

## Communication Reports RSPO Indonesia Liaison Office C-04

Subject	<b>2-year P&amp;C Trial Implementation Update by Indonesian Volunteer Organizations</b>
Date	26th March 2007 (Monday)
Time	0930 – 1400
Venue	Sumatera Room, PT. Asian Agri Jl. M.H. Thamrin No. 31-32, Jakarta
Participants (20)*	Organizations
Derom Bangun Dr. Lim Chin Huat Bambang Dwi Laksono Adrian Suharto Ali Budiman Allan Goh Tan Tian sang Chang Poh Sang Eddy Lukas, PhD Harold O. Williams Lipitka S. Wijaya Denny Turino Ismu Zulfikar Eko Aji H. Haposan Panjaitan Taufik Hidayat Andi Esfandiari Teoh Cheng Hai Andrew Ng Deuxiemi Kusumadewi	GAPKI (Indonesia Palm Oil Association) WILMAR PT. London Sumatra Tbk PT. Inti Indosawit Subur (Asian Agri) PT. Selapan Jaya / Sampoerna Agro PT. Selapan Jaya / Sampoerna Agro Musim Mas Group PT. Selapan Jaya / Sampoerna Agro Asian Agri Socfindo PT. Tunas Baru Lampung PT. SMART Tbk PT. SMART Tbk PT. SMART Tbk Cargill PT. Agro Indomas PT. Austindo Nusantara Jaya Agri RSPO RSPO RSPO

\*NOTE : Total number of participants is based on those who registered themselves during the event

### Objectives

The 2-year P&C Trial Implementation Update meeting was organized with the following objectives:

- To share updates on P&C trial implementation progress by Indonesian volunteer organizations and to strategize best ways forward for effective, practical and measurable P&C
- To discuss issues and challenges faced when implementing the Principles or Criteria and to provide feedback to National Interpretation process of the P&C for Indonesia

## Agenda

Time	Activity
0930-0940	1. Welcome and overview on 2-year P&C trial implementation progress by Mr. Andrew Ng, RSPO-Secretary General
0940-0950	2. Address by Mr. Derom Bangun, GAPKI Chairman-in-charge and RSPO Executive Board
0950-1050	3. Update on P&C trial implementation progress and challenges by volunteers <ul style="list-style-type: none"><li>▪ Presentation &amp; discussion by Dr. Lim Chin Huat, WILMAR Group</li><li>▪ Presentation &amp; discussion by Mr. Tan Tian Sang, Musim Mas Group</li></ul>
1050-1105	Coffee Break
1105-1205	4. Cont'd update on P&C trial implementation progress and challenges by volunteers <ul style="list-style-type: none"><li>▪ Presentation &amp; discussion by Mr. Eko Aji, PT. SMART Tbk</li><li>▪ Presentation &amp; discussion by Mr. Bambang Dwi Laksono, PT. London Sumatra Tbk</li></ul>
1205-1245	5. Plenary discussion
1245-1255	6. Closing
1255	Lunch

## Minutes:

### 1. Welcome and overview on 2-year P&C trial period

Andrew Ng, RSPO-Secretary General, welcomed participants to the meeting and provided a brief overview on the objectives of the meeting and recent developments in the testing of the RSPO P&C during the trial implementation period..

### 2. Address by Derom Bangun (RSPO Executive Board)

In his address, Derom Bangun stated that from discussions at last Executive Board (EB) meeting January 2007 in Rotterdam, there was a need of having quick certification against the RSPO P&C as the result of growing pressure from end-consumers and NGOs in Europe. He urged all participants to actively contribute to speed up the process. He stated that by September 2007, there must be concrete proposals on national interpretation of the P&C for the RSPO review meeting in October 2007. The final version of the national interpretation for Indonesia will then be presented and formally endorsed at RT5 in November 2007. He urged the volunteer companies provide inputs to the national interpretation process. He added that awareness and capacity of local auditors should be done so that they better prepared to avail themselves of the opportunity for auditing plantation companies against compliance of the P&C when the verification and certification processes are in place..

### 3. Update on P&C trial implementation progress and challenges by volunteers

Four out of five Indonesian volunteer organizations provided progress to-date on their trial implementation of P&C and where relevant the testing results and challenges of various Principles and Criteria as summarized below:

#### 3.1 WILMAR International Limited

Dr. Lim Chin Huat described the RSPO P&C road map within his organization as evidence of company's commitment toward sustainable production of palm oil, which comprise of series of the following key activities:

- Self-assessment of E+S management and performance vis-à-vis P&C
- Internalize P&C into operations
- Documentation
- Establishing a System Plan to enable verification on conformance to P&C by third party verifier. The company has also undergone external E+S assessments, e.g. by Rabobank, IFC and third party – Green Gold Label
- Continuous improvement
- Getting ISO 9001 & 14001 certifications , incorporating P&C rather than just general criteria – currently one estate has been certified to ISO 9001 & 14001 management standards and the process will be extended to other estates.

- Conducting projects on wildlife conservation in collaboration with Zoological Society of London (ZSL) and BMP in practical plot in collaboration with International Plant Nutrition Institute (IPNI)

From the preliminary testing of P&C, Dr. Lim Chin Huat shared the challenges experienced in its implementation and verification and next steps required to tackle them:

- P&C is too broad and all encompassing. It needs specific national interpretation on guidance and indicators to make the P&C more practical. It encompasses different phases of plantation development, including new development, of which Dr. Lim Chin Huat pointed out the needs for clarification on practical guidance on primary forest and HCV.
- Balance of environmental, economic and social criteria.
- Needs to keep documentation simple.
- Recognize that there will be additional costs and the need for a strategy to keep the costs down.

Dr. Lim Chin Huat's presentation is attached to the end of this report as **Appendix 1**

Adrian Suharto inquired on the most difficult areas to address and the company's regarded as the biggest achievement from implementation the P&C. Dr. Lim Chin Huat responded that the company appointed Control Union to conduct third party verification on conformance to P&C and proper documentation was regarded as the biggest achievement by company.

Harold William concerned on definition of stakeholders and questioned the procedure of verification assessment developed by VWG which include the necessity of making public announcement in the newspaper. He argued that stakeholder should be more specific. Teoh Cheng Hai responded that in general, stakeholders are those affected by organization's operation and the organization itself should establish who are considered as its stakeholders by way of a proper stakeholder analysis.

### **3.2 Musim Mas Group**

Tan Tian Sang explained that Musim Mas regards RSPO P&C as basis for managing the enterprise and not just a means to certification. The company has translated its commitment to sustainability by setting up management system based on RSPO P&C and strategic work plan for implementing the system. Management of sustainability within the organization involves three major components, namely an integrated management system that is based on the P&C, a management structure for managing for sustainability and a phased implementation plan .

Key activities to achieve Musim Mas goals are:

- Establishment of a Steering Committee on Sustainability that is led by the President Director
- Establishment of the Sustainability Dept to spearhead the effort on sustainability
- Development and deployment of a Group policy on sustainability

- Self-assessments and 2<sup>nd</sup> party audits to benchmark Musim operations against P&C and identify opportunities for improvement.
- Phased implementation – implementation of the action plan PT-by-PT and project-by-project to achieve compliance of the Musim Mas operations to the RSPO P&C.

Tan Tian Sang's presentation is attached to the end of this report as **Appendix 2**.

Adrian Suharto enquired on the most difficult areas to address and how to solve them and what regarded as company's biggest achievement from testing out the P&C. In response, Tan Tian Sang said that it would be premature to make any assertions as the sustainability initiative commenced only in January, 2007. Having established a management system and structure, the company is now undergoing internal assessments to identify gaps in performance against the P&C.

In response to Harold William, Mr Tan Tian Sang stated that the newly appointed Head of Sustainability is responsible and accountable for the implementation of the RSPO P&C, along with other members of the top management of the Group.

### 3.3 PT. SMART Tbk

Eko Aji described PT. SMART's key initiatives in implementing the P&C during this trial period as detailed in its sustainable palm oil development plan , which includes:

- Comprehensive training on RSPO P&C
- Benchmarking assessment – Gap Analysis and development of corrective actions based on recommendation from Gap Analysis results
- Conducting joint research and extension services projects on safety use and agro-environmental impact of pesticides in collaboration with Syngenta and on HCV assessment in oil palm plantation in collaboration with WWF-Indonesia
- Implementing P&C in some plantations and mills in Sumatra and Kalimantan and the company has developed checklist parameters to enable verification assessment

He also provided problems encountered in the trial testing of P&C and identified needs for further clarification or measurable and practical guidance and expertise:

- Needs for clarification and practical guidance in some principles and criteria: criteria 2.1, 2.2, 2.3, 4.6, 4.8, 5.2, 5.5 and 5.6
- The company has no experience in HCV management and it regarded as costly to do so
- Implementation of P&C by smallholders would be difficult

Eko Aji's presentation is attached at the end of this report as **Appendix 3**.

Bambang Dwi Laksono raised concern on criteria 7.3 which will require every new plantings to identify HCV first prior to the planting, which is difficult and time constraint when applied to a huge hectarage areas. He further suggested to Andrew Ng that RSPO revisits the criteria.

Derom Bangun enquired on areas that made difficult for smallholders to implement the P&C. Eko Aji responded that lack of proper documentation and management plan to achieve better productivity (such as practices to maintain soil fertility) and long-term economic viability are among other regarded as the constraints.

### **3.4 PT. London Sumatra Tbk**

Bambang Dwi Laksono stated that the company has incorporated RSPO P&C and ISO 14001 requirements into their Environmental Policy. Key concerns in the policy include compliance with regulations, prevention of pollution and emission, continuous improvement, optimum use of renewable resources, HCV assessment, health and safety plan and company regards local community as one of its stakeholder.

The company has done a HCV assessment (identification) in collaboration with WWF-Indonesia. Bambang raised concern over the lack of engagement of government in the process of HCV assessment, which later on may bring confusion on which party should responsible for taking care of the abandoned areas regarded as having High Conservation Value.

Key challenges experienced from the preliminary testing of P&C that require further clarification are:

- HCV assessment – new areas for plantation that need more capacity building especially in the determination of value and area covered. There is no guidance yet on HCV management specifically for oil palm plantation. Bambang felt there was too much expectation from social NGOs on HCV as the tool for solving the social problems.
- Some criteria need more practical guidance and parameters ; criteria 2.2, 2.3, 6.1, 6.3 and 6.4

Bambang's presentation is attached at this end of report as **Appendix 4**

Desi Kusumadewi enquired if awareness training on RSPO P&C has also given to schemed smallholders and Bambang responded that at the moment the company still focusing on internal management. Further Desi Kusumadewi informed that Indonesia Palm Oil Commission (IPOC) has released a training module on HCV management for oil palm plantation.

## **4. Plenary Discussion**

### **Salient points from discussion:**

- Harold William raised concern on definition of stakeholder in relation to verification assessment that requires public announcement in the newspaper. Derom Bangun clarified that from verification document prepared by ProForest it was stated the public announcement to be made through RSPO, not in "newspaper"..

- There is an urgent need for capacity building on HCV assessment and management as this is new areas for plantation companies.
- Need for engagement of local auditor/consultants on the opportunity of auditing oil palm plantation against conformance to the P&C. It was proposed that RSPO Indonesia Liaison Office (RILO) conducts an awareness workshop for local auditors and related professionals on this issue.
- RSPO Liaison Officer to bring issues raised in the meeting, especially on challenges experienced by volunteers in the testing out of the P&C, to the National Interpretation Working Group (INA-NIWG);
  - Need clarification and more practical guidance and indicator on specific principles and criteria: 2.1, 2.2, 2.3, 4.6, 4.8, 5.2, 5.5, 5.6, 6.1, 6.3 and 6.4
  - RSPO needs to revisit criteria 7.3 on identification on HCV prior to new plantings as it considered too difficult and time constraint when applied to huge hectareage areas.
  - Need a practical guidance on HCV assessment, management and conservation
- Derom Bangun urged the volunteer companies to participate actively in the national interpretation process. Musim Mas volunteered to become a member of the INA-NIWG.
- RSPO Secretariat stated volunteer companies are expected to report the progress of their effort at RT5; in this context, the 5<sup>th</sup> Indonesian company (PT Agro Indomas) was invited to share their experiences at the next RILO meeting.
- Teoh Cheng Hai briefed on the proposed plan and agenda of RSPO Public Forum to being organized by RILO on 15<sup>th</sup> May 2007 at Gran Melia Hotel, Jakarta. which would be attended by a wide range of stakeholders including representatives of embassies of producer and consuming countries of palm oil and the mass media. He enquired if the 4 volunteers would be willing to make similar presentations on their achievements in the context of RSPO P&C at the event. Tan Tian Sang of Musim Mas agreed to participate, while other volunteers need to discuss within their management prior to agreement. RSPO SG would send a formal invitation to the companies concerned.
- Teoh Cheng Hai enquired if participants would be interested in discussion on palm oil biofuel and sustainability in the afternoon after the public forum., All participants supported the idea.

## 5. Closing

Andrew Ng concluded the meeting by thanking to 2-year P&C trial volunteers for their fruitful sharing on update on the results of the trial and also to all participants on their active participation. As a way of appreciation from Secretariat, he invited all participants to enjoy the lunch provided.