received and still in progress to be reviewed and finalized. Auditor is aware of the long process of getting IUP from local authorities takes some time. Auditor considered this corrective action to be closed, but need to check for effective implementation of closing out evidence in next surveillance visit (ASA3). **Nonconformity is considered closed on 8 April 2013.**

ASA3 findings: PT IIS has obtain Izin Usaha Perkebunan Budidaya (IUP-B) upon 2,704.22Ha HGU area No.78-

HGU-BPN RI-2008 and 299.52 Ha HGU area No.115/HGU/BPN RI/2009. The business permit is in accordance with Pelalawan regent decree (Keputusan Bupati Pelalawan) No.Kpts.525.3/Dishutbun/2013/446 dated 29 May 2013 related to Izin Usaha Perkebunan – Budidaya (IUP-B) PT Inti Indosawit Subur Kebun Ukui with permitted area of 3,003.73 Ha.

Company consistently maintain the HGU boundary stones with 6 month interval, recorded under “Laporan Pemeriksaan dan Perawatan Patok Batas” for each afdeling in Ukui Estate. Record shows the latest boundary checked and maintained on 27 June 2013. Field visit to the sample locations confirmed that the boundary stones are visibly maintained and records of inspection is maintained at the estate.

Based on public consultation record, 26 November 2013 and attended by representative from surrounding community, there is no land conflict between company and surrounding community noted.

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

PT IIS's Ukui group has not acquired any new land since the previous assessment (ASA2). PT IIS's ukui does not restrict local peoples' access through the main Estate roads. This was confirmed during interview with company representative and stakeholder consultation with local community. Based on PT IIS's area statement documents, interview with communities and public consultation meeting on 26 November 2013 shows no evidence of land conflict between company and surrounding community.

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

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

PT IIS's Ukui has 3 Year working plan for Productivity per planting year of the estate, started with 2011, budget and actual 2013, projection for 2014 – 2016. Estimate OER average covered from 2007 – 2016. Production cost (Rupiah/Tonne CPO) incorporated into production of FFB recapitulation per estate division. The Estimate productivity for the year 2014 with consideration of mature planted area is 27.15 tonnes/Ha. The costs comprise of upkeep activities (such as weed control, fertilizer application, pest and disease management, pruning and castration, oil palm census and thinning out, ditch/terrace/platform maintenance, road and bridge maintenance, survey and maintenance of boundary poles) and Harvesting cost (harvesting, transport and weighing).

Replanting programme for minimum 5 years projection prepared on January 2013. In general, the replanting program in Ukui estate is being postponed into 2015.

The replanting plan for planting year 1987 will started in 2015 for 215 Ha, subsequently 426 Ha for planting year 1988.

Yearly review of replanting programme is available for 2013. The review result showed production estimation in 2015, and general process to prepare the re-planting program such as survey and field block boundary, stacking methods, ganoderma census, culvert and road marking, felling, chipping and stacking, hoeing, planting spot marking, making platform, planting leguminous crop planting, making planting hole, and planting procedures.

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

ASA3 findings: *Ukui 1 Palm oil mill has append the long term working plan (2012-2015) with crop projection including FFB yield trend, price forecast and other financial indicators.*

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

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

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

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

Follow up from previous **Minor nonconformity (01) against 4.1.4 (A845131/1):** *It is found preventive maintenance programme was not implemented properly as per schedule. For example:*

Ukui I Mill

- tightening weighing bridge screw and bolts done 5 times in a year, while the programme conducted once on monthly basis during 2012;

- multi-cyclone leakage checking at boiler station was not done in 2012, while the programme once in 3 month.

Ukui II Mill

- Bearing lubrication at boiler station on weekly basis in January 2013;

- Dust-hopper cleaning on weekly basis in January 2013;
 - Exciter stator and rotor cleaning on weekly basis in January 2013.

ASA 3 findings: Auditor performed document review, interview with operator and site visit to verify the implementation of preventive maintenance programme. It is found that preventive maintenance programme carried out as appropriate. **Nonconformity considers closed on 30 November 2013.**

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

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

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

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

PT IIS developed semi-detailed soil map for Ukui Estate. Soil map made available with the soil type and topographic class. Based on the soil map the larger part of the estate were *Dystrudepts* composed of clay with sandy particle. Based on the provided soil maps and field inspection there is no peat soils in Ukui Estate.

PT IIS developed strategy to minimize erosion on slope areas. Record shows manual terracing, mechanical terracing and platform has been built and re-instated on areas with steep slope of afdeling II, block B87b and B87c. Field inspection to block B87b shows the platform and manual terracing evident. Control of erosion demonstrated minimum impact on soil degradation and sedimentation on the lower land.

Road maintenance programme made available completed with road maintenance realization. Record of "Program dan Realisasi Perawatan Jalan 2013" (Program and Realization on the Road facility year 2013) consist of plan to repair and maintain road of 366.553 km. Actual realization up to October 2013 is 276.855 km. Field visit suggest the road maintenance is in progress, despite weather constraint due to high rainfall.

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

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

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

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

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

Water sample and test performed at local community source, as monitoring well. The parameter tested referring to PerMenKes No.416/1990. The river water is also tested against parameter determined under

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

ASA3 findings: PT IIS consistently carried out water quality test. Parameter from water quality test result that does not meet regulatory requirement is evaluated. PT IIS also proposed appropriate action plan thereupon. Document review and field exercise suggest the corrective action is adequate to close the nonconformity. **The nonconformity considers closed on 30 November 2013.**

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

PT IIS developed program for Integrated Pest Management to monitor and control pest and disease infestation. PT IIS's Ukui continued the program at each of the Estates of establishing the beneficial plants *Turnera subulata* and *Cassia cobanensis* along boundaries and roadsides. Barn Owl boxes have been installed at each of the Estates with routine census conducted every 3 month. Estate carried out ganoderma census to monitor the status of ganoderma attack on the field.

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

Latest IPM training for field operator was conducted on 7 October 2013.

There is no pesticide usage noted during this assessment. Agrochemical used mainly is herbicide for the circle and selective weed controls. Ukui estate monitors the toxicity units based on amount of herbicide use per tonne of FFB and per hectare.

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

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

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

To ensure that applicators are trained, daily briefing is given each time agrochemical application is arranged. Type of chemical to be used is recommended by the R&D Department.

Checks at the Estate (visit to Ukui estate chemical's storage) found the pesticide stores continued to be well maintained and the chemicals were 9annah9u clearly and stored within spill containment. Observation of spray-mix preparation and spraying showed that the workers were wearing PPE correctly and they were working safely and in accordance with the chemical manufacturer's recommendations.

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

Use of paraquat is on reducing trend. Paraquat is gradually being replaced with Glyphosate. Beside

paraquat there are no other Type 1A or Type 1B agrochemicals used.

Health check up conducted on 6 monthly basis. The latest medical checkup for sprayer and fertilizer operator conducted on 11-12 October 2013.

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

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

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

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

Follow up from previous Minor nonconformity (03) against 4.7.5 (reference number A845131/3): PT IIS have developed risk assessment for Estate and Mills. The risk for each activity in the estates and mills has been identified, along with risk control. Based on document review the risk evaluation were not accurate as it was not based on relevant records. Furthermore at the mills, risk assessments for 2012 have not been reviewed and updated according to the actual condition.

ASA 3 findings: Soga estate has recorded all incident and accident occurrence under Laporan K3 KSA. The record has been taken as consideration for determining the risk assessment. The latest risk analysis carried out on 11 May 2013, where the risk assessment has been changed accordingly. **NC Minor considers to be closed on 30 November 2013.**

Follow up from previous Minor nonconformity (04) against 4.7.8 (reference number A845131/4): Based on field inspection, the content of first aid kit in all places (harvest mandor, spraying mandor, fertilizer mandor, agrochemical store, workshop, estates and mills office) only contains 15 items. Furthermore the sign colour for first aid kit is white with green cross, while PT IIS blue with white cross. These are not complied with relevant regulation (Permenaker No.15/2008).

ASA3 findings: First aid kit for Soga Estate have been identified with green cross, the content of the first aid kit has been adjusted in conformance with PerMenaker No.15 tahun 2008. **NC Minor considers to be closed on 30 November 2013.**

Follow up from previous Minor nonconformity (05) against 4.7.10 (reference number A845131/5): Work accident records are available for estate and mills however there is no evidence accident records in the estate regularly reviewed. Meanwhile review result and action plan provided for mills accident record was only repetition action plan from previous year (2012) which potentially unable to reduce the accident case in the following years.

ASA3 findings: Work accident record and accident investigation covered in safety committee (P2K3) meeting. Document review against minutes of meeting indicates accident investigation review and proposed action plan to be taken. Progress of action plan (from previous month) was discussed during the next safety committee meeting. **NC Minor considers to be closed on 30 November 2013.**

Observation 03 (4.7.8) – Safety officer need to improve monitoring on first aid kits in term of expiry date and adequacy of medicines.

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

PT IIS developed Training programme of Environmental & Sustainability 2013.

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

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

Follow up from previous Major nonconformity (03) raised against 4.8.2 (reference number A845131/3): Record of training for each employee in estate is not kept properly. Staff admitted there is no any such record as required in indicator.

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

ASA3 findings: Training records of all workers are maintained and keep up-to-date. Sample has been taken for Ukui Estate, Soga Estate, Ukui 1 mill and Ukui 2 mill. Consistent implementation is evident.

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

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

Criterion 5.1: Aspects of plantation and mill management, including replanting, that have

environmental impacts are identified and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored to demonstrate continuous improvement.

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

PT IIS Ukui reports bi-annually to Government on the AMDAL monitoring program results and the most recent RKL & RPL report was January – June 2013 and submitted on 16 August 2013. The RKL/RPL covers all the operating units including the scheme smallholders.

PT IIS have enclosed the environmental aspect-impact from development of kernel crushing plant in Ukui 1 mill into “Laporan Upaya Pengelolaan Lingkungan & Upaya Pemantauan Lingkungan/UKL-UPL” (Environmental Management and Monitoring Effort report). The report has been approved by head of Environmental Agency-Kabupaten Pelalawan under letter No.660/BLH-AM/2012/180 dated 22 February 2012. The kernel crushing plant was operated since May 2013.

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

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

PT IIS has collated Conservation Management Plan – Ukui Estate, PT Inti Indosawit Subur 2013 comprise of 9 HCV locations. Additional information provided was the update of program realization up to October 2013.

There is an agreement with surrounding community such as “Nota Kesepahaman Perpanjangan Kerjasama Pengelolaan Bersama Hutan Lindung Blok I B 89a Kebun Ukui” including Pematang river and its riparian. The agreement between PT IIS with Pemangku Adat Petalangan No. 002/EM-KUK/NKPB/06/12 dated 25 June 2012 signed by PT IIS and “Pemangku Adat Petalangan Batin Muncak Rantau” on behalf of “Suku Melayu Petalangan Batin Muncak Rantau”.

Based on field visit to block B88a, riparian of Pematang river, company has demonstrate effort to manage the

HCV area with area marking, poles and red paint on palm, as reminder that no agrochemical activity (herbicide and/or fertilizer application) justified beyond the mark, and introduction of Sea hibiscus (*Hibiscus tiliaceus*), Sungkai (*Peronema canescens*) and Angsana (*Instia bijuga*).

PT IIS (Ukui Estate) has appointed Febrian Adi Atmoko as officer responsible for HCV area management, strengthen through Ukui Estate manager memorandum No.326/EST-KUK/Memo/12/12 dated 26 December 2012. The appointed officer has experience and participated for internal training by PT IIS on 2 January 2013

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

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

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

Waste products have been identified and documented under the “Evaluasi Aspek-Dampak Lingkungan” (Environmental Aspect impacts). This document is updated once a year with latest update in 2013.

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

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

Follow up from previous Major nonconformity (04) against 5.3.2: There are “Mekanisme Penanganan Sampah” in which to segregate the organic and an-

organic domestic waste and reuse or recycle an-organic plastic (for plastic) and composted the organic waste; however based on field visit the domestic waste was not segregated but rather disposed off into landfill without controlled measurement.

Corrective Action: Estates and Mills management issued Memorandum on March 2013 for all workers regarding Domestic waste handling. Socialization of mechanism on domestic waste handling for all workers at estates and mills is evident. The socialization was conducted on March 2013. Warning signs are also installed in worker housing. Nonconformity is closed on 8 April 2013.

ASA3 findings: During this assessment auditor found the organic and an-organic waste has been segregated in worker housing. Organic waste is being composted. Plastic waste is being sold for recycle. An-organic waste besides plastic is disposed off into landfill. Consistent implementation is evident.

Follow up from previous Observation (5.3.1): PT IIS to ensure document “Evaluasi Aspek-Dampak Lingkungan” Ukui II Mill dated April 2011 is regularly updates as per time target for each activities. This will be further verified during next surveillance assessment.

ASA3 findings: During this assessment, Ukui II mill has updates the environmental aspect-impact under “Evaluasi Aspek-Dampak Lingkungan”. Document review shows the most recent updates in 2013.

However, Major nonconformity raised against 5.3.2 (reference number 998107M17): There is inappropriate waste management and disposal of scrap metal in the Ukui I palm oil mill.

Corrective action: Management took immediate action to identify, monitor and sell the scrap metal to scrap metal collector. PT IIS has managed to sell off and removed 250,000 kg scrap metal from Ukui I mill, Ukui II mill and Estates up to 30 January 2014. Auditor considers sufficient evidences to close out the nonconformity, and will check the consistent implementation at subsequent surveillance visits. **Nonconformity is closed on 30 January 2014.**

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

All energy used in both mills is monitored and recorded under document of “Pemakaian Energi 2013” (The Energy Usage 2013). Fossil fuel records are maintained and trends shown. Energy use records include accurate measurements of renewable energy use per tonne of FFB processed. PT IIS optimized the renewable energy use. FFB by-product such as shell and fibre is consumed internally as boiler fuel. PT IIS managed to demonstrate the efficiency analysis from the use of renewable energy compared to fossil fuel intake.

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

PT IIS Ukui has consistently implemented a Zero Burn Policy since the start of the oil palm development. Although replanting has not yet been carried out, PT IIS Ukui has stated its commitment to adhere to the Zero Burn Policy during future replanting.

PT IIS has procedure on “*Pengendalian kebakaran lahan*” (Land Burning Control) AA-KL-14-EFP. The person responsible for each working unit has been appointed. Patrol conducted on holiday to monitor any activities on the field during the time including fire. Based on patrol report, the latest patrol conducted on October 2013.

PT IIS equipped with appropriate fire extinguisher and facilities. The equipment present such as water tank, water hose, portable pump and other facilities are ready to use.

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

PT IIS Ukui has documented all pollution and emission sources under document of Environmental Aspects and Impacts Register – 14001 EMS, latest update in 2013.

The boiler and generator emission tests conducted every 6 month, in collaboration with Sucofindo Laboratory of Pekanbaru. The result shows compliances to permitted limits. The parameter sets for boiler referred to PerMenLH No. 7/2007, while parameter for generator referred to PerMen LH No.21/2008. The indoor noise and air ambient at the mills were also tested and comply with permitted limits.

PT IIS started a Biogas plant in September 2013 and expected for commissioning in February 2014. The plan was to utilized methane gases from palm oil mill effluent and generates 1000kW electricity for worker housing.

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

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

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

PT IIS Ukui has continued to engage with the local communities and smallholders through appointed personnel (Public Relation officer). This arrangement continues to enable PT IIS Ukui to monitor the

emergence of issues that then are discussed at the monthly meetings.

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

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

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

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

Stakeholder lists are available and are up dated covers community surrounding, local and provincial governments, contractor, and NGOs. Minutes of meeting with stakeholders, record of request and action taken is recorded. List of Stakeholder is available for Ukui Estate, updated on 20 November 2013, comprise of: 32 institutions identified as Government officials, 20 local communities, non-government Organizations (such as WWF dan Scale Up) and 18 Contractor companies. Stakeholder list detailing the institution name, contact person, institution address, contact person address/email, scope of work and activity related to company operation

PT IIS (Ukui Estate) has appointed Mr.Roni Iswandi as officer responsible for active communication and consultation with stakeholder through appointment letter No.424/ES-KUK/MEMO/11/13 dated 16 November 2013.

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

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

Complaint procedure for external and internal stakeholders includes flow chart of the procedure and this is displayed at all the notice board and has been

informed to stakeholders. Complaint book available and records of all the complaints with updated action taken is recorded in Log Book Requests.

Follow up from previous Major nonconformity (05) raised against 6.3.1 (reference number: A845131/5): Based on interview with Air Hitam village authorities, shows they has not fully understand the complaint handling mechanism developed by PT IIS. Furthermore, complaint mechanism has not been delivered to Air Hitam village authorities.

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

ASA3 findings: PT IIS has carried out socialization of complaint handling mechanism to Air Hitam village officer on 27 February 2013, at Air Hitam village office, attended by 9 personnel comprise of head of village, Badan Perwakilan Desa (BPD) chairman, Lembaga Ketahanan Masyarakat Desa (LKMD) chairman and the member of BPD and LKMD. On 5 March 2013, PT IIS carried out stakeholders meeting themed socialization of Complaint Handling Mechanism. The meeting took place in Ukui Estate office, attended by 21 representative s from all surrounding villages of PT IIS.

Company has collated Community's Complaint Handling Mechanism through SOP No.SOP AA-GL-510.1-R0, completed with flowchart of complaint handling, involving affected stakeholders through communication. Complaint and/or input can be submitted through form made available by PT IIS, email, telephone, and verbally through appointed officer.

Record of complaint handling and relevant responses is made available under "File Surat Masuk Eksternal-Permintaan Informasi (Rekaman Permintaan Informasi)" and subsequently recapped in "Logbook Permintaan". Up to October 2013, 13 letters were noted by Ukui Estate, most request for donation or invitation from government institution.

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

PT IIS Ukui has mechanism for identification and compensation calculation was based on Land Conflict handling, SOP No.AA-GL-5003.1-R1. The SOP comprise of land conflict mechanism and land compensation, with the participation of affected communities.

PT IIS Ukui did not acquire any additional land during 2013 and hence was not involved in any land compensation payments. No legal or customary rights within Company legal boundary, this was confirmed during stakeholders consultation meeting.

Based on interview with Air Emas village people and result from stakeholder consultation meeting, there has been no land conflict noted or other conflict resulting in compensation claim from communities. This information supported with document review upon incoming letters. The incoming letters did not indicates land conflict and/or other conflict with compensation claim from surrounding communities to company.

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

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

Follow up from previous Major nonconformity (06) raised against 6.5.1 (reference number A845131/6): during the assessment of fund that Pieced rate worker's payment based on minimum wage from Pelalawan regency 2012, while new regulation on minimum wage from regency 2013 has been issued.

Corrective action: Organization issued memorandum No.005/GM-KUK/MEMO/02/13 dated 14 February 2013 in which statement the new minimum wage will take effect on April 2013. Wage deficit, based on the new minimum wage 2013 during 13annah13 – March 2013 will be paid on April 2013. PT IIS Ukui shows the wage payment of the workers on April 2013 is according to minimum wage 2013 and incorporate the January – March 2013 deficit. **Nonconformity is closed on 8 April 2013**

ASA3 findings: Based on verification upon Rekap Pembayaran Rapel karyawan Kebun Soga document, company has paid the increment of UMSP, where the salary increment for January – March 2013 paid on 30 April 2013. Consistent implementation is evident.

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

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

PT IIS Ukui displays copies of updated Company Policies dated 26 November 2012, containing a statement on Freedom of Association at each Mill and Estate. Workers are free to join a union and many of the Mills and Estates workers were members. PT IIS Ukui maintains record of meetings with worker union representatives and union officials.

Interview with Worker Union committee and worker, it was found company has accommodates the establishment of worker union and provide the independence for employee to establish and join worker union. In Ukui Estate, worker union SPPP-SPSI KUK-PUS is representing with 517 members (as of October 2013). The committee meeting carried out on monthly basis, while meeting with management occurs whenever new employee recruit, new company policy and/or issues are raise. For example: Minute of monthly Meeting between PT IIS and Worker union on October 2013.

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

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

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

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

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

Observation 05 (6.8.2) – Care should be taken to improve the effort that all stakeholders could gain

information access related with opportunity to work in company.

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

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

Company has a policy of protection for female worker and implemented in form of Gender committee, serves to foster, communicating and gathering employee grievance related to sexual harassment in workplace. Based on interview with Ukui Estate – Gender Committee members, company have communicates the sexual harassment prevention in workplace, grievance channel mechanism for female worker and provide response to employee complaint related to their reproductive rights. Two way communication is being maintained in form of request, for example appeal from weigh bridge operator at Ukui I mill related to food supplementation, company policy for not hiring pregnant and breast-feeding worker for work area with high risk for health, periodic check up for employee stationed at area poses risk to reproductive health, reproductive leave right for delivery/breast-feeding worker, breast-feeding time for female worker. The issues are being discussed with management.

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

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

Interviews of contractors at the Mills and Estates found they had worked for PT IIS Ukui for more than 5 years and considered the terms and conditions fair. The Head

of KUDs and contractors stated that PT IIS Ukui makes payments in a timely manner and they had no complaints.

Applicable and up-to-date price stated on KUDs and Ukui I mill notification board. The price update for both plasma and non-plasma FFB is publicly available on “Daftar Harga TBS” in Ukui I mill and in KUDs. However, based on public consultation, it was found that part of communities has not understood the price determination mechanism for non-plasma FFB.

Observation 06 (6.10.2) – *PT IIS could improve the stakeholders understanding related to FFB pricing mechanism for out grower FFB supplier.*

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

PT IIS Ukui has continued its commitment to community development. PT IIS Ukui PT IIS has prepared CSR program and implement into activity covers education, religion, husbandry, infrastructure and health programmes. However, based on public stakeholder consultation, number of program has not materialized up to November 2013 and local community is currently waiting for this programme.

Observation 07 (6.11.1) – *PT IIS need to review the CSR programme planning where the achievement of CSR programme for period of January-November 2013 is 12.51%.*

Principle 7: Responsible development of new plantings

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

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

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

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

PT IIS planned to optimize the use of renewable energy through development of biogas plant. The biogas plant will utilized methane gases from palm oil mill effluent to generate electricity for worker housing.

PT IIS Ukui has continued to support its Smallholders through the Farmer Development Department. In particular, PT IIS Ukui has been working with

smallholders to improve their FFB yields as well as to maintain their RSPO Certification.

Observation 08 (8.1.1) – *PT IIS could consistently monitor the environmental and social parameters as per Environmental Impact Assessment such as water quality, air emission, air ambience, BOD, etc.*

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

Principle 1: Commitment to Transparency

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

Visit to three sample KUDs (Bina Usaha Baru, Karya Bersama and Tani Subur) found that the log book of information request and response to stakeholder are maintained. The log book comprise of information request and response, social request and donation. Retention time sets as 3 years. The response time for any complaint sets as maximum 14 working days.

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

*Follow up from previous **Observation (1.1.1)** – Smallholder organization need to review communication mechanism flowchart to ensure the information transfer flow are clear and understood by farmer members.*

ASA3 findings: *Communication mechanism flowchart has been revised under “Mekanisme Komunikasi dan Konsultasi”. The simplified flowchart has been communicated to village stakeholders.*

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.

All sample KUDs has determined the publicly available document, upon request. The management documents such as land use right, social and environmental impact assessment report, organizational structure information are publicly available in all sampled KUDs. Land title information is in section 2.2 below.

Principle 2: Compliance with applicable laws and regulations.

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

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

Similar to previous assessment, the list of regulations includes:

1. Cooperative registration: letter No.81/KEP/KWK.4/4.1/VII/1992 dated 21 July 1992 for KUD Tani Subur;
2. Deed of establishment for KUD Karya Bersama No.1499/BH/XIII dated 29 September 1989;
3. AMDAL document covers the area of KUD Bina Usaha Baru;
4. Land title as per in section 2.2 below.
5. Agreement between PT IIS and Plasma smallholder

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

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

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

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

ASA3 findings: Document review upon land ownership certificate in three KUD, all sampled smallholder plot has the land certificate copy in the KUD office.

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

Observation 09 (2.2.1) – KUD could improve the documentation system of land ownership certificate copies and to maintain status of ownership (for instance land acquisition, sale and purchase of land, accuracy between certificate detail/land parcel and maps).

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

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

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

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

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

In KUD Karya Bersama, replanting program planned for 598 Ha in 2015; in KUD Tani Subur, replanting program planned for 198 Ha in 2017. PT IIS help KUD develop guidance for replanting programme under Draft Replanting documents. Under the guidance, the replanting technique from felling, chipping and stacking, harrowing, terracing, stop bund, leguminous cover crop planting. The draft includes replanting cost estimation.

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

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

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

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

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

Record of distribution of fertilizer from Scheme Manager to cooperative and further distributed to scheme smallholders/members through cooperative is available. Type of fertilizer (ZA, MOP, Kiserite, Dolomit, Borat, etc) and quantity (kg) is available. Regular leaf sampling and soil analysis is utilized as basic for fertilizer recommendation. Application follows the

recommendation. Record of application maintained in cooperative.

Production records for the past 3 years available, shows the production for 2010 – 2012 and projection for 2013. Crop projection for 2014 is in process of data analysis.

Application of Empty fruit Bunch (EFB) is carried out when there is EFB supply from mill and it is recorded. Records include information on area applied and quantity. SOP is available for EFB application and training given to members on the application method. Applied at inter row. KUD Karya Bersama is applying EFB because the plot locations nearby the Mill. In 2013, KUD Karya Bersama applied 280,830kg EFB to smallholder plot.

In KUD Karya Bersama number of smallholder is using solid from catfish pond, processed poultry and cattle manure (composted) as organic fertilizer, however no record of such use is available.

Minor nonconformity against 4.2.3 (reference number 998107N15): *Compost were utilized as organic matter at oil palm plantation, however there is not adequate evidence the recording are done.*

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

Field visit to three sample KUDs, KUD Tani Subur has mostly flat areas, while KUD Bina Usaha Baru and KUD Karya Bersama has relatively slope areas. Best practices to minimize and control erosion were sighted, for example: proper terraces and U-shape frond stacking in smallholder plot number 637 and 516 under KUD Bina Usaha Baru. Interview with smallholder member showed understanding on control erosion using terrace system. Furthermore, smallholders members are also explained the function of U-Shape frond stacking to control erosion in slope area, and they have implemented on their plots.

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

Observation 10 (4.3.1) – *Care should be taken to consistently implemented U-letter frond stacking at slope planting area as regulated under Agriculture manual Procedure.*

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

Training programme includes training on soil and water conservation and training was conducted by the scheme manager. There are records, list of attendance and photograph that training on water and soil conservation for KUD Karya Bersama was conducted in 20 November 2013. Training is carried out in 17-19 October 2013 for KUD Tani Subur. Interview with smallholder member on

the field confirmed understanding on the soil and water conservation activities.

Monthly records of fertilizer and pesticides usage available with detail of balance stock, area applied, type and quantity (litre/gram). Document review on three sample KUDs confirmed all fertilizer and pesticides usage are available and up to date until October 2013.

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

Scheme smallholder in collaboration with PT IIS's Scheme manager perform census on pest attack on monthly bases and recorded under "*Laporan Hasil Pengamatan dan Pengendalian Hama dan Penyakit*" (Report on monitoring and control of Pest and Disease) latest record on October 2013. Monitoring was conducted for leaf pest (bag worm, caterpillar) attack monitoring on rat attack, Tirathaba attack and Ganoderma symptoms.

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

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

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

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

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

Herbicide is applied by trained personnel to apply oil palm pest and disease control measure through agrochemical approach called Tim Unit Semprot (TUS). PPE is implemented and given by the cooperative to spraying team.

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

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

ASA3 findings: Field visit to smallholder plot in three sample KUDs, found no sign of over-spraying. Consistent implementation is evident.

Agrochemicals are stored at the cooperative store and stock records maintained by the cooperative. Application of agrochemicals in fields by spraying team set up by cooperative management. Empty containers are kept and collected at the cooperative store, then delivery to PT. IIS for further disposal through the licensed collector who is collecting the schedule waste together with PT IIS.

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

ASA3 findings: Based on interview with smallholders, shows they have knowledge to handle empty agrochemical container according to legislation. There is no sign of burning for empty agrochemical container in the field.

Follow up from previous Minor nonconformity (06) raised against 4.6.6 (reference number A845131/6): Person in charge for agrochemical storage in KUD Mekar Abadi (chemical store keeper) has not joined training on use of limited pesticide.

Corrective Action: KUD Mekar Abadi sent the agrochemical storekeeper for training on agrochemical handling. The training for agrochemical use is planned on yearly basis for other KUD staff. Interview and record seen: Mrs. S, attended training for agrochemical handling under “Pelatihan Pestisida Terbatas” dated 25 March 2013. Auditors consider closing out this

nonconformity. Nonconformity is considers closed on 30 November 2013.

There is a document of medication for herbicide applicator in the case of poisoning based on monthly report from village health centre, Desa Air Emas. Up to November 2013, there is no case of poisoning to sprayer noted. Farmer group has provides training on limited pesticide use on 14 April 2011, provided by agrochemical supplier in coordination with government service. The next training for limited pesticide use planned for December 2013. All 15 personnel of Tim Unit Semprot including driver and supervisor has been trained and acquired certificate from Komisi Pengawas Pupuk dan Pestisida. For instance: Ms. Kunik, certificate No.741/Set-KKP3/1/2013 dated 2 January 2013.

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

Health and safety guidelines are developed and prepared by the PT IIS Scheme Manager for implementation in smallholder area. All the scheme smallholders have this document which covers safe operating procedure, training, PPE implementation, awareness posters and signage. KUD has developed procedures of emergency response preparedness. The emergency response identified is spillage, flood, ;and slide, earthquake, fire break. Training on emergency preparedness was provided on 24 May 2013.

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

ASA3 findings: PT IIS assisting KUD in preparing health and safety programme under “Rencana Kesehatan dan Keselamatan Kerja”, risk assessment and training program. The document identifying the risk for each activities, source of hazard, potential risk and risk control to determine the appropriate action plan required. First aid kit considered necessary thus made available with trained field supervisor (WKAK).

Complete training records checked and verified at the scheme smallholder office. Interview with the members of the scheme and seasonal harvesters confirmed that they have attended trainings and able to explain the safe working procedures. Three sample KUDs were received health and safety training on 24 May 2013.

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

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

Observation 11 (4.7.6) – Consideration should be given to consistently enforce the use of PPE for all worker at KUD plantation including FFB transporter.

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

Training Program identified according smallholders' need which was arranged by both PT. IIS Scheme Manager and Scheme Smallholders. Training includes Good Agriculture Practices for oil palm, pesticide application, soil and water conservation, Integrated Pest Management, HCV management and monitoring, occupational health and safety including emergency and first aid, fire fighting, socialization on AMDAL, zero burning technique for replanting etc. Training is documented and kept at the scheme smallholders/cooperative office.

Realization of training programme for three sample KUDs recorded under "*Rencana dan realisasi pelatihan petani plasma tahun 2013*", for example:

First Aid training planned for May 2013, actual 27 May 2013, RSPO training planned for October 2013, actual 3-5 October 2013; Occupational Health and Safety planned for November 2013, actual 23 October 2013; and Integrated Pest Management Training planned for December 2013, actual 21 November 2013.

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

ASA3 findings: PT IIS scheme manager and KUDs agreed to improve smallholder's understanding and knowledge on RSPO. This was carried out through RSPO interpretation with smallholder perspective on 3-5 October 2013.

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

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

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

AMDAL documents have been communicated to smallholder organization. AMDAL and HCV training provided on 17-19 October 2013 for KUD Tani Subur and 3 October for KUD Karya Bersama. Training module and list of attendance is made available.

Smallholders were involved in the preparation of RKL/RPL document. PT IIS was asking KUD staff and members to fill in questionnaire related to environmental aspects from smallholder perspective. A copy of RKL/RPL period January-June 2013 is kept at KUD offices.

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

Interview with smallholder member from three sample KUDs confirmed that smallholders are able to mention protected flora and fauna in their local terms, for example: Deer (*Cervus 19annah19ur*), Cobra snake (*Ophiophagus 19annah*), White-throated Kingfisher (*Halcyon smyrnensis*), Asian leopard cat (*Felis bengalensis*), Phyton (*Python spp*), barn owl (*Tyto alba*), Monitor lizard (*Varanus salvator*), Common Asian palm civet (*Paradoxurus hermaphrodites*).

Three sample KUDs appoint conservation officer to coordinate flora and fauna monitoring in the smallholder area. Interview with appointed officer showed understanding and knowledge on monitoring and conflict mitigation between human and protected species.

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

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

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

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

Smallholder organization has a guidance to improve the efficiency of energy use, prepared with guidance from the Scheme Manager. Energy saving guidance are being exposed to the members of the scheme during the monthly meeting. Smallholders carry out their operational works manually and none mechanised except for the FFB transport. KUD started to record the diesel fuel and electricity use.

Opportunity for Improvement: KUD may wish to improve the record with efficiency calculation of energy use.

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

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

KUDs are actively participate on “Masyarakat Peduli Api” an organization that prepare and aware the risk of land fire. KUD has identified emergency fire plan and structure of fire fighter. The team has appointed the emergency team and the dedicated assembly point. Fire fighting simulation is planned for December 2013.

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

ASA3 findings: KUD Mekar Abadi and KUD Bukit Potalo has improved the fire handling equipment such as hoe, axe, shovel, harrow, bamboo, bucket, water hose, bag of sand, gunny sack, and portable water pump. All found to be in good condition.

Observation 12 (5.5.3) – KUD could improve the treatment of fire control equipment and ensure the equipment condition and readiness.

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

Identification of pollution is carried out by the Scheme Manager with the participation of the smallholders. Copy of the identification is available at the scheme office and KUD office, under document titled “Rencana Pengurangan Pencemaran dan Emisi Tahun 2013”

(Pollution and emission reduction plan 2013). The document identified source of pollution such as dust from FFB transportation, water pollution in farmer plot, smoke from weed cutter machine, fuel spill on farmer plot, water and soil pollution from herbicide, smoke from power generator, etc. Within the same document, farmer group has also indicated the type of work, pollution and the impact. KUD has prepared the action plan to reduce the pollution including the time frame.

*However, a **Minor nonconformity raised against 5.6.1 and 5.6.2 (reference number 998107N14):** KUD has not identified individual farmer activities at oil palm plantation which cause pollution and there is not adequate evidence of implementation upon action plan to mitigate the pollution.*

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

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

The Social Impact Assessment document available and mentioned within frame references of AMDAL documents. All impact assessment conducted and referenced to the nucleus estate including monitoring of social impact (RPL/RKL). Implementation timetable described in master plan of continual improvement. Inspection to three sample KUDs confirmed the AMDAL documents were kept in KUD offices.

PT IIS provides copy of social impact management and monitoring plan/Rencana Pengelolaan Lingkungan (RKL) and Rencana Pemantauan Lingkungan (RPL) in KUD offices. The time table for management of impact has been determined in the plan.

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

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

has a division which responsible on communication and consultation.

Follow up from previous Minor nonconformity raised against 6.2.4 (reference number A845131/7): KUD Mekar Abadi has not appointed dedicated person responsible for communication and consultation with stakeholders.

ASA3 findings: KUD Mekar Abadi has appoint Mr. Sarno as officer responsible to actively communicate and consultation with stakeholders. Appointment letter No.10/Kpts/KUD-MA/III/2013 dated 1 March 2013. The appointed officer has understood the task and responsibility. **Nonconformity consider closed on 30 November 2013.**

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

In relevant to Criterion 1.1 and 6.2, system for complaints is in place at the smallholder organisation. The system has been described in mechanism resolution flow chart. Records are kept in logbook, minutes of meeting and respond recorded in the complaint and grievances book.

Based on interview with smallholder and public consultation process, internal complaint channelled through farmer group. Complaint from external parties delivered through appointed communication officer. All complaint recorded under “Logbook Penerimaan Keluhan” in KUD office. There are 6 complaints filed up to November 2013 and KUD Karya Bersama has provided appropriate response thereupon. No complaint recorded in KUD Bina Usaha Baru and KUD Tani Subur,

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

During ASA3, there are no disputes on land acquisition and ownership because the land belongs to farmers and they have land certificate. Based on public consultation, there is no land claim from among member and/or external parties.

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

In three sample KUDs, full time workers are employed as staff in KUD office. Review on payroll of the workers

confirmed the wage structures are met with minimum wage regulation.

Work contract are also available for each full time workers in all KUDs. Field work and harvesting is carried out by the smallholders themselves and sometime by seasonal part time workers.

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

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

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

Smallholders are aware that child labour is not used. Interview with smallholder members confirmed and noted during the field inspection, No worker under the age of 18, is being used.

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

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

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

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

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

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

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

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

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

Corrective Action: KUD Sumber Bahagia provide the FFB transport contract detailed with price, term of service, occupational safety requirement, payment and contract time frame. The contract, "Surat Perjanjian Pengangkutan TBS" dated 1 November 2012 and valid up to 31 October 2013 with rate Rp.34 per ton FFB..

KUD Sumber Bahagia has also prepared the new contract under "Surat Perjanjian Pengangkutan TBS" created on 1 November 2013 and valid up to 1 November 2014 to accommodate petrol price increase. Record seen: Transportation payment KUD Sumber Bahagia for October 2013, Rp.34 per ton, equal to Rp.9,841,400 to Mr C, dated 1 November 2013. KUD Sumber Bahagia prepared a documentation system to monitor the document's location and expiry status. **Nonconformity consider closed on 30 November 2013.**

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

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

development recorded under "Dokumen Kegiatan Sosial".

Principle 7: Responsible development of new plantings.

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

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

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

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

3.3 Detailed identified Nonconformities, Corrective Actions and Auditor Conclusion

Corrective actions with respect to the nonconformities raised at the last assessment (ASA2) have been reviewed and found to be effectively implemented. The detail of corrective action taken to close out nonconformities available in the Status of non conformities previously identified.

During ASA3, there is 1 (one) Major Nonconformity against indicator 5.3.2 of RSPO P&C for Mills and Estates.

There are also 2 (two) Minor nonconformities rose against indicator 4.2.3 and 5.6.1 with 5.6.2 of RSPO P&C for scheme smallholders.

There are also several Observation/Opportunity for improvement highlighted.

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

BSI auditor has accepted the evidence of closing out Major nonconformities and concluded those have been closed. BSI auditor has also accepted the Corrective Action Plan for minor nonconformities and will be further verified for effective implementation during subsequent surveillance visits (ASA4).

MAJOR NONCONFORMITIES**(RSPO P&C for Mills and Estate)****CAR reference 998107M17**

There is inappropriate waste management and disposal of scrap metal in the mill.

Corrective Action:

*Management took immediate action to identify, monitor and sell the scrap metal to scrap metal collector. PT IIS has managed to sell off and removed 250,000 kg scrap metal from Ukui I mill, Ukui II mill and Estates up to 30 January 2014. Auditor considers sufficient evidences to close out the nonconformity, and will check the consistent implementation at subsequent surveillance visits. **Nonconformity is closed on 30 January 2014.***

MINOR NONCONFORMITIES**(RSPO P&C for Scheme smallholders)****CAR reference 998107N15**

4.2.3 *Compost were utilized as organic matter at oil palm plantation, however there is not adequate evidence the recording are done.*

Corrective Action Plan:

Scheme manager will coordinate with KUD in providing monitoring format to record organic fertilizer and compost application. Furthermore, scheme manager will communicate the correct and accurate use of organic fertilizer and compost record. Smallholder will fill up the monitoring format in correct and accurately, in line with time of application.

CAR reference 998107N14

5.6.1 and 5.6.2 *KUD has not identified individual farmer activities at oil palm plantation which cause pollution and there is not adequate evidence of implementation upon action plan to mitigate the pollution.*

Corrective Action Plan:

Scheme manager will provide guidance to smallholder doing business on the oil palm plantation involving livestock service, health service, village officials and KUD. Scheme manager will provide guidance related to handling and management environment including hazardous waste.

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

Observation/Opportunities for improvement

There are 8 (eight) Observations identified for Mill and Estate; 4 (four) Observations for Scheme Smallholders; and None for Supply Chain for CPO Mills. Details are in the section below.

01 (1.1.2) Company could improve monitoring performance on response upon information request from stakeholders through updating the latest status of action plan.

02 (2.1.3) Palm oil mills shall improve record keeping in term of availability regulation, such as copy of Permenkes No.416 tahun 1990 and PP No.82 tahun 2001.

03 (4.7.8) Safety officer needs to improve monitoring on first-aid kits in term of expiry date and adequacy of medicines.

04 (5.2.4) Field visit to field block number B88a (riparian of Pematang River) found the signboard was slightly broken. It is company responsibility to ensure the signboard is properly maintained.

05 (6.8.2) Care should be taken to improve the effort that all stakeholders could gain information access related with opportunity to work in the company.

06 (6.10.2) Company could improve the stakeholder understanding related with FFB pricing mechanism for out grower FFB supplier.

07 (6.11.1) PT IIS need to review the CSR programme planning where the achievement of CSR programme for period of January-November 2013 is 12.51%.

08 (8.1.1) PT IIS could consistently monitor the environmental and social parameters as per Environmental Impact Assessment such as water quality, air emission, air ambience, BOD, etc.

09 (2.2.1) KUD could improve the documentation system of land ownership certificate copies, and to maintain status of ownership (for instance land acquisition, accuracy between certificate detail/land parcel and maps).

10 (4.3.1) Care should be taken to consistently implement U-letter frond stacking at slope planting area as regulated under Agriculture Manual Procedure.

11 (4.7.6) Consideration should be given to consistently enforce the use of PPE for all workers at the smallholder plantation, including FFB transporter.

12 (5.5.3) KUD could improve the maintenance of the fire controls equipment and ensure the equipment condition and readiness.

Review Status of Nonconformities (Major and Minor) Previously Identified**MAJOR NONCONFORMITIES**

No open major nonconformities were identified at previous assessment.

MINOR NONCONFORMITIES**Minor nonconformity (01) against 4.1.4 (A845131/1)**

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

Ukui I Mill

- tightening weighing bridge screw and bolts done 5 times in a year, while the programme conducted once on monthly basis during 2012;

- multi-cyclone leakage checking at boiler station was not done in 2012, while the programme once in 3 month. Ukui II Mill

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

ASA 3 findings:

Auditor performed document review, interview with operator and site visit to verify the implementation of preventive maintenance programme. It is found that preventive maintenance programme carried out as appropriate. **The nonconformity is considered closed on 30 November 2013.**

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

ASA3 findings: PT IIS consistently carried out water quality test. Parameter from water quality test result that does not meet regulatory requirement is evaluated. PT IIS also proposed appropriate action plan thereupon. Document review and field exercise suggest the corrective action is adequate to close the nonconformity. **The nonconformity is considered closed on 30 November 2013.**

Minor nonconformity (03) against 4.7.5 (reference number A845131/3):

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

ASA 3 findings:

Soga estate has recorded all incident and accident occurrence under Laporan K3 KSA. The record has been taken as consideration for determining the risk assessment. The latest risk analysis carried out on 11 May 2013, where the risk assessment has been changed accordingly. **NC Minor is considered closed on 30 November 2013.**

Minor nonconformity (04) against 4.7.8 (reference number A845131/4):

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

ASA3 findings:

First aid kit for Soga Estate have been identified with green cross, the content of the first aid kit has been adjusted in conformance with PerMenaKer No.15 tahun 2008. **Nonconformity is considered closed on 30 November 2013.**

Minor nonconformity (05) against 4.7.10 (reference number A845131/5):

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

ASA3 findings:

Work accident record and accident investigation covered in safety committee (P2K3) meeting. Document review against minutes of meeting indicates accident investigation review and proposed action plan to be taken. Progress of action plan (from previous month) was discussed during the next safety committee meeting. **Nonconformity is considered to be closed on 30 November 2013.**

Observation/Opportunities for improvement

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

ASA3 findings: Ukui 1 Palm oil mill has append the long term working plan (2012-2015) with crop projection including FFB yield trend, price forecast and other financial indicators.

Observation (5.3.1): PT IIS to ensure document "Evaluasi Aspek-Dampak Lingkungan" Ukui II Mill dated April 2011 is regularly updates as per time target for each activities. This will be further verified during next surveillance assessment.

ASA3 findings: During this assessment, Ukui II mill has updates the environmental aspect-impact under "Evaluasi Aspek-Dampak Lingkungan". Document review shows the most recent updates in 2013.

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

MAJOR NONCONFORMITIES

No open Major nonconformity was identified. All these nonconformities were closed out in ASA 2 (February 2013)

MINOR NONCONFORMITIES

Minor nonconformity (06) raised against 4.6.6 (reference number A845131/6):

Person in charge for agrochemical storage in KUD Mekar Abadi (chemical store keeper) has not joined training on use of limited pesticide.

Corrective Action: Verification upon previous Minor NC: KUD Mekar Abadi sent the agrochemical storekeeper for training on agrochemical handling. The training for agrochemical use is planned on yearly basis for other KUD staff. Interview and record seen: Mrs. S, attended

training for agrochemical handling under “Pelatihan Pestisida Terbatas” dated 25 March 2013. Auditors consider closing out this nonconformity. **Nonconformity considers closed on 30 November 2013.**

Minor nonconformity (07) raised against 6.2.4 (reference number A845131/7):

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

ASA3 findings:

KUD Mekar Abadi has appoint Mr. Sarno as officer responsible to actively communicate and consultation with stakeholders. Appointment letter No.10/Kpts/KUD-MA/III/2013 dated 1 March 2013. The appointed officer has understood the task and responsibility.

Nonconformity consider closed on 30 November 2013.

Minor nonconformity raised against 6.10.3 (reference number A845131/8):

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

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

ASA3 findings:

KUD Sumber Bahagia has provided FFB transportation contract, in which detailing price, term of service, occupational safety requirement, payment and contract time frame. The contract, titled “Surat Perjanjian Pengangkutan TBS” dated 1 November 2012 and valid up to 31 October 2013 with rate Rp.34 per ton FFB.

KUD Sumber Bahagia has also prepared the new contract under “Surat Perjanjian Pengangkutan TBS” created on 1 November 2013 and valid up to 1 November 2014 to accommodate petrol price increase. Record seen: Transportation payment KUD Sumber Bahagia for October 2013, Rp.34 per ton, equal to Rp.9,841,400 to Mr C, dated 1 November 2013. KUD Sumber Bahagia prepared a documentation system to monitor the document’s location and expiry status. **Nonconformity consider closed on 30 November 2013.**

””

Previous Observation/Opportunities for improvement

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

ASA3 findings: Communication mechanism flowchart has been revised under “Mekanisme Komunikasi dan Konsultasi”. The simplified flowchart has been communicated to village stakeholders.

Observation (2.2.1) – Record keeping of land ownership certificate in KUD Bukit Potalo need to be improve. Some of copies were not kept in KUD office. Scheme manager

and KUD Bukit Potalo need to review location map to ensure all farmer plot registered and correctly located.

ASA3 findings: Document review upon land ownership certificate in three KUD, all sampled smallholder plot has the land certificate copy in the KUD office.

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

ASA3 findings: Based on interview with smallholders, shows they have knowledge to handle empty agrochemical container according to legislation. There is no sign of burning for empty agrochemical container in the field.

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

ASA3 findings: PT IIS assisting KUD in preparing health and safety programme under “Rencana Kesehatan dan Keselamatan Kerja”, risk assessment and training program. The document identifying the risk for each activities, source of hazard, potential risk and risk control to determine the appropriate action plan required. First aid kit considered necessary thus made available with trained field supervisor (WKAK).

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

ASA3 findings: PT IIS scheme manager and KUDs agreed to improve smallholder’s understanding and knowledge on RSPO. This was carried out through RSPO interpretation with smallholder perspective on 3-5 October 2013.

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

ASA3 findings: KUD Mekar Abadi and KUD Bukit Potalo has improved the fire handling equipment such as hoe, axe, shovel, harrow, bamboo, bucket, water hose, bag of sand, gunny sack, and portable water pump. All found to be in good condition.

3.4 Noteworthy Positive Components

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

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

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

Another positive improvement noted is the development of biogas plant, to manage green house gases in appropriate manner. This project planned for commissioning in first quarter of 2014.

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

Appendix D contains list of stakeholders contacted. Methodology used was Focus group Discussion on 26 November 2013 and conducted by the audit team member with social auditing background. Stakeholders consultation attended by participants from community representatives, Scheme Smallholders and their head of cooperatives, religious leaders, contractors, suppliers and government officials from Agriculture Office, Environment office, Workers Union (SPSI).

A number of inquiries occurred during discussion, some related to Corporate Social Responsibility programme, company's conservation programme, job opportunity and out grower FFB price. These issues were discussed in constructive manner. Company has provide information and clarification, accepted by stakeholders.

Village Secretary of Bagan Limau stated there is an agreement with PT IIS for CSR programme, but has not come into material such as: village road maintenance, clean water provision. Bagan Limau village has submitted activity proposal and letter, with verbal response from PT IIS. Similar issue raised by Lubuk Kembang Bunga village. PT IIS responded that the programme is not yet implemented due to weather constraint, but it will be done in December 2013. Auditor response: PT IIS need to evaluate the plan and realization of 2013 CSR programme.

Village head of Lubuk Kembang Bunga and Air Hitam inquired the FFB price from community differ significantly compares to FFB price for scheme smallholders. PT IIS responded that FFB price mechanism has in accordance with relevant law, furthermore, FFB price from community is announced on Ukui POM announcement board. The FFB price announcement is updated on regular basis, referring to government update. Auditor response: PT IIS has a mechanism for FFB price determination for non-scheme smallholder, however it is required to communicating the mechanism.

Village head of Air Hitam has not understand the conservation programme for river buffer zone, FFB price difference with FFB from scheme smallholder, lack

of attention given related to the flooding recently, and village feel difficulties in communicating with PT IIS management. PT IIS responded that company will communicate the conservation for river buffer zone, company will communicate the FFB price determination for scheme smallholder and out grower, PT IIS has CSR programme covering disaster aid for 2 villages namely Air Hitam and Lubuk Kembang Bunga, PT IIS will conduct socialization on community grievance procedures. Auditor responses that PT IIS will need to communicate the company policies and procedures in relation to FFB price determination, CSR policies and implementation as well as communication and grievance handling mechanism to local communities.

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

4.0 CERTIFIED ORGANISATION’S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Closing Nonconformities (Major and Minor)

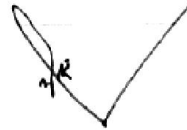
Table 6. Status of Nonconformities

Reference	Category	ISSUED	CLOSED
AS01/2011/Ukui SH 4.6.4	Major S’holder	23/12/2011	20/02/2012
AS02/2011/Ukui SH 6.5.1	Major S’holder	23/12/2011	20/02/2012
AS01/2012/Ukui ASA01 2.2.5	Minor	23/02/2012	09/02/2013
AS02/2012/Ukui ASA01 6.1.2	Minor	23/02/2012	09/02/2013
AS03/2011/Ukui SH 5.2.2	Minor S’holder	23/02/2012	09/02/2013
AS04/2011/Ukui SH 6.1.3	Minor S’holder	23/02/2012	09/02/2013
A845131/1 2.1.1	Major	09/02/2013	02/04/2013
A845131/2 2.2.1	Major	09/02/2013	08/04/2013
A845131/3 4.8.2	Major	09/02/2013	02/04/2013
A845131/4 5.3.2	Major	09/02/2013	08/04/2013
A845131/5 6.3.1	Major	09/02/2013	08/04/2013
A845131/6 6.5.1	Major	09/02/2013	08/04/2013
A845131/7 4.6.2	Major S’holder	09/02/2013	02/04/2013
A845131/8 E.1.1 SCC	Major SCC	09/02/2013	02/04/2013
A845131/9 E.3.1 SCC	Major SCC	09/02/2013	02/04/2013
A845131/10 E.5.1 SCC	Major SCC	09/02/2013	08/04/2013
A845131/1 4.1.4	Minor	09/02/2013	Closed 30/11/2013
A845131/2 4.4.2	Minor	09/02/2013	Closed 30/11/2013
A845131/3 4.7.5	Minor	09/02/2013	Closed 30/11/2013
A845131/4 4.7.8	Minor	09/02/2013	Closed 30/11/2013
A845131/5 4.7.10	Minor	09/02/2013	Closed 30/11/2013
A845131/6 4.6.6	Minor S’holder	09/02/2013	Closed 30/11/2013
A845131/7 6.2.4	Minor S’holder	09/02/2013	Closed 30/11/2013
A845131/8 6.10.3	Minor S’holder	09/02/2013	Closed 30/11/2013
998107M17 5.3.2	Major	30/11/2013	Closed 30/01/2014
998107N15 4.3.2	Minor S’holder	30/11/2013	“Open”
998107N14 6.5.1	Minor S’holder	30/11/2013	“Open”

4.2 Acknowledgement of Internal Responsibility and Formal Sign off of Assessment Findings

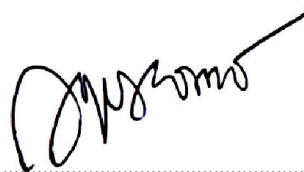
Please sign below to acknowledge receipt of the assessment visit described in this report and confirm the acceptance of the assessment report contents including assessment findings.

Signed for on behalf of
PT Inti Indosawit Subur



.....
Mr. Welly Pardede
Head of Environment & Sustainability
Date: 18 February 2014

Signed for on behalf of
PT BSI Group Indonesia



.....
Aryo Gustomo
Lead Auditor
Date: 18 February 2014

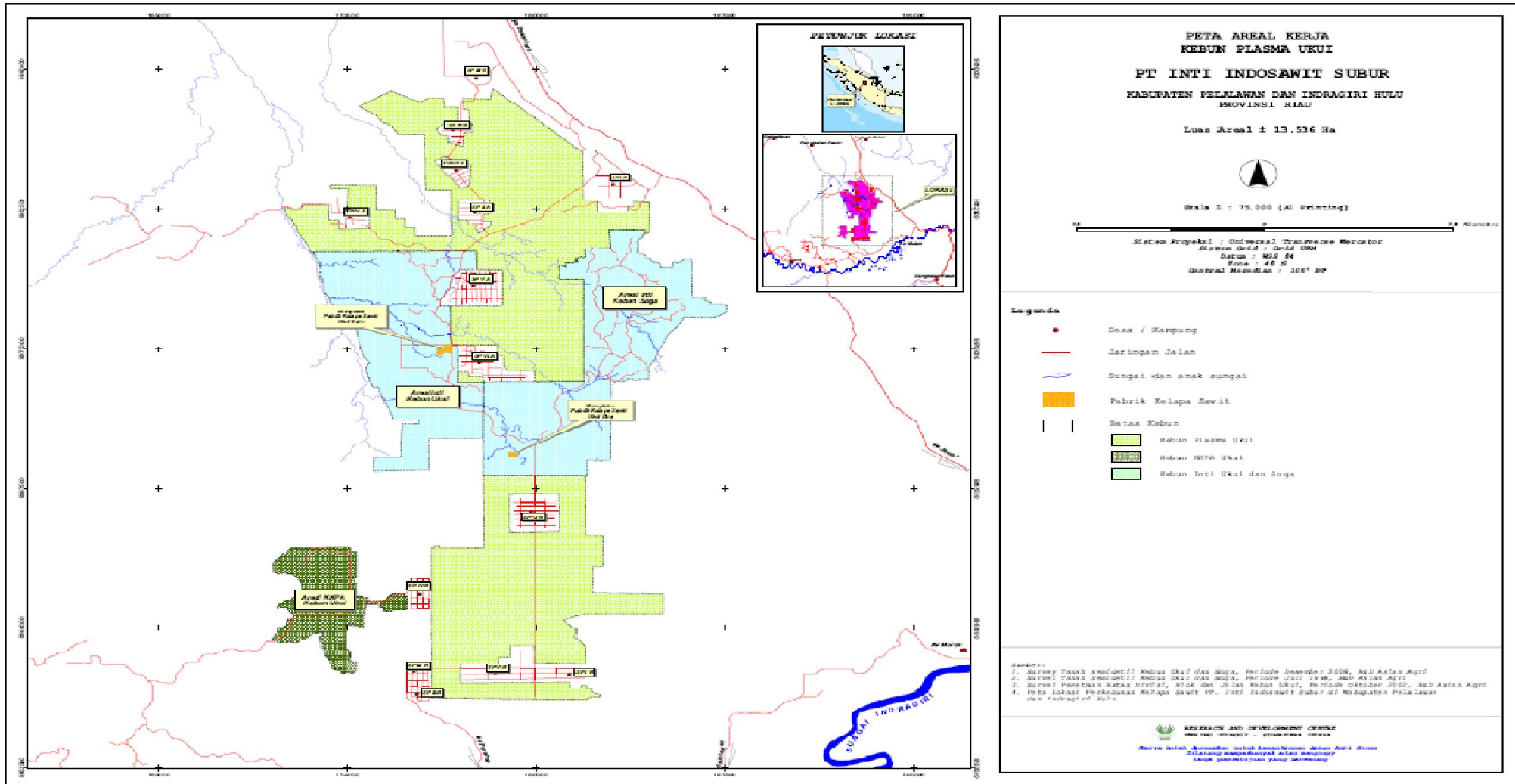


Figure 1: Location of Ukui Group Estate and Scheme Smallholder

Appendix A: PT Inti Indosawit Subur Time bound Plan

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

Muara Bulian (Plasma)	Maro Sebo Ilir District, Batanghari Regency, Jambi	2012	Certified on 12 Jul 2013
Muara Bulian (KKPA)	Maro Sebo Ilir District, Batanghari Regency, Jambi	2012	Certified on 12 Jul 2013
Topaz & Seed Garden	Petapahan Village, Tapung District, Kampar Regency, Riau	2013	Main Audit completed Jan 2014
Taman Raja & Badang	Lubuk Bernai / Kampung Baru / Pelabuhan Dagang / Pematang Pauh Village, Tungkal Ulu District, Tanjung Jabung Regency, Jambi	2013	Main Audit completed Jan 2014
Ukui & Soga (KKPA)	Ukui & Lubuk Batu Jaya District, Pelalawan & Inhu Regency, Riau	2014	-
Segati	Langkan / Penarikan / Tambak / Sotol Village, Langgam District, Pelalawan Regency, Riau	2014	-
Penarikan & Gondai	Pangkalan Sarik / Baru Village, Langgam / Siak Hulu District, Pelalawan / Kampar Regency, Riau	2014	-
Penarikan (KKPA)	Pangkalan Sarik / Baru Village, Langgam / Siak Hulu District, Pelalawan / Kampar Regency, Riau	2014	-
Gunung Sahilan (KKPA)	Gunung Sahilan Village, Lipat Kain District, Pelalawan Regency, Riau	2014	-
Bahilang	Bahilang Village, Tebing Tinggi District, Serdang Bedagai Regency, North Sumatra	Expedite from 2015 to 2013	Main Audit completed Feb 2014
Tanah Datar	Tanah Datar Petatal Village, Talawi District, Asahan Regency, North Sumatra	Expedite from 2015 to 2013	Main Audit completed Feb 2014
Aek Nabara	S1-S3 / Sukadame Village, Bilah Hulu / Kota Pinang District, Labuhan Batu Regency, North Sumatra	Expedite from 2015 to 2013	Main Audit completed Feb 2014
Teluk Panjie	Teluk Panjie Village, Kampung Rakyat District, Labuhan Batu Regency, North Sumatra	Expedite from 2015 to 2013	Main Audit completed Feb 2014
Peranap	Simelinyang / Pauh Ranap / Sengkilo Village, Peranap District, Indragiri Hulu Regency, Riau	Expedite from 2015 to 2013	Main Audit completed Jan 2014
Bungo Tebo	Tuo Sumai / Sungai Rambai Village, PWK Sumai / Tebo Ulu District, Bungo Tebo Regency, Jambi	2016	-
Peranap (Plasma)	Simelinyang / Pauh Ranap / Sengkilo Village, Peranap District, Indragiri Hulu Regency, Riau	2016	-
Bungo Tebo (Plasma)	Tuo Sumai / Sungai Rambai Village, PWK Sumai / Tebo Ulu District, Bungo Tebo Regency, Jambi	2016	-
Tanjung Selamat	Kampung Padang Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatra	2017	-
Pangkalan	Sennah Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatra	2017	-
Sentral & Batu Anam	Gonting Mahala Village, Bandar Pulau District, Asahan Regency, North Sumatra	2017	-
Pulau Maria	Rahuning Village, Bandar Pulau District, Asahan Regency, North Sumatra	2017	-
Nagri Lama	Nagri Lama Seberang Village, Bilah Hilir District, Labuhan Batu Regency, North Sumatra	Expedite from 2015 to 2013	Main Audit completed Feb 2014
Aek Kuo	Aek Korsik Village, Aek Natas District, Labuhan Batu Regency, North Sumatra	Expedite from 2015 to 2013	Main Audit completed Jan 2014

Appendix B: RSPO Certificate Details

PT Inti Indosawit Subur – Ukui Group

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

Certificate Number: SPO 565807

Initial Certificate Issued Date: 1 March 2011

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

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

Ukui I Palm Oil Mill and Supply Base	
Location	Pelalawan Regency, Riau, Indonesia
Address	Ukui Village, Ukui District, Pelalawan Regency, Riau, Indonesia
GPS	Longitude: 102° 05' 33" E Latitude: 00° 13' 34" S
Estate FFB Tonnage processed	115,959
Scheme Smallholder FFB Tonnage processed	189,046
Outgrowers FFB Tonnage processed*	100,000
CPO Tonnage produced	84,464
PK Tonnage produced	22,883
PKO Tonnage produced	7,553
CPO Tonnage Total claimed**	66,364
PK Tonnage Total claimed**	17,233
PKO Tonnage Total claimed***	7,553

* Outgrowers is excluded from the Certification scope

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

*** PKO was calculated only from certified PK. The PKO from outgrowers is not accounted.

Ukui II Palm Oil Mill and Supply Base	
Location	Pelalawan Regency, Riau, Indonesia
Address	Ukui Village, Ukui District, Pelalawan Regency, Riau, Indonesia
GPS	Longitude: 102° 07' 01" E Latitude: 00° 16' 37" S
Estate FFB Tonnage processed	145,743
Scheme Smallholder FFB Tonnage processed	142,613
Outgrowers FFB Tonnage processed*	121,619
CPO Tonnage produced	87,847
PK Tonnage produced	22,549
PKO Tonnage produced	6,978
CPO Tonnage Total claimed**	64,183
PK Tonnage Total claimed**	15,860
PKO Tonnage Total claimed***	6,978

* Outgrowers is excluded from the Certification scope

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

*** PKO was calculated only from certified PK. The PKO from outgrowers is not accounted.

Appendix C: Assessment Programme

Date	Time	Subjects	Aryo	Sedayu	Nanang
Sunday, 24/11/2013	14.05 – 15.55	Auditors travelling from Jakarta – Pekan Baru Pick up at the airport by PT IIS	√	√	√
	16.00 – 19.00	Travelling to the site (Ukui) Overnight in guesthouse	√	√	√
Monday, 25/11/2013	07.30 – 08.30	Opening Meeting: <ul style="list-style-type: none"> • Presentation by the Estate and mill managers, Supply Chain related to the FFB supplied to the mill, progress of Time Bound Plan). • Presentation by Audit team leader and confirmation of assessment scope. Finalize Audit schedule, including stakeholders consultation. • Other business 	√	√	√
	08.30 – 12.00	Document review at Ukui I Mill and Ukui Estate (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, Time bound plan verification, verify status of previous Non Conformity, etc).	√	√	√
	12.00 – 14.00	Break/Lunch/Pray	√	√	√
	14.00 – 17.00	Document review at Ukui I Mill and Ukui Estate (General Documentation e.g. Legal, Manual and Procedure, HCV identification, SEIA documents, Health and Safety, etc).	√	√	√
Tuesday, 26/11/2013	08.00 – 12.00	Site visit at Ukui I Mill and Ukui Estate inspection, warehouse, workshop, mill wastes management, effluent ponds, OSH, Environment issues, POME application, Workers interview, housing, Supply Chain for CPO mill, Review on SEIA documents and records, document review, etc.	√	√	-
	08.00 – 12.00	Stakeholder Consultation Meeting – Mill, Estate, and Scheme Smallholders: Meeting and interview with stakeholders from Local government, head of village, NGO, contractors, etc.	-	-	√
	12.00 – 14.00	Break/Lunch/Pray	√	√	√
	14.00 – 17.00	Site visit at Ukui II Mill and Ukui Estate inspection, warehouse, workshop, mill wastes management, effluent ponds, OSH, Environment issues, POME application, Workers interview, housing, Supply Chain for CPO mill, Review on SEIA documents and records, document review, etc.	√	√	√
Wednesday, 27/11/2013	08.00 – 12.00	Document review at Ukui II Mill and Ukui Estate inspection, warehouse, workshop, mill wastes management, effluent ponds, OSH, Environment issues, POME application, Workers interview, housing, Supply Chain for CPO mill, Review on SEIA documents and records, document review, etc.	√	√	-
	08.00 – 12.00	Document review for Ukui Estate, Review on SEIA documents and records, HCV documents and records, etc.	-	-	√
	12.00 – 14.00	Break/Lunch/Pray	√	√	√
	14.00 – 17.00	Document review at Ukui II Mill and Ukui Estate inspection, warehouse, workshop, mill wastes management, effluent ponds, OSH, Environment issues, POME application, Workers interview, housing, Supply Chain for CPO mill, Review on SEIA documents and records, document review, etc.	√	√	√
Thursday, 28/11/2013	08.00 – 12.00	Scheme Smallholder Audit: KUD 1 Inspections e.g. Office (Document review)	√	-	-
	08.00 – 12.00	Scheme Smallholder Audit: KUD 2 Inspections e.g. Office (Document review)	-	√	√
	12.00 – 14.00	Break/Lunch/Pray	√	√	√
	14.00 – 17.00	Continuing Scheme Smallholder Audit: KUD 1 Inspections e.g. Office (Document review), Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting, HCV area, farmer plots. Etc	√	-	-
	14.00 – 17.00	Continuing Scheme Smallholder Audit: KUD 2 Inspections e.g. Office (Document review), Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting, HCV area, farmer plots. Etc	-	√	√
Friday, 29/11/2013	08.00 – 12.00	Scheme Smallholder Audit: KUD 3 Inspections e.g. Office, Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting, HCV area, farmer plots. Etc	√	√	√
	12.00 – 14.00	Break/Lunch/Pray	√	√	√

	14.00 – 17.00	Continuing Scheme Smallholder Audit: KUD 3 Inspections e.g. Office (Document review), Landfill, Chemical store and mixing, Fertiliser, field spraying & harvesting, HCV area, farmer plots. Etc	√	√	√
Saturday, 30/11/2013	08.00 – 10.00	Gather outstanding information, prepare report for closing meeting	√	√	√
	10.00 – 12.00	Closing Meeting	√	√	√
	12.00 – 15.00	Auditor travelling to Pekanbaru	√	√	√
	16.00 – 18.25	Auditor travelling from Pekanbaru - Jakarta	√	√	√

Appendix D: List of Stakeholders Contacted

<p><i>Scheme Smallholders</i></p> <p>Tani Subur Smallholders and Cooperative Head Karya Bersama Smallholders and Cooperative Head Bina Usaha Baru Smallholders and Cooperative Head WKAK</p>	<p><i>Local Communities</i></p> <p>Air Hitam Village Representative Bagan Limau Village Representative Lubuk Kembang Bunga Village Representative Ukui Sub District Representative</p>
<p><i>Internal Stakeholders</i></p> <p>PT IIS – Ukui Group Management team and Staff Head of the Sustainability Department Manager of the Stakeholder Relation Department General Manager Plasma Manager and Assistants Mill Managers and Assistants Estate Managers and Assistants Facility Administrators Gender Committee Representatives Doctor and Clinic Assistants Male and Female workers (Harvester, Sprayer Gang, Fertilizer Applicator, Foreman, Ukui I Mill, Ukui II Mill, Kernel Crushing Plant, etc)</p>	<p><i>NGO and Others</i></p> <p>WWF Indonesia – Riau branch SPSI (Worker Union) of PT IIS</p>
<p><i>Government Departments</i></p> <p>District Labour Office District Agriculture Office District Cooperative Office District Environment Office</p>	

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

Supply Chain Assessment Report – PT Inti Indosawit Subur, Ukui – Mass Balance
Ukui I Palm Oil Mill

Certified Mill Production 1 January – 31 December 2013 (in tonnes)

Capacity	CPO	PK	CPKO *
90 TPH	62,034 Mt	15,966 Mt	

*) if any

Certified Mill Production 1 January – 31 December 2014 (budget)

Capacity	CPO	PK	CPKO*
90 TPH	66,364 Mt	17,233 Mt	7,583 (Ukui I Mill) 6,978 (Ukui II Mill)

*) Kernel Crushing Plant is located in Ukui I Palm Oil Mill, Palm Kernel from Ukui II Mill send to Ukui I Mill

Budget 2014

Ukui KCP	Ukui I Mill		Ukui II Mill	
	PK	PKO	PK	PKO
Inti Estate	6,552 Mt	2,884 Mt	8,016 Mt	3,527 Mt
Smallholders Estate	10,681 Mt	4,699 Mt	7,844 Mt	3,451 Mt
Total	17,233 Mt	7,583 Mt	15,860 Mt	6,978 Mt

Sales of Certified Mill Products (GreenPalm Certificates) – 1 March 2013 – 28 February 2014 (in tonnes)

CPO	PK
13,000 Mt	2,112 Mt

Sales Certified CPO (UTZ Certificates) as of 10 February 2014

1 March 2013 – 28 February 2014

Month	Buyer (CPO)	Tonnes/Certificates
March 2013 – February 2014		6,894.82 Mt

Sales Certified CPO (GreenPalm Certificates)

1 March 2013 – 28 February 2014

Month	Buyer (CPO)	Tonnes/Certificates
Apr-13	Trade in GreenPalm	1,000
May-13	Trade in GreenPalm	2,000
Oct-13	Trade in GreenPalm	1,000
Nov-13	Trade in GreenPalm	5,000
Dec-13	Trade in GreenPalm	4,000
		13,000

Sales Certified PK (GreenPalm Certificates) – 100% processed and sold as CPKO

1 March 2013 – 28 February 2014

Month	Buyer (PK)	Tonnes/Certificates
Apr-13	Trade in GreenPalm	1,000
Oct-13	Trade in GreenPalm	400
Nov-13	Trade in GreenPalm	56
Dec-13	Trade in GreenPalm	656
TOTAL		2,112

Sales Certified PKO (GreenPalm Certificates)
1 March 2013 – 28 February 2014

Month	Buyer (PKO)	Tonnes/Certificates
Apr-13	Trade in GreenPalm	450.0
Oct-13	Trade in GreenPalm	180.0
Nov-13	Trade in GreenPalm	25.2
Dec-13	Trade in GreenPalm	295.2
TOTAL		950.4

Certified FFB Received Monthly – 1 January – 31 December 2013

Month	Ukui Estate	Scheme Smallholder	Total FFB/Month
Jan-13	9,938	13,761	23,699
Feb-13	8,865	12,596	21,461
Mar-13	7,664	12,136	19,800
Apr-13	8,537	14,696	23,233
May-13	8,309	14,123	22,432
June-13	8,480	13,918	22,398
Jul-13	10,345	15,144	25,489
Aug-13	8,790	14,464	23,254
Sep-13	9,285	16,539	25,824
Oct-13	10,928	17,018	27,946
Nov-13	10,626	17,764	28,390
Dec-13	8,899	15,908	24,807
TOTAL	110,666	178,067	288,733

Ukui II Palm Oil Mill

Certified Mill Production 1 January – 31 December 2013 (in tonnes)

Capacity	CPO	PK
75 TPH	62,127 Mt	15,253 Mt

Sales of Certified Mill Products (GreenPalm Certificates) – 1 March – 28 February 2014 (in tonnes)

CPO	PK
11,863 Mt	3,811 Mt

Sales Certified CPO (UTZ Certificates) as of 10 February 2014
1 March 2013 – 28 February 2014

Month	Buyer (CPO)	Tonnes/Certificates
March – February 2014		7,770.85 Mt

Sales Certified CPO (GreenPalm Certificates)
1 March 2013 – 28 February 2014

Month	Buyer (CPO)	Tonnes/Certificates
Apr-13	Trade in GreenPalm	1,500
May-13	Trade in GreenPalm	1,609
Oct-13	Trade in GreenPalm	1,394
Nov-13	Trade in GreenPalm	3,360
Dec-13	Trade in GreenPalm	4,000
TOTAL		11,863

Sales Certified PK (GreenPalm Certificates) – 100% send to Ukui I Mill, processed and sold as CPKO

1 March 2013 – 28 February 2014

Month	Buyer (PK)	Tonnes/Certificates
Apr-13	Trade in GreenPalm	1,000
May-13	Trade in GreenPalm	1,000
Oct-13	Trade in GreenPalm	311
Nov-13	Trade in GreenPalm	1,000
Dec-13	Trade in GreenPalm	500
TOTAL		3,811

Sales Certified PKO (GreenPalm Certificates)

1 March 2013 – 28 February 2014

Month	Buyer (CPO)	Tonnes/Certificates
Apr-13	Trade in GreenPalm	450.00
May-13	Trade in GreenPalm	450.00
Oct-13	Trade in GreenPalm	139.95
Nov-13	Trade in GreenPalm	450.00
Dec-13	Trade in GreenPalm	225.00
TOTAL		1,714.95

Certified FFB Received Monthly – 1 January – 31 December 2013

Month	Soga Estate	Scheme Smallholder	Total FFB/Month
Jan-13	11,417	11,685	23,102
Feb-13	8,884	10,506	19,390
Mar-13	8,906	9,468	18,374
Apr-13	9,340	11,265	20,605
May-13	9,282	11,856	21,138
June-13	10,364	11,605	21,969
Jul-13	13,692	12,032	25,724
Aug-13	12,060	10,985	23,045
Sep-13	13,404	12,679	26,083
Oct-13	14,305	13,381	27,686
Nov-13	14,049	14,891	28,940
Dec-13	12,084	13,233	25,317
TOTAL	137,787	143,586	281,373

Requirements	
E.1. Documented procedures	
E.1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified for Mass Balance (MB) supply chain requirements.	Both mills have written documented procedures for the chain of custody with MB model covering certified and non certified FFB. The procedure revised in 2013. The marketing and mill managers have the responsibility to ensure implementation.
E.1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFBs.	Both mills have documented procedures for the incoming FFB, processing and outgoing palm products (CPO and PK). Marking is made on the receiving documents to differentiate the certified and non-certified FFB received. Records: Procedure AA-SM-405.1-R1 (Traceability Storage tank/warehouse); and Procedure AA-MPM-OP-1400.18-R2 (Mass Balance).
E.2. Purchasing and goods in	
E.2.1 The facility shall verify and document the volumes of certified and non-certified FFBs received.	According to relevant procedure as above (E.1.1 and E.1.2), daily records are prepared at the entry point at the weighbridge. Daily summary and monthly summary documented for all the certified and non certified FFB. Records verified through internal and external audit.
E.2.2 The facility shall inform the CB immediately if there is a projected overproduction.	The facilities aware of this procedure.
E.3. Record keeping	
E.3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of certified and noncertified palm products.	Daily records are prepared at the entry point at the weighbridge. Daily summary and monthly summary documented for all the certified (including FFB from scheme smallholder) and non certified FFB. Records verified by internal and external audit. Records seen: Laporan Harian Pabrik (Mill daily report), and Laporan Unit Pabrik (Mill Monthly Report).
E.3.2 Retention times for all records and reports shall be at least five (5) years	According to relevant procedure above (E.1.1 and E.1.2) the retention period is specified as 10 years and financial documents retained longer based on the local regulation requirement.
E.3.3 (a) The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis.	According to Procedure AA-MPM-OP-1400.18.R2 (Mass Balance) All the inventory records are maintained and updated on three monthly reports. Mill and marketing office maintain the record and balance of CPO and PKO sold.
E.3.3 (b) All volumes of palm oil and palm kernel oil that are delivered are deducted from the material accounting system according to conversion ratios stated by RSPO.	Computerized system in place with the delivery deducted accordingly.
E.3.3 (c) The facility can only deliver Mass Balance sales from a positive stock. However, a facility is allowed to sell short.	Only positive stock id delivered. No short selling.
E.3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/MB or Mass Balance. The supply chain model used should be clearly indicated.	Facilities use Mass Balance model and indicated on the relevant documents, such as weighbridge ticket, Delivery order, and contract.
E.3.5 In cases where a mill outsources activities to an independent palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that the crush is covered through a signed and enforceable agreement.	No outsourcing activities.
E.4. Sales and goods out	
E.4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information	
(a) The name and address of the buyer	Name and address of buyer written on the invoice.
(b) The date on which the invoice was issued	Date is written.
(c) A description of the product, including the applicable supply chain model (Segregated or Mass Balance)	Product description and supply chain model is written. Mass balance model.
(d) The quantity of the products delivered	Quantity in tones.
(e) Reference to related transport documentation	Weighbridge documents and D/O includes all the transport references.
E.5. Training	
E.5.1 The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems.	Staffs in the weighbridge, inventory, storage and processing, document control have attended training. Training on supply chain is provided for new staff joining Ukui 2 mill. Interview with Ukui 1 and Ukui 2 mill staff shows understanding of RSPO Supply Chain requirement and company procedures.
E.6. Claims	
E.6.1 The facility shall only make claims regarding the use of or support of RSPO certified oil palm products that are in compliance with the RSPO Rules for Communications and Claims.	No claims made since the CPO and/or PKO is delivered/sold to downstream refineries.