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## **Roundtable on Sustainable Palm Oil**

### **Annual Surveillance Audit Report**

Report no.: ASA182450216050

Surveillance assessment against the  
RSPO Principles & Criteria [NI P&C RSPO 2013 for Indonesia] and  
RSPO SCCS November 2014

### **PT Perkebunan Nusantara III Sei Meranti Estate & Mill**

**Head Office:**

Jl. Sei Batang Hari No.2 Medan, North Sumatera Province - Indonesia

**Site Office:**

**Estate:** Torgamba Sub District, Labuhanbatu Selatan District, North Sumatera Province, Indonesia

**Mill:** Bagan Sinembah Subdistrict, Rokan Hilir District, Riau Province, Indonesia

Date of assessment: August 10<sup>th</sup> to 12<sup>nd</sup>, 2017

Report prepared by:

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(RSPO Lead Auditor under Monitoring)

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(RSPO Lead Auditor)

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## 1.0 SCOPE OF ANNUAL SURVEILLANCE AUDIT

### 1.1 National Interpretation Used

The operations of the palm oil mill and its supply base of FFB were assessed against the national interpretation RSPO Principles and Criteria 2013 for Indonesia of the RSPO Principles & Criteria and RSPO Supply Chain Certification System on November 2014 with selected Supply Chain Mass Balance Model (Module E).

### 1.2 Type of Assessment

The 1<sup>st</sup> annual surveillance assessment was carried out on 1 mill (Sei Meranti Palm Oil Mill) and 1 estate (Sei Meranti Estate), owned by PT Perkebunan Nusantara III (Persero).

### 1.3 Certification Details

The details of RSPO certification of PT Perkebunan Nusantara III (Persero) - Sei Meranti Palm Oil Mill are as per the table below:

**Table 1: RSPO Certification details of PT Perkebunan Nusantara III – Sei Meranti POM**

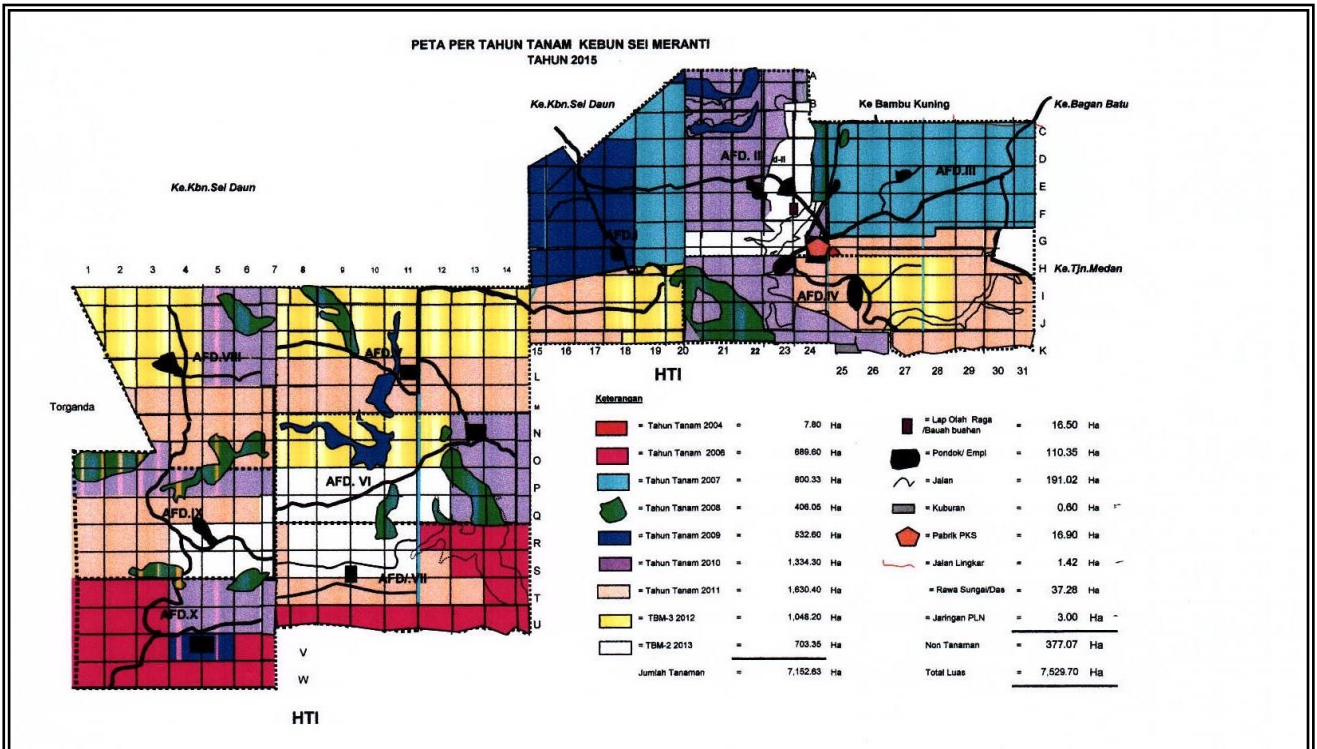
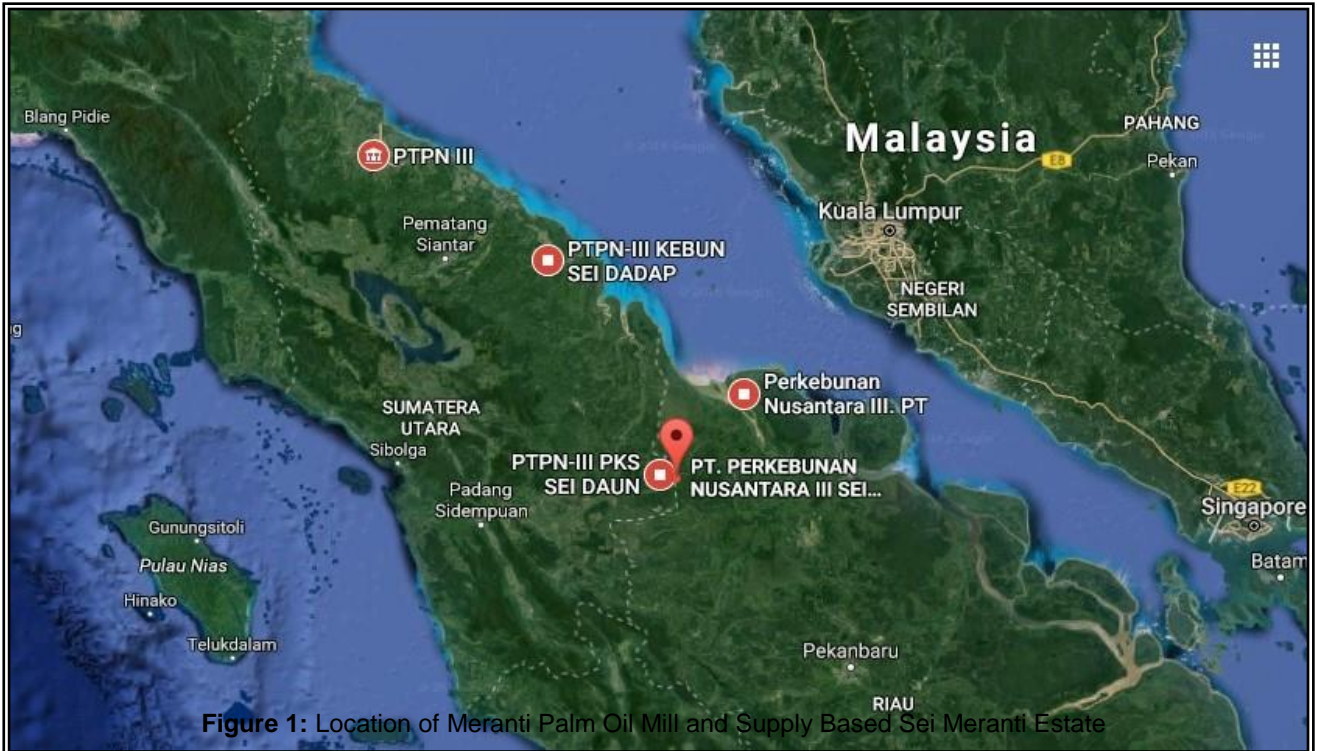
<b>RSPO Membership no.:</b>	<b>1-0030-06-000-00</b> on behalf PT Perkebunan Nusantara III (Persero)
<b>RSPO Certificate no.:</b>	824 502 16050
<b>Date of first RSPO certificate &amp; validity:</b>	October 14, 2016 until October 13, 2021
<b>Date of certification audit:</b>	June 01 – 03 and 06, 2015
<b>CPO tonnages claimed:</b>	32,410.56 tonnes
<b>PK tonnages claimed:</b>	6,653.51 tonnes
<b>Net GHG Calculation this year (tCO<sub>2e</sub>/tCPO)</b>	<b>6.51</b>

Note: based on actual FFB/CPO/PK processed in 2017

### 1.4 Location and Maps

**Table 2: GPS locations for all estates and mills included in annual surveillance assessment**

Name of Mill / Estate	Location	GPS locations	
		Latitude	Longitude
Sei Meranti Mill	Bakti Makmur village, Bagan Sinembah subdistrict, Rokan Hilir district, Riau Province	1° 38' 31.134" N	100° 25' 04.334" E
Sei Meranti Estate	Torgamba Village, Torgamba Sub-district, Labuhan Batu Selatan district, North Sumatera Province	1° 39' 00.324" N	100° 24' 45.209" E



**Figure 2: Map of Meranti estate**

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**1.5 Organisational Information / Contact Person**

Contacts details of the company are as follows:

<b>Company Name</b>	<b>PT Perkebunan Nusantara III - Sei Meranti Palm Oil Mill</b>
<b>Address</b>	<b>Head Office:</b> Jln. Sei Batang hari No. 2 Medan, North Sumatera Province – Indonesia
	<b>Site Office:</b> <b>Estate:</b> Torgamba Village, Torgamba Subdistrict, Labuhan Batu Se-latan district, North Sumatera Province
	<b>Mill:</b> Bakti Makmur village, Bagan Sinembah subdistrict, Rokan Hilir district, Riau Province
<b>Contact Person</b>	Mr. Erwin Mirza Arief
<b>Telephone</b>	+62 61-8452244
<b>Email</b>	<a href="mailto:ptb@ptpn3.co.id">ptb@ptpn3.co.id</a> / <a href="http://www.ptpn3.co.id">www.ptpn3.co.id</a>

**1.6 Description of Supply Base**

**Table 3: FFB Supply Information for PT Perkebunan Nusantara III – Sei Meranti Mill year 2016 & year 2017 (until July 2017)**

FFB Contributors	FFB supplied year 2016		FFB supplied year 2017 (until July 2017)	
	Tonnes	%	Tonnes	%
<b>Company owned estates (certified sources):</b>				
Sei Meranti Estate (KSMTI)	123,000	56.13	82,381	65.89
<b>Sub Total</b>	<b>123,000</b>	<b>56.13</b>	<b>82,381</b>	<b>65.89</b>
<b>Other estate in PTPN III (certified sources):</b>				
Bukti Tujuh (KBUTU)	19,740	9.01	24,491	19.59
Sei Daun (KSDAN)	10,513	4.80	11,209	8.97
<b>Sub Total</b>	<b>30,253</b>	<b>13.81</b>	<b>35,700</b>	<b>28.56</b>
<b>Other estate in PTPN III (uncertified source):</b>				
-	-	-	-	-
<b>Sub Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Others / Suppliers :</b>				
• CV Sawit Lestari	10,281.13	4.69	6,660.00	5.28
• UD. Mandiri Pratama	1,757.12	0.80	-	-
• UD. Waskita Jaya	4,051.65	1.85	-	-
• CV KD-KD	20,694.88	9.44	156.83	0.12
• UD. Andita	9,143.46	4.17	186.16	0.15
• UD. Bekanta	1,128.53	0.52	-	-
• CV Naga Tutur	2,625.81	1.20	-	-
• UD. Berkat	698.00	0.32	-	-

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FFB Contributors	FFB supplied year 2016		FFB supplied year 2017 (until July 2017)	
	Tonnes	%	Tonnes	%
• CV Torgamba Karya	15,220,00	6.95	-	-
• Monica Jaya	252.22	0.11	-	-
• Harapan Tani	22.64	0.01	-	-
<b>Sub Total</b>	<b>65,875.44</b>	<b>30.06</b>	<b>6,942.99</b>	<b>5.55</b>
<b>TOTAL</b>	<b>219,128.44</b>	<b>100</b>	<b>125,023.99</b>	<b>100</b>

**1.7 Actual production volumes, tonnages and projected outputs.**

**Table 4: Certified tonnages claimed, certified tonnages purchased or sold, total and projected CPO and PK production from PT. Perkebunan Nusantara III – Unit Management Sei Meranti**

Remarks	Amount (MT)			
	2016		2017	
Certified tonnages claimed	CPO: 30,970.02	PK: 11,370.08		
Certified tonnages sold*	CPO: 2,650	PK: 222.22		
Certified tonnages purchased*	0.00			
Actual Certified Production (audit scope)*	CPO: 26,395 PK: 4,292.7			
Actual OER & KER	OER: 21.46 & KER: 3.49			
Actual certified FFB (audit scope) year 2016	123,000			
Actual certified FFB year 2016 (outside of audit scope – from Bukit Tujuh & Sei Daun Estate)	30,253			
Projected FFB for next 12 months **)			245,820	
Projected certified FFB for next 12 months (audit scope)			155,820	
Projected total output for next 12 months CPO & PK			CPO: 51,130.56 PK: 10,496.51	
Projected certified output for next 12 months CPO & PK (audit scope)			CPO: 32,410.56 PK: 6,653.51	
Projected OER & KER for next 12 months.			OER: 20.8% & KER: 4.27%	

\*) Data from January until December 2016

\*\*) Supplied from third parties amount 90,000 MT



**1.8 Dates of Plantings and Replanting Cycles**

The company follows a replanting cycle of 25 years. Information on the dates of plantings are as per the table below.

**Table 5: Age and year of plantings of company estate supplying to Sei Meranti Mill**

Age & Year of Plantings	Oil palm planted area at Sei Meranti Estate (Ha)
13 years (2004)	7.80
11 years(2006)	689.60
10 years (2007)	800.33
9 years (2008)	406.05
8 years (2009)	532.60
7 years (2010)	1,334.30
6 years (2011)	1,630.40
5 years (2012)	1,048.20
4 years (2013)	703.35
<b>TOTAL</b>	<b>7,152.63</b>

The company has no replanting program for next 5 years due to the plantation still young and all area has replanted before year 2013

**1.9 Area of Plantation (Total, Planted and Mature)**

**Table 7: Oil Palm Planted Area Summary, FFB Production and Average yield/ha for Sei Meranti Estate**

Estate Name	Total area (ha)	Oil Palm Planted area (ha)	Mature (Production) area (ha)	Immature (Non-production) area (ha)	FFB Production (ton)*	Average yield/ ha (ton/ha)
Sei Meranti	7,529.70	7,152.63	7,152.63	-	123,000	17.20
<b>TOTAL</b>	<b>7,529.70</b>	<b>7,152.63</b>	<b>7,152.63</b>	-	<b>123,000</b>	<b>17.20</b>

Note: production record in 2016

**Table 8: Land use data for Sei Meranti Estate**

Estate Name	Total area (ha)	Oil Palm Planted Area (ha)	HCV/ Potential HCV areas* (ha)	Land used for other purposes (ha)			
				Housing, Road, other infrastructure **)	Nursery	Cleared Area	Other Land ***)
Sei Meranti	7,529.70	7,152.63	370.84	318.87	-	-	52.80
<b>TOTAL</b>	<b>7,529.70</b>	<b>7,152.63</b>	<b>370.84</b>	<b>318.87</b>	-	-	<b>52.80</b>

Note: \*) HCV include in oil palm planted

\*\*) consist of emplacement/housing, palm oil mill (127.25 Ha), Education Facility (0.60 Ha) and roads (191.02 Ha)

\*\*\*) Ex-nursery (16.5 Ha), unplanted area / low land (37.28 Ha), electricity line area (3 Ha), Government Leasing Land (1.42)

**1.10 Progress against Time Bound Plan**

**Table 9: Time Bound Plan of the Other Management Units**

Name of Holding	Location	Time bound plan for certification (year)	Remarks
PANAS	Aek Nabara/Labuhan Batu Selatan	23 May 2014	Certified
PATOR	Aek Torop/Labuhan Batu Selatan	17 June 2014	Certified
PPARO	Aek Raso/Labuhan Batu Selatan	30 June 2014	Certified
PKSMK	Sei Mangkei/Simalungun	07 January 2015	Certified
PSSUT	Sisumut/Labuhan Batu Selatan	15 October 2015	Certified
PRBTN	TebingTinggi/Serdang Bedagai	01 September 2016	Certified
PSDAN	Sei Daun/Labuhan Batu Selatan	08 September 2016	Certified
PTORA	Torgamba/ Labuhan Batu Selatan	07 September 2016	Certified
PSMTI	Sei Meranti/ Labuhan Batu Selatan	14 October 2016	Certified
PSSIL	Sei Silau/Asahan	03 April 2017	Certified
PSMKI	Sei Mangkei/Simalungun	October 2017	Audited
PSBAR	Sei Baruhur/Labuhan Batu Selatan	August 2017	Audited
PHPSG	Batangtoru/ Tapanuli Selatan	December 2018	Planned

**1.11 Compliance to Rules for Partial Certification**

Compliance of the uncertified management units of PT Perkebunan Nusantara III against the rules for partial certification according to RSPO Certification System clause 4.2.4 was assessed by reviewed PT Perkebunan Nusantara III self assessment reports. A summary of findings is as stated below.

The company has not been able to show sufficient progress (latest update) of Muara Upu compensation process and the company has not been able to show evidence of the results of initial gap assessment for gothers unit that do not have RSPO certificate yet. **This condition raised as non-conformity (NCR RSPO01338).**

Partial Certification Requirements	Audit Findings
(a) The parent organization or one of its majority owned and / or managed subsidiaries is a member of RSPO.	Yes, PTPN III is an RSPO member with ID No. 1-0030-06-000-00 (membership since December 14, 2006). RSPO Certification system section 4.2.4.  PTPN III has been provide result of the self-assessment for all units entering estate and mill at the time bound.
(b-d) A challenging time-bound plan for certifying all its relevant entities is submitted to the Certification Body (CB) during the first certification audit. The time-bound plan should contain a list of subsidiaries, estates and mills. Any revision to the time-bound plan or to the circumstances of the company shall cause the plan to be reviewed. for whether it is still appropriate, such that changes to the time-bound	PTPN III has a time-bound plan to achieve RSPO certification for all relevant entities. However, one of the company's development areas (Muara Upu site) located at South Tapanuli is still not included by the time-bound plan. NPP assessment for this area was carried out by Certification Body (Sucofindo) in 2012 years.  There are some land conflicts/ potential land conflicts ongoing in other PTPN III's management units, such as Si-



<p>plan are permitted only where the organisation can demonstrate that they are justified</p>	<p>lau Dunia, and Si Sumut Estates. While the company has already made a conflict resolution mechanism, these conflicts remain un-resolved as the mechanism is still not agreed by the land claimants.</p>
<p>(e) No replacement of primary forest or any area identified as containing High Conservation Values (HCVs) or required to maintain or enhance HCVs in accordance with RSPO criterion 7.3. Any new plantings since January 1st 2010 must comply with the RSPO New Plantings Procedure</p>	<p>PTPN III's development of a new planting area (Muara Upu at South Tapanuli) had been raise before as a major noncompliance by TUV Rheinland audit team, which is now closed as the company has carried out applying NPP in accordance with this clause and the progress under reviewing of Compensation Task Force. Based on communication with PT PN III. The company still waiting for Head of District decision response, for land exchanged process since the land was included on peat moratorium area according to President of Republic Indonesia decree letter no. 6 year 2013.</p>
<p>(f) Land conflicts, if any, are being resolved through a mutually agreed process, e.g. RSPO Grievance procedure or Dispute Settlement Facility, in accordance with RSPO criteria 6.4, 7.5 and 7.6.</p>	<p>There is no land conflict on certification scope of Torgamba and Meranti POM, but land conflicts found on the Sei Mangkei POM certification scope. A more detailed explanation described in the Sei Mangkei POM audit report.</p>
<p>(g) Labour disputes, if any, are being resolved through a mutually agreed process, in accordance with RSPO criterion 6.3.</p>	<p>TRID Auditor got the issues regarding labour disputes in the unit operational under management of PTPN III after the ASA-01 has conducted. To this matter, TRID Auditor conducted the unannounced inspections on November 29, 2017 in the Sei Baruhur, Sei Kebara and Torgamba Estate. Based on the inspection TRID Auditor found several issue regarding labour disputes i.e.: fertilizer workers in Sei Baruhur did not use PPE; the workers did not have any contract document, not coverage by BPJS (health insurance), did not understood regarding wages, sprayer workers in Sei Kebara did not use complete PPE, and in Torgamba estate found chemical workers is under age (17 years old); not used PPE, also they id not understand regarding chemical type they used and applied in field. After that, TRID Auditor conducted the special audit on December 12 – 13, 2017. Based on this activity TRID Auditor got the conclusion:</p> <ul style="list-style-type: none"> <li>- PTPN III has budgeted 2.8 billion to provide PPE to all worker who work under PTPN III. Also related estate above submit record of PPE distribution to all workers include to sparyer and fertilizer workers.</li> <li>- PTPN III instructs contractors to make payment of employment insurance contributions and PTPN III has been able to show payment receipts of employment insurance contribution from contractors.</li> <li>- PTPN III has been able to show the agreement contract employee. The agreement contract has revised in accordance with the Law No. 13 of 2003 regarding Labours.</li> </ul> <p>The effectiveness of this matter will be detail verified on the next surveillance audit.</p>
<p>(h) Legal non-compliance, if any, are being resolved in accordance with the legal requirements, with reference to RSPO criteria 2.1 and 2.2.</p>	<p>No legal noncompliance against to RSPO criteria 2.1 and 2.2</p>

**1.12 Compliance to other RSPO Procedure**

RSPO NPP	-
RSPO Compensation and Remediation procedure	-
Areal Subject to sanction	-

**1.13 Compliance to RSPO Guidance on GHG calculation**

During the surveillance audit, the audit team verify and confirm that:

The RSPO PalmGHG Calculator used	Version 3.0.1
Accurate data has been put into the RSPO PalmGHG Calculator	Yes
Net GHG Emission Figure (tCO <sub>2</sub> e/tCPO)	6.51

**1.14 Progress of associated smallholders or outgrowers towards RSPO compliance**

There is no scheme and or associated smallholder in Sei Meranti Palm Oil Mill and its supply based. The requirement is not applied for this certification management unit.

**1.15 Revised Approximate Tonnages Certified**

The tonnages certified have revised from the previous amount stated in the RSPO certificate issued in year 2016 due to a increase estimates for CPO and decrease for PK). The revised approximate tonnages certified (as per Appendix 1), based on production in 2017 are as follows:

Crude Palm Oil (CPO) : **32,410.56 MT**  
 Palm Kernel (PK) : **6,653.51 MT**

**1.16 Other Achievement s and Certification Helds**

Name of mill / es-tate	Certification Standard / Award achieved	Certification Body / Awarder	Date Achieved
PTPN III Sei Meranti	ISO 9001;2008	PT TUV Rheinland Indonesia	Since 2015
PTPN III Sei Meranti	ISO 14001; 2014	PT TUV Rheinland Indonesia	Since 2012

## 2.0 ASSESSMENT PROCESS

### 2.1 Certification Body

PT TUV Rheinland Indonesia is member of Group TÜV Rheinland Group, a global leader in independent testing and assessment services. The TÜV Rheinland Group established in 1872 with offices located in over 490 locations in 62 countries on all five continents. PT TUV Rheinland Indonesia offers certification for a wide range of management systems according to established international standards including ISO 9001, ISO 14001, OHSAS 18001, SA 8000, as well as CDM Validations and Verifications. PT TUV Rheinland Indonesia's office is located in Jakarta.

### 2.2 Qualifications of Lead Assessor and Assessment Team

The assessment team members of this surveillance audit that were part of the same assessment team for the certification audit are as follows:

1. Mhd. Fundy C Kurniawan

Name	Position	Qualifications / Experience
Mhd Fundy C Kurniawan	Lead Auditor	<p><b>Education:</b> Master Degree in Natural Resource and Environmental Management, Bogor Agriculture University.</p> <p><b>Trainings attended:</b> Environmental Impact Assessment (EIA), Ecological Risk Assessment (ERA), Internal Quality Audit Training for Quality Management System, IRQA-QMS ISO 9001:2000, IRQA-EMS 14001, High Conservation Value (HCV), RSPO Lead Auditor Course, ISPO Auditor Course, SCCS Auditor and ISCC plantation audit.</p> <p><b>Working experience:</b> Experienced in Environmental Impact Assessment (EIA Assessment), Environmental Health Safety Senior Officer (EHS-Senior Officer) in Wilmar International Plantation, Internal Auditor for Wilmar International Plantation, and Auditor for Rountable on Sustainable Palm Oil (RSPO), Indonesian Sustainable Palm Oil (ISPO), and Timber Legality Verification Certification (SVLK) in PT TUV Rheinland Indonesia since June 2012 – present.</p>

New assessment team members that were not part of the previous assessment team are as per the table below:

Name	Position	Qualifications / Experience
Ibnu Satria Prabudi	Lead Auditor Monitored by Mhd Fundy C Kurniawan	<p><b>Education:</b> Bachelor of STIPER Agriculture Institute, Yogyakarta.</p> <p><b>Training attended:</b> ISPO Auditor, Lead Auditor RSPO Training, Inhouse training HACCP, Lead Auditor ISO 9001; 2008, OHS Expert Training.</p> <p><b>Working experience:</b> Auditor in PT Mutu Agung Lestari (2010-2015), Internal Auditor in PT AEP Tasik Raja (2015-2017), and Auditor in PT TUV Rheinland Indonesia (2017-present).</p>
Panggading Nainggolan	Auditor	<p><b>Education:</b> Bachelor of Social, Institut Ilmu Sosial dan Ilmu Politik, Jakarta.</p> <p><b>Training attended:</b> RSPO in house training by Mutu Agung Lestari, ISPO Training by Komisi</p>

		<p>ISPO and <i>Awareness QHSE (management system review dan integrated management system concept ISO 9001, 14001, OHSAS.</i></p> <p><b>Working experience:</b>          Komisi Nasional Perlindungan Anak – Community Relationship Staff, Division Staff of Education Program – Common Ground Indonesia, Reporter on Global Informasi Bermutu, Producer on Netwave Multimedia, Producer on Satu Visi Perkasa Produksi, Project Supervisor on Surya Solusi Informasi and Auditor PT TUV Rheinland Indonesia.</p>
Steve Muallim	Auditor	<p><b>Education:</b>          Master in Environmental and Natural Resources Management, Bogor Agricultural University.</p> <p><b>Training attended:</b>          Lead Auditor training of ISPO, RSPO Awareness, Ecological Risk Assessment, Asian Network Update and Carbon, and Climate Change Mitigation and Adaptation for Agricultural Productivity.</p> <p><b>Working experience:</b>          Freelance in several consultants in the Environmental Impact Assessment, Auditor in PT Mutu Agung Lestari (2013-2015) and Auditor PT TUV Rheinland Indonesia.</p>

**2.3 Assessment Methodology & Agenda**

The surveillance audit was conducted between on August 10<sup>th</sup> to 12<sup>nd</sup>, 2017 as per the assessment program below. The assessment carried out in accordance with PT TUV Rheinland Indonesia’s RSPO audit procedure as well as the RSPO Certification Systems document. During assessment, the qualified TUV Rheinland assessors used the RSPO standard as endorsed for the country in which the assessment took place and recorded their findings.

Due to the location and proximity of the estates, combined with common management systems, it was possible to carry out both field and document assessments of all estates and the mill within the timeframe without compromising the integrity of the assessment in anyway.

Estate and Mill were visited and the assessment team carried out field and document assessments of compliance to all the RSPO principles and criteria. Common systems identified and specific evidence recorded for individual estates. Interviews conducted at all estates and the mill.

The company proposed the correction and corrective action for all identified non-conformities raised to the certification body 30 days after the closing meeting. Verification of closure of major non-conformances conducted 2 months after the closing meeting of the assessment and implementation of corrective actions for minor non-conformities will verified during the next surveillance audit. The certification assessment agenda is as explained below

**Annual Surveillance Assessment Agenda.**

Date	Location/ Main sites	Main activities
August 10 <sup>th</sup> , 2017	Sei Meranti POM	Opening Meeting Verification previous audit findings Verification of document and field visit related to : <ul style="list-style-type: none"> <li>• Incoming FFB verification (security post, loading ramp)</li> <li>• Interview with mill workers (boiler supervisor)</li> <li>• Good Agricultural Practices</li> <li>• Field visit to land application site for mill effluent</li> <li>• Waste management (hazardous waste store, palm oil mill effluent treatment ponds, mill license for temporary hazardous waste storage, license for land application, land application records)</li> <li>• Pollution prevention control</li> <li>• Water management</li> <li>• OSH system (fire simulation records, medical check reports for year 2016)</li> <li>• Warehouse (mill compound, chemical store)</li> <li>• Worker facilities, medical facilities</li> <li>• Environmental (Environmental Management and Monitoring Program (UPL/UKL) and implementation reports, environmental objectives, targets and improvement plan, greenhouse gas calculation sheet, renewable energy efficiency analysis document)</li> <li>• Training (boiler operator training certificates and licenses)</li> <li>• Consultation with local community supplier</li> <li>• SIA document</li> <li>• Company policy</li> <li>• Labor union</li> <li>• Complaint record</li> <li>• SCCS</li> </ul>
August 11 <sup>st</sup> , 2017	Sei Meranti Estate	Opening Meeting Verification previous audit findings Verification of document and field visit related to : <ul style="list-style-type: none"> <li>• Incoming FFB verification (security post, loading ramp)</li> <li>• Interview with mill workers (boiler supervisor)</li> <li>• Good Agricultural Practices (field visit in Block j28 – Harvesting, Block K27 – Manual maintenance).</li> <li>• Field visit to land application site for mill effluent</li> <li>• Waste management (hazardous waste store, palm oil mill effluent treatment ponds, mill license for temporary hazardous waste storage, license for land application, land application records)</li> <li>• Pollution prevention control</li> <li>• Water management (field visit in Block S14 and Block N12 Afd. VII)</li> <li>• OSH system (fire simulation records, medical check reports for year 2016)</li> <li>• Warehouse (mill compound, chemical store)</li> <li>• Worker facilities, medical facilities</li> <li>• Environmental (Environmental Management and Monitoring Program (UPL/UKL) and implementation</li> </ul>

		reports, environmental objectives, targets and improvement plan, greenhouse gas calculation sheet, renewable energy efficiency analysis document) <ul style="list-style-type: none"> <li>• Training (boiler operator training certificates and licenses)</li> <li>• Consultation with local community supplier</li> <li>• SIA document</li> <li>• Company policy</li> <li>• Labor union</li> <li>• Complaint record</li> <li>• SCCS</li> </ul>
August 12 <sup>nd</sup> , 2017	Sei Meranti Estate	Verification of document (continued) Verification regarding result of the lastest audit Closing Meeting

**Agenda for Verification of Closure of Major Non-conformities**

This agenda is not applicable because there is no verification of closure of major non-conformities is need to be done

Date	Location / Main sites	Auditor	Main activities
-	-	-	-

**2.4 Stakeholder Consultation and Stakeholders Contacted**

The stakeholder consultation involved both external and internal stakeholders. External stakeholders notified to make comments on the certification assessment by placing an invitation to comment on the RSPO website. Stakeholders included those immediately linked with the operation of the company such employees and labour unions.

Stakeholder consultation visited to stakeholder’s location and interviews. Interview with stakeholders held to seek their views on the performance of the company with respect to the sustainability practices outlined in the RSPO Principles & Criteria, and to comment on aspects where improvements be made.

In all the interviews and meeting, the objectives of the RSPO and the purpose of the assessment was clarified at the outset followed by an evaluation of the relationship between the stakeholders and the company before discussion proceeded to obtain the stakeholders feedback on the company’s compliance to different aspects of the RSPO Principles & Criteria.

The stakeholder consultation meeting held with stakeholders during the audit was extensive and productive, with an attendance of more than 18 person. This followed by site inspections, including visits to the local communities, interviews with land claimants and contractors, and inspections of worker amenities and infrastructure. The list of stakeholders that attended the stakeholder consultation meeting and stake-holders interviewed during the assessment is included as Appendix 3.



### 3.0 ASSESSMENT FINDINGS

#### 3.1 Summary of Findings

During this surveillance assessment, total 18 nonconformances identified. These consisted of 15 major non-conformities (included 1 major non-conformity for RSPO SCCS and 1 major non-conformity for Partial Certification) and 3 minor non-conformities and there is no an observation & opportunities for improvement. Further explanation of the non-conformities raised and corrective actions taken by the company provided in Section 3.3. The observations & opportunities for improvement listed in Section 3.4.

The following is a summary of findings made for the criteria listed in the RSPO Principles & Criteria [NI P&C RSPO 2013 for Indonesia] for detail information about company's compliances to RSPO P & C.

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

**Findings:**

Company has established the procedure Communication and Consultation to Stakeholder (No. PK-3.00-03 Rev. 01 issued on December 15, 2015) to provide adequate information on environmental, social and legal that related with RSPO criteria. This procedure stated that communication with stakeholders will be conducted through company website, telephone, letter, email, facsimile and Suggestion Box.

All requests for information, suggestion, aspiration and response from stakeholders will be followed up by head of district or estate in accordance with their respective authorities. All records and documentation will be recorded and documented in the daily log book.

Some records of requests for information and responses :

**Sei Meranti Mill**

- Letter no. 422.1 / SMK-WK / BLI / IV / 2017/669 from SMK Widya Karya dated April 15, 2017 regarding the application for internship at Sei Meranti Mill from 10 July to 10 October 2017. Response from Mill management with letter no. PSMTI / SMK-WK / BLI / 14 / IV / 2017 dated April 22, 2017 regarding the approval of internship at Sei Meranti Mill from July 10 to October 10, 2017 with 5 students.
- Letter No. 03 / BM / PPM-AF / 2016 from the mosque construction committee intersection from Kepenghuluan Bahtera Makmur, Bagan Sinembah Sub district dated 08 November 2017 regarding the proposal for donation to mill management. Response from Mill management with letter No. PSMTI / BM / PPM-AF / II / 08/2017 regarding funding support for mosque construction can be rescheduled on February 25, 2017.

**Sei Meranti Estate**

- Letter No. 421.5 / YPPB / SMKP / 2017 dated 08 JUNI 2017 from SMK Pembangunan concerning the application of technical internship for 3 months from 10 July to 10 October 2017. Letter from management dated July 7, 2017 regarding industrial internship agreement in Sei Meranti estate for 4 students of SMK Pembangunan Bagan Batu.
- Letter No. 935/770 / SM / V / 2017 dated May 22, 2017 from

**Compliance status:**  Yes  No

NCR No: -

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the Village Head of Sei Meranti regarding the application of greader assistance and compaction road of Bagan Sari Hamlet along the 2.5 km , the response from management with letter No. KSMTI / X / 52/2017 dated 11 August 2017 to Sei Meranti Village Head on information that the requests letter is being submitted to Labuhan Batu I District management

**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.**

**Findings:**

The company has established the letter from PTPN III Director No. 3.00/SE/01/2015 issued on April 08, 2015 from Director of marketing and planning developing regarding publication of company data (publish and not publish). There are two categories of documentation; document that can be published and cannot be published.

The documents that can be published including company profile, annual report, financial report, certificate of HGU, HGB and HPL, manual book of GCG, GCG evaluation result by third parties, award information, letter of company register (TDP), EIA document, CSR data, goal, policy and objectives of quality, policy, objectives and goal of environment, OHS policy, OHS program documentation, PKPT achievement, legal documentation (land application, storage of hazardous and toxic, operation of processing equipment Incinerator Waste hazardous and toxic Hospital); monitoring and measurement report, production achievement report, unit/estate name, documentation of continuous improvement program (result of management review meeting), HCV documentation (criteria 5.2 and 7.3), details process of complaint procedure (criteria 6.3), final RSPO public summary report of certification result and human rights policy (criteria 6.13).

**Compliance status:**  Yes  No

NCR No: -

**Criterion 1.3. Growers and millers commit to ethical conduct in all business operations and transactions.**

**Findings:**

Memorandum letter from PTPN III Marketing and Development Plan Director No. 3.12/3.00/MO/209/2015 dated 25 March 2015 was issued related Good Corporate Governance Practices handbook distribution to all level of company operation. In the book describes the code of conduct in conducting business with the partners as listed in point (f) not doing illegal business and avoid the practice of corruption, collusion and nepotism. Statement of compliance to Code of Conduct of all mill workers dated 01 February 2017 and estate workers dated February 27, 2017.

Socialization conduct at Sei Meranti estate on Feb 27, 2017 and Sei Meranti Mill dated on Feb 01, 2017. The objective evidence could showed are attendance list of the socialization and photograhp. This socialization included for 3<sup>rd</sup> party such maintenance contractor, FFB transport contractor and FFB suppliers. (CV. Purba Pratama, CV Abadi jaya, CV Athrizal, CV Atirah, Cv Wahana, CV Hafidz, CV Adit Sejahtera).

**Compliance status:**  Yes  No

NCR No: -

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

**Findings:**

The company (Estate and Mill) has list of legal and other requirements presented in list of regulation and law covering plantation, OSH, labour, and enviromental sections. The law and regulation is including relevant laws, government regulations, Instruction of President, Minister Regulations, Local Regulations, and Governor Regulations etc. All copies of law and regulations is available and maintained.

But, some condition that are not in accordance with the fulfillment of laws and regulations, such as:

1. There are still no regulations that should be included in the list of laws and regulations that must be met by the Meranti Management Unit, such as Permenaker 3/1986, PP 38/2011, Permen LH 28/2003 and Permen LH 29/2003 dll.
2. The company has not been able to show sufficient evidence related to the compliance of laws and regulations, for example:
  - a. Couldn't show sufficient evidence for the latest progress of Business Permit (IUP-P) for Sei Meranti POM.
  - b. There is no evidence of labour report Sei Meranti POM to the related agency (local labour agency) for the period 2017 (invalid on Jan 1, 2017).
  - c. Based on the photo of sub-contract workers in Afd VII at the time before work (briefi activity), showed that the worker did not use the PPE required and mentioned in the contract.
  - d. There is no evidence that cholinestrase analysis has been performed twice a year for maintenance plant workers (sub-contract worker) in Afd VII. This obligation is also required in the permit for recommendation of chemical use in the workplace owned by the company. Recurring findings NCR 2015 - 05 of 10 (Major).
  - e. There is no evidence that sub-contract workers in Afd VII have received labour / social insurance (BPJS) as required by law and contract.
  - f. Five types of chemicals are found in the trademark of Manthene, Ally 20WG, Posat, Decis and Orthene stored in Chemical Warehouse, but not listed in the Chemical Recommendation Permit No.560 / 40 / DSTKT / 2017 dated January 11, 2017.
  - g. Based on Permit Recommendation of Chemical Substance No.560 / 40 / DSTKT / 2017 dated January 11, 2017., point 3d states that chemicals workers should be given extra fooding, but based on the results of interview can not be shown evidence that sprayer workers (sub-contract) has been given extra fooding.
  - h. In the document of Work Instruction (Doc. Number: IK-3.09-03 / 01 Rev01 about river border) states that the width of the river border is 10 meters left and right of the river, but realization on the field shows the border width is 5 left and 5 right.

**Compliance status:**  Yes  No

**NCR RSPO01339 (Major 2.1.1)**

Some condition that are not in accordance with the fulfillment of laws and regulations, such as:

1. There are still no regulations that should be included in the list of laws and regulations that must be met by the Meranti Management Unit, such as Permenaker 3/1986, PP 38/2011, Permen LH 28/2003 and Permen LH 29/2003 dll.
2. The company has not been able to show sufficient evidence related to the compliance of laws and regulations, for example
  - a. Couldn't show sufficient evidence for the latest progress of Business Permit (IUP-P) for Sei Meranti POM.
  - b. There is no evidence of labour report Sei Meranti POM to the related agency (local labour agency) for the period 2017 (invalid on Jan 1, 2017).
  - c. Based on the photo of sub-contract workers in Afd VII at the time before work (briefi activity), showed that the worker did not use the PPE required and mentioned in the contract.
  - d. There is no evidence that cholinestrase analysis has been performed twice a year for maintenance plant workers (sub-contract worker) in Afd VII. This obligation is also required in the permit for recommendation of chemical use in the workplace owned by the company. **Recurring findings NCR 2015 - 05 of 10 (Major).**
  - e. There is no evidence that sub-contract workers in Afd VII have received labour / social insurance (BPJS) as required by law and contract.
  - f. Five types of chemicals are found in the trademark of Manthene, Ally 20WG, Posat, Decis and Orthene stored in Chemical Warehouse, but not listed in the Chemical Recommendation Permit No.560 / 40 / DSTKT / 2017 dated January 11, 2017.
  - g. Based on Permit Recommendation

<p>The reference to this WI is PP 38/2011 regarding river Article 9, but if read back then Article 9 regulates the width of borderless river border in urban areas, while the Meranti Estate is not an urban area.</p> <ul style="list-style-type: none"> <li>i. Chemical activity (spraying) was found in river border in Afd VII for example Block N12 and T15.</li> <li>j. Sei Meranti's chemical warehouse operator who is in charge of mixing of chemicals has not received a cholinestrace check since 2015.</li> <li>k. Based on document observation, it known that the company has not been able to show enough evidence of periodic employee health checks (high risk) in accordance with Ministerial Decree no. 2 years 1980.</li> <li>l. The permit for surface and surface water utilization for Meranti POM (number 546.2 / 525 / K / 2010) dated October 15, 2010 has expired since October 2013.</li> <li>m. Underground water permit of Sei Meranti Estate (number 503/47 / BPPTPM-LS / 2014) on April 8, 2014 has expired in April 2017.</li> </ul> <p><b>This condition raised as non-conformity (NCR RSPO01339).</b></p> <p>Company has established procedure for law and regulation compliance document No. PK-3.18-18 Rev.02 revision date 05-06-2017. This procedure explained about:</p> <ul style="list-style-type: none"> <li>- Job responsibility for each person who will responsible for law and regulation compliance.</li> <li>- Legal documents available in place</li> <li>- Comprehensive list law and regulation already cover for national and international law and regulation</li> <li>- All law and regulation available in place are link to all activity in the estate and mill.</li> </ul> <p>Record of law and regulation printed also available in place. Records for law and regulations compliance evaluation carried out twice in a year, whereas for 2016 the evaluation finished in early 2017. Based on law and regulation evaluation all regulation has fully comply by estate and mill.</p> <p>Procedure above has set methodology for: law and regulation evaluation should carry out every once a year; law and regulation compliance monitoring also should carry out every once a year; then in section 6.1 mentioned law and regulation update will carry out every a year</p>	<p>tion of Chemical Substance No.560 / 40 / DSTKT / 2017 dated January 11, 2017., point 3d states that chemicals workers should be given extra fooding, but based on the results of interview can not be shown evidence that sprayer workers (sub-contract) has been given extra fooding.</p> <ul style="list-style-type: none"> <li>h. In the document of Work Instruction (Doc. Number: IK-3.09-03 / 01 Rev01 about river border) states that the width of the river border is 10 meters left and right of the river, but realization on the field shows the border width is 5 left and 5 right. The reference to this WI is PP 38/2011 regarding river Article 9, but if read back then Article 9 regulates the width of borderless river border in urban areas, while the Meranti Estate is not an urban area.</li> <li>i. Chemical activity (spraying) was found in river border in Afd VII for example Block N12 and T15.</li> <li>j. Sei Meranti's chemical warehouse operator who is in charge of mixing of chemicals has not received a cholinestrace check since 2015.</li> <li>k. Based on document observation, it known that the company has not been able to show enough evidence of periodic employee health checks (high risk) in accordance with Ministerial Decree no. 2 years 1980.</li> <li>l. The permit for surface and surface water utilization for Meranti POM (number 546.2 / 525 / K / 2010) dated October 15, 2010 has expired since October 2013.</li> <li>m. Underground water permit of Sei Meranti Estate (number 503/47 / BPPTPM-LS / 2014) on April 8, 2014 has expired in April 2017.</li> </ul>
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**Criterion 2.2: The right to use the land is demonstrated, and is not legitimately contested by local people who can demonstrate that they have legal, customary or user rights.**

<p><b>Findings:</b></p> <p>During 1st surveillance, there is no revision regarding land use rights. The company has record of legal land use rights, through document of Ministry decree of Internal Affair of Republic of Indonesia number 53/HGU/DA/88 about land use rights on behalf PT PN IV Gunung Pamela, total area was 8,658 Ha, located at Aek</p>	<p><b>Compliance status:</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b>NCR No:</b> -</p>
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Batu village, Kota Pinang subdistrict, Labuhan Batu district, North Sumatera Province, valid until December 31, 2023. This license issued in Jakarta on June 29, 1988. Then, decree Head of Land National Agency number 26/HGU/BPN/89 about land use rights for PT PN IV Gunung Pamela, total area 4,130.1439 Ha located at Persiapan village, Pasir Putih village, Simpang Kanan village, and Bahtera Makmur village, Putih and Kubu Bengkalis subdistrict, Riau province, valid until December 31, 2024. This land use rights decree has derivatived document i.e.: land use rights certificate No.1/Desa Bagan Batu, based on decree land use rights number 26/HGU/BPN/89 dated on May 27, 1989, covered total area about 1,542.3 Ha. Issued in Bengkalis January 31, 1990.

Sei Meranti estate has records legal land used based on hectare statement, i.e.:

- a. Planted area about 7,152.63 Ha, consist of:
  - YoP 2004 – 2006 about 697.40 Ha
  - YoP 2007 – 2011 about 4,703.68 Ha
  - YoP 2012 – 2013 about 1,751.55 Ha
- b. Other land used 377.07 Ha
- c. Total planted area + others land used about 7,529.70 Ha

Also there is no discrepancy with the previous hectare statement between current conditions during 1st surveillance.

Sei Meranti estate located between two district and two province (Rokan Hilir district, Riau province – division III and IV about 1,541.68 Ha) and (Labuhan Batu Selatan district – North Sumatera province – division I, II, V, VI, VII, VIII, IX, X about 5,988.02 Ha).

During 1 surveillance audit, update process of land use rights renewal of Sei Meranti estate was in progress in Land National Bodies of Republic of Indonesia based on letter No.3.19/X/440/2017 dated on June 13, 2017. This letter is follow up of decree letter of Forestry Ministry regarding that Sei Meranti concession area was not include in forest area so the land use rights renewal process could be processed.

Based on boundary pillars monitoring record for 2016 and 2017 semester I, the estate carried out the boundary pillars monitoring with based on company procedure within six month. Based on the result all boundary pillars was identified with good condition and accessible in the field.

During 1st surveillance, no land disputes have been found between PTPN III – Sei Meranti Estate with the local community because the company has demarcated their boundaries by coordinating with heads of the surrounding villages.

The company has mechanism for conflict resolution which is already acceptable to all parties. Such mechanism is provided under Work Instruction PK.3-11.11.12 Rev. 0 dated 02/25/2015. The conflict resolution process starts from problem response, problem investigation, and conflict resolution through mediation, discussion and tribunal. Flow process of conflict resolution issues consist of information of problems, response, investigation, the problem completion (individual or group) is 2 (two) options i.e litigation (civil and crime) and non-litigation (mediation, persuasive, deliberation, compensation).

Based on the SIA, there was no conflict between the company



and the traditional land owners. Until 1<sup>st</sup> surveillance audit, auditor found no land issues which arise at Sei Meranti Estate.

In accordance with the working procedures PK.3-11.11.12 Rev. 0 dated 02/25/2015. Conflict Resolution (point 7.5) procedure stated that if there is a dispute between the community and the company, they entitled to appoint their representatives during the legal process, or the two sides can establish a joint consultative committee in charge of solving those problems independently.

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

**Findings:**

There is no land disputes in Sei Meranti estates and mill operation areas. Company hold a mechanism regarding conflict resolutions that documented into some procedure such Procedure no. PK-3.11-12 regarding Conflict Resolutions with working instruction No. IK 3-11-12. This procedure has refer to national regulations such as Law No. 5 year 1960, Law no. 18 year 2014 regarding Plantation and Law of HGU (land title). Basic procedural steps that must comply during conflict resolutions are:

- a. Risk Identifications
- b. Problem mitigations
- c. Collective calculations (company and affected parties) regarding the values of compensations
  - The loss of affected parties
  - Company's ability
  - Expectation values
  - Value's appropriateness
  - Inputs from stakeholders
- d. Documentation
- e. Legal Actions
- f. The rights (of affected parties) to choose representatives parties.
- g. Respects to Judge decree

There is no land disputes/conflict information based on document map verification. Public consultation result during audit confirmed that there was no land conflict among PT PN III Sei Meranti with surrounded community. There is no agreement regarding land conflict resolution has issued.

**Compliance status:**  Yes  No

NCR No: -

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

**Findings:**

Meranti estate has documented business or management for three years (2017 – 2019). Especially for 2017 FFB projection production is about 245,820 MT (include 3<sup>rd</sup> parties), with planted harvesting area about 7,152.63 ha, and CPO projection production about 32,410.56 MT and PK about 6,653.51 MT. Rendement for CPO production about 20.80% and PK about 4.27%.

The Sei Meranti budget covered about planted area for harvest, not planted area, HCV/conservation area, emplacement, road, mill, low land area, FFB projection for three years, extraction rate for three years, financial indicators in the mill, forecast prices for

**Compliance status:**  Yes  No

NCR No: -



the product, budget for environmental management and others.

During 3rd surveillance audit, there is no plan from company budget regarding replanting plan because still in productive stage.

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

**Findings:**

Both of estate and mill has established procedure and work instructions and documented in online system with limited person only could access. But, the company provide handbook for every foreman to communicate to all workers level and conduct training and socialization regarding procedure understanding for all workers.

The SOP consist estate SOP such as land preparation, land clearing, replanting, harvesting, sprayer activity, fertilizer activity, FFB loading and transportation, waste management, IPM handling management, law and regulation identification, HCV procedure and others. While in Sei Meranti POM the SOP consist of incoming FFB handling, weighing activity, grading procedure, sterilizer, thressing, kernel nut plan, boiler activity, engine room activity, storage tank activity, dispatch and supply chain requirement procedure also available.

Based on on site visit to division VII, procedure and work instruction brief to sub-contract workers for spraying and fertilizing activity conducted on March 8, 2017 with attendees about 16 person. The evidence complete with photograph and attendant lists.

Meranti estate has procedure document No.PK-3.08-15 Rev.01 revision date on 03-10-2016 about third party selection and evaluation. This procedure mentioned how to handling the third party selection and evaluation, but this procedure did not mentioned clearly where the sub-contract activity and what is is the criteria for selection and evaluation of this sub-contract workers. Then if refer to point 3 Land Clearing mentioned the criteria for third party evaluation item, such as:

- Quality
- Timing
- Environmental responsibility
- Security
- OSH
- Administration sanction

Found some inconsistencies in implementing the procedure, for example:

1. Based on the Procedure No.PK3-08-15 Rev01 on the selection of evaluation of the partners it is mentioned that the contractor's performance evaluation is conducted every semester. However, during the visit to Afd VII the selection of contractors in has not been shown.
2. Based on document verification, the company could not be shown recording of weekly progress report from contractor in Afd VII in accordance the requirement by work contract.

**This condition raised as non-conformity (NCR RSPO01340).**

**Compliance status:**  Yes  No

**NCR RSPO01340 (Major 4.1.1)**

Based on third party evaluation for 2017 semester I, mentioned for CV Maju Jaya and CV Vina & Co are fulfil the requirement for Environmental and OSH implementation with score evaluation was 20. In the other hand based on document review such as cholinesterase test, PPE, and work quality, the third party should not passed the evaluation because record of cholinesterase test, PPE and work quality is not fulfil the requirement. In other case, based on the result of document verification, can not be shown recording of weekly progress report in writing from contractor in Afd VII followed the requirement by agreement contract.

Company has record of master list of document for SOP and work instructions, with online condition, and could access during the surveillance. Company set mechanism to SOP's tracking of revision through the numerical identification tracking based on each department such as procedure PK-3.18-01 this mean 3.18 is come from law department, and 01 mean is document No.1 in law department, and PK mean is working procedure. And also complete with date of revision and revision no. to tracking the revision status.

All SOP both of estate and mill:

- Available in local language and could understood by all workers level.
- Training records for all workers level against to SOP's understanding done conducted by estate.
- Internal control to ensure the SOP's implementation done by estate such as harvesting inspection (Kap-Inspeksi in local name) to ensure harvesting activity finish with good without unripe bunch, zero losis fruit in field and others. Example harvesting inspection carried out on July, 2017 by related foreman in division VII. Based on that inspection record, all harvesting understood with palm oil harvest criteria, evidenced there is no record unripe fruit collect by harvester, there is no fruit did not picking by harvester. In generally this condition called "Panen Tuntas" clean harvesting.
- Regularly checking to ensure the SOP's implementation conducted through with the internal audit and management review process. Based on management review result, all SOP's already implement with comply status in generally, except some activity such as spraying and fertilizer activity not met with the target, this is because the raw material (fertilizer and chemical) stock is not available in store. And this condition was follow with report to management in head office with status in Purchase Order (PO) process.

Records of periodically checking against to SOP's implementation such as inspection, management review available in place. Also records of correction and corrective action could accessible as explain above.

Mill has established procedure for Third party FFB sourcing with document No.PK-3.11-12 Re.01 revision date May 19, 2016. This procedure not clearly mentioned about how to ensure the FFB third party source comply with national regulation. But in the contract agreement, No. DLAB.I/SPJ/86/2016 dated on September 30, 2016 in clause 1 section 1.2 mention "Third party ensure that FFB deliver to Meranti POM is legal accordance to the law and regulation".

Based on production records for 2016 and 2017, list of FFB third party source is available in place. For 2016 there are consist of 6 FFB third party source (company/CV) consist of UD Mandiri Pratama; CV Sawit Lestari; CV KD-KD; UD Waskita Jaya; UD Andhita, CV Naga Tatur with total planted area about 1,908 ha; then for 2017 consist of CV Sawit Lestari; CV KD-KD; UD Andhita with total planted area about 1,326 ha.

Records of daily FFB third party volume per day incoming available in place through the daily production records for 2016 and

2017.  
 The FFB third party FFB record for 2016 follow are:

- CV Sawit Lestari about 10281.130
- Mandiri Pratama about 1757.120
- Waskita Jaya about 4051.650
- KD-KD about 20694.880
- Andita about 9143.460
- Bekanta about 1128.530
- Naga Tuter about 2625.810
- Berkat about 698.00
- Torgamba Karya about 15.220
- Monica Jaya about 252.220
- Harapan Tani about 22.640

The FFB third party FFB record for 2017 follow are:

- CV KD-KD about 156.830
- CV Sawit Lestari about 6.660
- UD Andhita about 186.160

Company has carried out field verification for all third party FFB sources, evidenced company collected the land use certificate copy and take the GPS point of the FFB source (estate). Example based on internal letter No.MR/Int/25/2016 dated on January 18, 2016 about FFB third party source verification in field. This letter has informed about GPS point of FFB third party source sampling.

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

**Findings:**

Meranti estate has established procedure/work instruction for maintain soil fertility; such as:

- IK-3.09-03/16 Rev.03 revision date 16-01-2017 for fertilizer activity. This procedure explained that fertilizer activity shall refer to dosage based on foliar and soil sampling analysis. Also mentioned in section 4.2.4 all fertilizer workers should brief before about fertilizer application and dosage before they work.
- IK-3.09-03/19 Rev.02 revision date 19-05-2016 for EFB application on the land. This procedure mention that EFB application carry out every one a year between March – June with one layer application consist of 3 circle with long between each circle is about 50 cm with dosage 200 – 300 kg per application. This application is applicable for TBM-I (immature) only. During on site visit in division III and VIII there is no record for EFB application for semester I 2017. But record EFB application for last year 2016 available in place. While for TM, dosage application per Ha between 40 – 50 tonne per Ha, also with one layer application.

Sei meranti estate has record of fertilizers input per tonne FFB production, example:

- March 2017, total Dolomite input was 8923.00 kg with input per tonne FFB about 0.67 kg/FFB production
- April 2017, total Urea input was 1050.00 kg with input per tonne FFB about 0.08 kg/FFB production.
- May 2017, total NPK 15.12.22+0.5TE was 54,322 kg with input per tonne FFB abput 4.12 kg/FFB production.

**Compliance status:**  Yes  No

NCR No: -

Meranti estate has established work instruction for foliar sampling with document No. IK-3.09-01/04 Rev02 revision date 16-01-2017. This document mentioned foliar sampling should carry out two months before end of fertilizing program. Then for soil analysis estate has established work instruction No.IK-3.09-01/20 Rev00 about sampling soil analysis. In section 4.3 mentioned that soil sampling will carry out every four (4) year for soil in opened land, every once (1) year for intensive land system management, and every five (5) year for high level soil analysis.

Records of foliar sampling available in place for 2017. This foliar sampling carried out by Indonesian Palm Oil Research Institute. This foliar sampling also complete with foliar analysis result and fertilizer dosage application per year of planting for each year of planting, division and field number.

Records of foliar sampling for 2016 and 2017 available in place as stated above, carry out by Indonesian Palm Oil Research Institute. The for soil analysis Sei Meranti could show the latest soil analysis done on February 2014, conducted Indonesian Oil Palm Research Institute with certificate No.288/0.1/Sert/III/2014. And based on soil analysis procedure

Based on fertilizer record activity in 2016 fertilizer program and realization are based on fertilizer dosage recommendation issued Indonesian Palm Oil Research Institute from foliar sampling.

Estate has established procedure for recycle nutrient strategy trough the EFB application on the land, as mentioned above. Meranti estate has established program for POME and EFB application to increase the soil fertility. Based on record application:

- POME application for 2016 (January – December) about 132,214 MT.
- POME application until Semester I (June 2017) about 78,746 MT.
- EFB application for 2016 (January – December) about 55,372.32 MT.
- EFB application until Semester I (June 2017) about 31,587.11 MT.

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

**Findings:**

Refer to HCV assessment found sloping area with undulation condition more that 40% slope 55.03 Ha. This area based on site visit has planted by estate. Estate has established work instruction No.IK-3.09-02/06 Rev01 revision date 19-05-2016 about land preparation and palm oil maintenance in sloping area. This procedure explained planting in sloping area is through terrace and cover crops. Based on field assessment in division VII and V, cover crops in sloping area are available and in good condition.

There is map for soil type and fragile soil map in place, but this map is not comply with appropriate scale (1:50,000) as required by RSPO. **This condition raised as non-conformity (NCR RSPO01341)**

Estate has established work instruction No.IK-3.09-02/06 Rev01

**Compliance status:**  Yes  No

**NCR RSPO01341 (Major 4.3.1)**

There is map for soil type and fragile soil map in place, but this map is not comply with appropriate scale (1:50,000) as required by RSPO.

revision date 19-05-2016 about land preparation and palm oil maintenance in sloping area. This procedure explained planting in sloping area is through terrace and cover crops to minimize potential erosion. Policy of planting in slope area are include in conservation policy whereas this policy mentioned all HCV identified area should protect and manage to enhance the HCV value.

Based on HCV assessment found sloping area with 40% undulating condition but already planted by estate before HCV assessment conducted. Then, current condition during surveillance showed that area maintained through the cover crops handling.

Based on field assessment in division VII and V, cover crops in sloping area are available and in good condition.

While for road maintenance, Meranti estate has established the program. This program consist of road identification to mapping whereas the road in priority maintenance. Based on road maintenance record 2017, estate done carried out road maintenance (road production) in division III about 1500 meter; division II about 2000 meter also in production road.

Based on soil map, there is no peat soil found in Sei Meranti estate

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

**Findings:**

Water sources identification and management plan are listed on 2017 water management document. These document describe the water source identification, Mill and estates housing water usage monitoring & efficiency, and catchment area protections. Field visits on block S14 and block N12 AFD VII at Meranti es-tates for examples, found that companies managed "Kompas river" riparian by marked the buffer zone, perform revegetation with mahogany, and signboard placement. Company also conducted regularly surface water quality testing for "Kompas river" and underground water (artesian well) every semester. Company also have monitored the efficiency of water usage both of estates and mill every month. During audits, there is no complaints from around local stakeholders and workers regarding surface water quality/underground water quality that utilized by them. Based on workers interview on estates housing shown that drinking water for them originated from refill water and Sei Meranti Mill also provides clean water access for all workers.

Company provided procedures for these catchment areas protection/conservations listed on procedures PK-3.09-08 document. Field visit during audit, for examples on Kompas river riparian block N12 acquired information that company shown proper ways for maintain and protect the catchment area for example manual weeding and marking the chemical boundary border. Company has identified and shown the maps for catchment areas (including riparian) with 1:25000 scale. HCV identification document shown there is some natural water stream on estate e.g: "Kompas and Busuk river" stream.

Mill effluent produced by Sei Meranti mill processed at waste wa-

**Compliance status:**  Yes  No

NCR No: -

ter treatment plant (WWTP), until it complying to standards before it discharged to estates as land applications based on decree of Rokan Hilir regent No 35/BPDL/2015 valid until 2020. Sei Meranti POM waste water quality testing document review shown for March - July 17 all of waste water testing parameters are compliant to the standards quality (for examples BOD on July are 1183 mg/l and pH 7.55), and all of waste water management and monitoring has been reported to related institutions per 3 month regularly. Field visit on WWTP during audit found there is no leakage indications and these area are managed well. Observation on block F26 also found there is no leakage and contamination indications on land applications spot. Based on land application record realization, all land application waste water in field was compliance with licensed.

Observations on Sei Meranti Mill water treatment plant (WTP) found monitoring for raw and process water usage was done by officer periodically and flowmeter are installed and working properly. Procedure for Mill water usage and monitoring are provided and has been listed on working instruction IK-3.11-05/01. Standards of water usage for FFB process recorded on 2017 budget, projected 2 m3/tonne FFB processed. Water usage monitoring was done periodically and recorded, for example on July 2017 FFB processed 20692 tonne, process water usage 13574 m3, and water usage efficiency was 0,66 m3/tonne FFB processed.

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

**Findings:**

The company was managed using appropriate Integrated Pest Management (IPM) techniques. Some evidences showed to auditor team are:

- a. The company has made procedure related IPM (IK-3.01-17/14; revision 07; date May, 01 2014). This procedure described that before pest and diseases growing rapidly, the company should be conducted the Early Warning System (EWS). EWS implementation conducted with routine census activity. This result of census activity would be used for IPM recommendation. If the result of census showed level of pest and diseases attacking under the economic level, so control of pest and diseases were not use chemical material (can be use biological and or manual control). But if the result of census showed of pest and diseases almost and or over the economic level, control of pest and diseases could be use chemical material. But control with the chemical material should be accordance with the dosage recommendation from supplier.
- b. Based on global telling report and pest & disease monthly report (January to December 2016 and January to July 2017) that there was not a significant attacked based on the SOPs requirements (level of pest and diseases attacking medium category). So that to control attack it by manual/hand picking and using agrochemical accordance recommendation.
- c. The company was also developed beneficial plant such as *Turnera subulata*. Sp, *Antigono*. Sp and developed natural predator for rat (*Tyto Alba*). Based on field observation at Block J28 and Block K27 showed the beneficial plant was

**Compliance status:**  Yes  No

NCR No: -



planted and maintained.

d. The company has delivered IPM training on February 13, 2017 (refreshment) for 12 workers being person in charge in pest management or early warning system. Material issues on training were handling of pest and disease (caterpillar) by manual (hand picking and beneficial plant) or chemist and telling mechanism. The records of training were invitation letter, minute of meeting, attendance list and photograph.

**Criterion 4.6: Pesticides are used in ways that do not endanger health or the environment.**

**Findings:**

The company have recommendation for usage dangerous and poisoned agrochemical during year 2017 from Social, Labour and Transmigration agency (decree No.560 / 40 / DSTKT / 2017 dated January 11, 2017). The company allowed to used such as Herbicide are Garlon 670 EC (active ingredients: triklopir butoksi etil ester), Starane 480EC & 290EC (active ingredients: florkspirir metil heptil ester), basmilang 480AS (active ingredients: isopropyl amine glyphosate), Round Up 486 SL (active ingredients: isopropyl amine glyphosate). All of pesticide are used by company registered and permitted by the Pesticide Commission. But, there were 5 (five) types of chemicals (Manthene, Ally 20WG, Posat, Decis and Orthene) are found not listed in the Chemical Recommendation Permit. **This condition raised as non-conformity (NCR RSPO01339 – address to Major 2.1.1).**

The company has recorded of pesticide used consistently. The record of pesticide explain specific to target (pests, weeds, or diseases), dosage recommendation, active ingredient, areas implemented. Based on observation document and interview with management it is known that the pesticide used conducted by pesticide. For example: Record of pesticide used in Sei Meranti Estate, Afd. VII:

Name of Pesticide	Active ingredient	Dosage	Target	Areas implemented
Garlon 670 EC	Triklopir butoksi etil ester	0,75 - 1,5 l/ha	Wide-leaved weeds	Block K27

The use of pesticides is done by trained personnel. This is evidenced by the availability of recording training on the use of pesticides conducted on February 13, 2017 (refreshment training). During the audit, the audit team do not conducted field visit to the chemical activity in the field because the chemical activity has not plan at the time. But, the audit team has conducted interview with the worker in the Block T8 (while the worker conducted manual maintenance). Based on interview with worker in the field (on Block T8), they could be describe and demonstrated how to safely handling pesticide. But, based on interviews with workers in Block T8, they said that all equipment used at the time of chemistry activities was brought back home. **This condition raised as non-conformity (NCR RSPO01342).** Moreover, based on observation and interview with Supervisor (“Mandor”), he was carried the MSDS label and first aid box. But

Regarding with the storage of all pesticides, the company has provided a special chemical storage. Chemical storage areas are in compliance with relevant regulations, such as the installation of

**Compliance status:**  Yes  No

**NCR RSPO01342 (Major 4.6.6)**

Based on interviews with workers in Block T8, they said that all equipment used at the time of chemistry activities was brought back home.

symbols in accordance with Regulation of the Minister of Environment No. 13 of 2014, MSDS, emergency response facilities (fire extinguisher, eye wash, alarm) etc. All of waste of pesticide packaging was stored in hazardous and toxic waste storage.

Based on document observation, field observation and interview with management, it known that the company do not applied pesticide from aerial.

Based on document observation it known that the company has been able to show the annual medical for all spraying worker where one of analysis/parameter is cholinesterase inside blood. But, if refer to the regulation Ministerial Decree no. 2 years 1980 which the company must be check the medical of worker every semester, the company has no sufficient evidence showed that this activity has be done. **This condition raised as non-conformity (NCR RSPO01339 – address to Major 2.1.1).**

Based on the result of regular medical screening for spray workers, there is no evidence of the existence of the pregnant or nursing female spray workers. During field visit, there is no pregnant, or breast feeding women working related to chemical.

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

**Findings:**

The company (POM and Estate Sei Meranti) already has Commitment and Policy regarding Safety and Health. The commitment and policy explained regarding how to organization committed to comply with occupational, health and safety Regulations and the related requirements was applicable, civilize occupational, health and safety in every process and to minimize of all accident potential and or occupational diseases. The commitment and policy signed by management representative of company and representative of worker (labor union) on January 2017. The commitment and policy declared in Bahasa Indonesia.

The company has also established occupational, health and safety goals and occupational, health and safety targets. The company has socialized to occupational, health and safety commitment and policy for all of workers and contractor. Socialization conducted i.e:

- a. Active Socialization: conducted through meetings directly with employees on May 13, 2017.
- b. Passive socialization: conducted by installation of signboard regarding OHS policy on Sei Meranti POM office and Sei Meranti Estate office.

Based on field visit and interview with part of worker were found, it known that all of worker are interviewed understood regarding the occupational, health and safety policy. They could explained one of goals of the occupational, health and safety policy is reducing the accident.

To ensure the commitment and the occupational, health and safety policy implemented, the company has established the organizational structure of occupational, health and safety, which named with the occupational, health and safety Committee (Pani-

**Compliance status:**  Yes  No

**NCR RSPO01343 (Major 4.7.2)**

There are still some activities that have not been included in the risk assessment i.e: chemical storage activity and emplacement of worker (in Estate responsible) and temporary storage of hazardous and toxic waste and emplacement of worker (in POM responsible).

**NCR RSPO01344 (Major 4.7.3)**

Based on field observations in Afdeling III and VII it known that the provision of Personal Protective Equipment (PPE) is not maximally applied so that workers in the field do not use PPE in accordance with the risk analysis that has been prepared. For example: Harvest workers encountered only using Helmet and Safety Shoes whereas in the risk analysis document is recommended to use Helmet, Safety Shoes, Glasses and Rubber Gloves and there is an indication that the chemical warehouse operators do chemical pouring activities not using PPE as required in company procedures and policies.

tia Pembina Keselamatan dan Kesehatan Kerja - P2K3) in which secretary of OHS committee has occupational, health and safety Expert license.

The Company has established a risk analysis document that explains the potential risks from all operations in Estate and Mill. The document also explains how the identified risk control measures have potential risks for each operation. The risk analysis document reviewed every 1 year. The latest reviewed by company on February 2017. However there are still some activities that have not been included in the risk assessment i.e: chemical storage activity and empalcement of worker (in Estate responsible) and temporary storage of hazardous and toxic waste and emplacement of worker (in POM responsible). **This condition raised as non-conformity (NCR RSPO01343).**

Some of the occupational, health and safety training conducted by company such as:

- a. Training for Welder → 1 persons (on behalf Yanto), conducted on 2015. This evidenced by the operator licenses from government.
- b. Training for Boiler Operator → 4 persons (on behalf Sakti Zega, Herianto, Imam Asih and Saidin), conducted on 2015 (3 persons) and 2017 (1 person). This evidenced by the operator licenses from government.
- c. Training for Generator set → 1 persons (on behalf Toni Sihan), conducted since 2016. This evidenced by the operator licenses from government.
- d. Training for Steam Plant (Sterilizer) → 2 persons (on behalf Warsan and Rustamer Purba), conducted on 2015 (1 person) and 2016 (1 person). This evidenced by the operator licenses from government.
- e. Training for OHS Expert → 1 person, conducted since 2015. This evidenced by the operator licenses from government.
- f. Training for Electrician → 1 person (on behalf Subakti), conducted since 2016. This evidenced by the operator licenses from government.
- g. Training for Fire Officer → 1 persons, conducted since 2016. This evidenced by the operator licenses from government.
- h. Training for Operator Housting Crane → 2 persons (on behalf Zulkifli Siregar and Janasmir Sinaga), conducted since 2016. This evidenced by the operator licenses from government.
- i. Training for OHS Expert special for Chemical handling → 1 person (on behalf Nasrin), conducted since 2016. This evidenced by the operator licenses from government.
- j. Training for Wheel Loader → 1 person (on behalf Sajali), conducted on 2016. This evidenced by the operator licenses from government.

Based on field observations in Afdeling III and VII it known that the provision of Personal Protective Equipment (PPE) is not maximally applied so that workers in the field do not use PPE in accordance with the risk analysis that has been prepared. For example: Harvest workers encountered only using Helmet and Safety Shoes whereas in the risk analysis document is recommended to use Helmet, Safety Shoes, Glasses and Rubber Gloves and there is an indication that the chemical warehouse operators do chemical pouring activities not using PPE as required in company procedures and policies. **This condition raised as non-conformity (NCR RSPO01344).**

The company has defined the responsible organization to implement OHS. The organization called OHS Committee / Panitia Pembina Keselamatan dan Kesehatan Kerja (P2K3). The OHS committee has meeting for 1 month to discuss how to improve the OHS implementation in the operational estate and mill.

The company has established procedures for response accidents and emergencies include of fire, chemical spillage, explosion, natural disaster, flood, sabotage, etc. The procedure documented as "Prosedur Kerja Kesiagaan Tanggap Darurat", document no. PK-3.12-08, Revision 0, and flowchart of emergency response plan. The procedures made in Bahasa.

Records of accident were available in estate and POM. The records included information of Lost Time Accident (LTA) metrics.

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

**Findings:**

During 1st surveillance, Sei Meranti estate could not show evidence regarding training program for 2016 and 2017 also for the training implementation for all workers level. This is raise as nonconformity. **This condition raised as non-conformity (NCR RSPO01345).**

**Compliance status:**  Yes  No

**NCR RSPO01345 (Major 4.8.1)**

Sei Meranti estate could not show evidence regarding training program for 2016 and 2017 also for the training implementation for all workers level. This is raise as nonconformity.

**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 continual improvement.**

**Findings:**

During 1<sup>st</sup> audit, there is no scope changes related to mill capacity, new plantings, on Sei Meranti estates/mill areas. All company operation activities are covered on these old document. The company has a document of Environmental Evaluation Study (SEL in Bahasa: Study Evaluasi Lingkungan) covering for Sei Meranti estates and mill approved by Agricultural minister on 1994. Management also develop revision document for environment management and monitoring plan (RKL/RPL) approved by Labuhan Batu environmental agency on 2006, covered 7,529.70 Ha (for estates areas) and 60 tonne FFB/hour mill capacity.

These documents explained the impact that probably caused by the company's operations such as construction of roads, infrastructure development, processing mills development, land preparation, crop management, oil palm planting, development of conservation areas, etc. EIA documents also describes environmental management and monitoring plan that should be done by the company.

Based on EIA monitoring and management plan document, showed the company should carry out the management and monitoring for all impact already identified on EIA document, such as water quality, air quality, emission quality, waste quality and others. Company done the environmental management and

**Compliance status:**  Yes  No

**NCR RSPO01346 (Minor 5.1.3)**

The environment management as outlined in semester 2, 2016 RKL/RPL report not yet included the monitoring parameters (according to matrix) such as terrestrial biota and soil erosion and management review for environment management and monitoring plan are not available.

monitoring as outlined in the Report of the Environmental Management and Monitoring per semester regularly. These report described realization of monitoring and management of the environment in accordance with environmental parameters in the EIA document. During 1<sup>st</sup> audit, shown that the company has made environmental management and there is no issue of pollution caused by the company's operational activities. However, the environment management as outlined in semester 2, 2016 RKL/RPL report not yet included the monitoring parameters (according to matrix) such as terrestrial biota and soil erosion and management review for environment management and monitoring plan are not available. **This condition raised as non-conformity (NCR RSPO01346).**

**Criterion 5.2: The status of rare, threatened or endangered species and other 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 operations managed to best ensure that they are maintained and/or enhanced.**

**Findings:**

During 1st surveillance there is no revision regarding HCV assessment in the Sei Meranti estate. Based on HCV assessment report carried out by external consultant Research Centre for Biotechnology and Natural Resource of Bogor Agriculture University 2013. Based on HCV identification, has been identified about 370.84 Ha HCV area in Sei Meranti concession. This HCV type consist of:

1. Busuk river about 18.02 Ha
2. River in field number H20 about 4.93 Ha
3. River in field number N11/N12 about 12.13 Ha
4. Kopas river about 18.66 Ha
5. River in field number Q11/Q12 about 17.72 Ha
6. Bayu river about 16.40 Ha
7. River in field number U7 – U14 about 8.13 Ha
8. Water spring in field number H20 about 3.80 Ha
9. Low land Busuk area about 211.84 Ha
10. Low land in field number L15 about 3.00 Ha
11. Low land in field number J14 about 1.00 Ha
12. Sloping area more than 40% about 55.03 Ha

HCV assessment also identified the flora and fauna in Sei Meranti concession area. Based on idnetification result, there is no RTE species identified on this location. The species already identified based on HCV document assessment was:

1. *Macaca fascicularis*
2. *Hystrix brachyura*
3. *Pronailurus bengalensis*
4. *Tragulus javanicus*
5. *Elanus caerulus*
6. *Loriculus galgulus*
7. *Halcyon smymensis*
8. *Halcyon chloris*
9. *Rhipidura javanica*
10. *Varanus salvator*
11. *Naja Sumtrana*
12. *Phyton reticulatsu*

And based on IUCN, all the species above categorized in LC (low

**Compliance status:**  Yes  No

NCR No.:



concern).

Sei Meranti POM and Estate has been communicate/brief the HCV to the all level workers through the signboard installation, morning briefing before the workers go to work area. The contained of HCV brief discussed about not allowed the activity such as catching, hunting, keep and trap all of type species in Sei Meranti concession area.

Record of HCV monitoring for Sei Meranti estate. Example monitoring carried out in Division V done on June 30, 2017. Based on HCV monitoring HCV in good condition. This is condition already double check through the onsite visit in Division V Field No. L15. This HCV area in good condition with found *Macaca fascicularis* and *Macaca nemestrina* during onsite.

There is no HCV area side-as site with community area in Sei Meranti concession area. Sei Meranti estate also conduct brief to all workers regarding HCV protection and prohibition to carry out hunting, illegal logging, illegal fishing or others illegal activity in Sei Meranti concession area will impact against to the HCV area. This brief conducted on March 2017 in all division with the evidence in attendant list and photograph.

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

**Findings:**

Registry for waste (included toxic and hazardous waste) products produced from mill and estates are identified and listed on 2017 identification of pollution source document, for example mill waste water are managed at waste water treatment plant before it distributed as land applications, hazardous waste were kept and handled at temporary hazardous waste storage.

This registry of waste also includes responsible waste disposal plan. For examples POME and EFB application on estates as a part of reduction and reuse the waste from mill. All of waste utilization have monitored regularly, for examples realization for POME application at Sei Meranti estates on July are 12,416 m<sup>3</sup>.

All chemicals and their containers including hazardous waste are handled and disposed based on procedure IK-3.11-19/10. Inventory for all chemicals usage and it containers are available on chemicals storehouse / temporary hazardous storage. All ex chemicals containers kept on temporary hazardous storage at estates and mill, and the company has a permit for hazardous and toxic waste storage issued by decree of head of capital investment and licensing, labuhan batu selatan regent, No 503/693/DPMPPTSP-LS/2017 for Sei Meranti estates valid until 2022, and decree No 63/BPDL/2016 for Sei Meranti mill from Rokan Hilir regent, valid until 2021. However, mechanism for ex chemicals containers storing periods on afdeling storehouse are not determined yet and evidence for Ex chemical containers disposal based on regulation on afdeling storehouse are not available. **This condition raised as non-conformity (NCR RSPO01347).**

Based on field visit on AFD VII found EFB are still disposed using

**Compliance status:**  Yes  No

**NCR RSPO01347 (Major 5.3.2)**  
 Mechanism for ex chemicals containers storing periods on afdeling storehouse are not determined yet and evidence for Ex chemical containers disposal based on regulation on afdeling storehouse are not available.

**NCR RSPO01348 (Minor 5.3.3)**  
 Based on field visit on AFD VII found EFB are still disposed using open fire, this are not in accordance with working instruction PK-3.19-09.



open fire, this are not in accordance with working instruction PK-3.19-09. **This condition raised as non-conformity (NCR RSPO01348).**

Document review shown that company has sent all toxic and hazardous waste to CV Amindy Barokah, a licensed hazardous waste collector by decree of North Sumatra governor on June 19<sup>th</sup> 2014. All manifest are available and checked by auditors, for examples manifest AVT0001812 on May 17<sup>th</sup> 2017, carrier vehicles BK8331MO, for 0,158 tonne ex chemical containers. Observation during audits at temporary hazardous&toxic waste storage shown that all of hazardous waste are compliant with the periods in permit (< 180 days).

**Criterion 5.4: Efficiency of fossil fuel use and the use of renewable energy is optimized.**

**Findings:**  
 Company has a documented environmental objectives, targets, and programme for 2017 which include: a plan to improve efficiency of fossils fuels and fuel usage reduction plan.  
 Monitoring of efficiency improvement for fossil fuels by renewable energy (shell and fiber for boiler) usage have been undertaken by company every month. Energy efficiency for diesel fuel are 0,07 litre/tonne CPO, for electricity are 52,05 kWh/tonne CPO, for shell usage are 0,17 tonne shell/tonne CPO, and 0,22 tonne fiber/tonne CPO for fiber usage. Meanwhile until 1ASA, company not yet planned for biogas/methane capture plant operation for Sei Meranti mill.

**Compliance status:**  Yes  No  
 NCR No: -

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

**Findings:**  
 The company has a policy to avoid the usage of fire during land clearing or replanting presented in procedure of Land preparation for replanting, No IK-3.09-02/02, rev. 03 on date May 19, 2016. The work instruction mentioned that land preparation for replanting with zero burning.  
 During 1<sup>st</sup> surveilence audit, there is no replanting activities at the estate.

**Compliance status:**  Yes  No  
 NCR No: -

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

**Findings:**  
 Sei Meranti POM and Estate has identified the pollution, emission and greenhouse gases source, with the activity such as:  
 1. Chemical activity  
 2. Road maintenance  
 3. EFB application  
 4. Land application  
 5. Fertilizing activity  
 6. Transportation, and others  
 While in Mill the emission pollution was from:

**Compliance status:**  Yes  No  
**NCR RSPO01349 (Major 5.6.2)**  
 The mill and estate could not show evidence of GHG mitigation program and implementation.

1. FFB incoming activity
2. Boiler activity
3. Process activity
4. POME installation
5. Genset and engine room.

From the identification has been done by estate and mill, they should identified the significant pollutant and emission then make mitigation program to reduce and minimize, but the mill and estate could not show evidence of GHG mitigation program and implementation. **This condition raised as non-conformity (NCR RSPO01349).**

Sei Meranti both of mill and estate has done carry out the GHG calculation based on GHG calculation template new version of RSPO. The calculation result will show in public summary report in first page.

**Criterion 6.1: Aspects of plantation and mill management that have social impacts, including replanting, 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 continual improvement.**

**Findings:**

PT PNIII still uses Social Impact Assessment (SIA) document that was developed by the Research Institute of the University of North Sumatra in 2012 for Sei Meranti POM and Estates. Company still keep the evidences regarding affected parties participations in the process of SIA report such as meeting records, photos and attendant list that recorded in 2012 and filled questionnaires of Social, economy, cultural aspects and public health aspects. FGD conducted at July 25-27 , 2012 with Bagan Batu, Bahtera Makmur Kota, Bahtera Makmur, Suka Maju, Gelora, Meranti Makmur Leaders , villagers ect. This report has documented negative and positive impacts of company's activities regarding plantations and Mill. The main impacts that has assessed were:

- a. Social and Public Facilities: Village main road, bridges, flood high risk village, worker housing facility, education health and transportation)
- b. Working opportunity. Local workforce recruited and unemployment issues.
- c. Local business opportunity. The low of local business managerial capability, consumer good distributions and creativity.

However Sei Meranti Unit has not been able to show the program document of the 2017 social impact management plan prepared through consultation process with internal (employee) and external (community, government agencies etc) along with the implementation and responsible schedule. It raised non conformity for this condition. **This condition raised as non-conformity (NCR RSPO01350).**

Sei Meranti Unit has not been able to provide a review document of the 2017 social governance plan by involving the participation of both internal and external (community, government, NGOs, etc). **This condition raised as non-conformity (NCR RSPO01351).**

**Compliance status:**  Yes  No

**NCR RSPO01350 (Major 6.1.3)**

Sei Meranti Unit has not been able to show the program document of the 2017 social impact management plan prepared through consultation process with internal (employee) and external (community, government agencies etc) along with the implementation and responsible schedule. It raised non conformity for this condition.

**NCR RSPO01351 (Minor 6.1.4)**

Sei Meranti Unit has not been able to provide a review document of the 2017 social governance plan by involving the participation of both internal and external (community, government, NGOs, etc).

**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**

**Findings:**

PTPN III has Working Procedures No. PK-3.08-03 Rev 03 on stakeholders Consultation and Communication dated October 03, 2016. According to the working procedures, stakeholders can express their aspirations, suggestions and feedback to the PN III via the website, telephone, mail, email, fax, the suggestion box or visit. The company has created signboards and communication flowchart to stakeholders. The company also has provided communication box and to record incoming letters the company has provided logbook.

The company has list of stakeholder year 2017 where it has signed by manager of Sei Meranti POM and Estate. Its stakeholders are community organization, press, labour union, contractor, outgrower, government institution, NGO, etc. include of mobile number and address of each stakeholders.

Example of communication with stakeholder

**Sei Meranti POM**

- Letter No. 422.1 / SMK-WK / BLI / IV / 2017/669 from SMK Widya Karya dated April 15, 2017 regarding the application for internship at Sei Meranti mill from 10 July to 10 October 2017. Response from Mill management with letter no. PSMTI / SMK-WK / BLI / 14 / IV / 2017 dated April 22, 2017 regarding the approval of internship at Sei Meranti Mill from July 10 to October 10, 2017 with 5 students.
- Letter No. 03 / BM / PPM-AF / 2016 from the mosque construction committee intersection from Kepenghuluan Bahtera Makmur, Bagan Sinembah Sub district dated 08 November 2017 regarding the proposal for donation to mill management. Response from Mill management with letter No. PSMTI / BM / PPM-AF / II / 08/2017 regarding funding support for mosque construction can be rescheduled on February 25, 2017

**Sei Meranti Estate**

- Letter No. 421.5 / YPPB / SMKP / 2017 dated 08 JUNI 2017 from SMK Pembangunan concerning the application of technical internship for 3 months from 10 July to 10 October 2017. Letter from management dated July 7, 2017 regarding industrial internship agreement in Sei Meranti estate for 4 students of SMK Pembangunan Bagan Batu.
- Letter No. 935/770 / SM / V / 2017 dated May 22, 2017 from the Village Head of Sei Meranti regarding the application of grader assistance and compaction road of Bagan Sari Hamlet along the 2.5 km , the response from management with letter No. KSMTI / X / 52/2017 dated 11 August 2017to Sei Meranti Village Head on information that the requests letter is being submitted to Labuhan Batu I District management

**Compliance status:**  Yes  No

NCR No: -

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

**Findings:**

PTPN III has Procedures No. PK-3.08-03 Rev 03 on stakeholders

**Compliance status:**  Yes  No

Consultation and Communication dated 03 October 2016. While according to the working procedures, stakeholders can express their aspirations, suggestions and feedback to the PN III via the website, telephone, mail, email, fax, the suggestion box or visit. The company has created signboards and communication flowchart to stakeholders. The company also has provided communication box and to record incoming letters the company has provided logbook. Concerning the Handling Whistleblowing mechanism, stated in the Code of Conduct PTPN III, Chapter IV Work Ethics.

- Presented in writing and can be reported by email, stating the complaint box complete personal identity.
- The identity of the complainant is guaranteed confidentiality by the company.
- The information reported must be supported by evidence sufficient and reliable as the initial evidence for further investigation.

There is a recording of complaints from stakeholder through the whistle blowing system mechanism January 04, 2017 about the oil palm plantation in front of the employee housing Afd II, has not been shelled out and there are many more EFB piles. Response from management by checking the field on May 31, 2107 and the result is a pile of EFB more and then will be done to spread EFB work so that conditions are not encountered anymore. However, based on the results of interviews with sub-contract worker in Block T8, they reported that they have done reporting on the condition of house damage since 2016, but until now have not received a response, and also no evidence of logbook recording of internal grievance recording has been done and responded. **This condition raised as non-conformity (NCR RSPO01352).**

**NCR RSPO01352 (Major 6.3.1)**

Based on the results of interviews with sub-contract worker in Block T8, they reported that they have done reporting on the condition of house damage since 2016, but until now have not received a response, and also no evidence of logbook recording of internal grievance recording has been done and responded.

**Criterion 6.4: Any negotiations concerning compensation for loss of legal, customary or user 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.**

**Findings:**

The company has a mechanism to identify and calculate the compensation, Working Procedure Conflict Resolution No. PK.3-11.11.12 Rev. 0 dated 02/25/2015. Any risk / conflict can be resolved properly and avoid minimize losses. In the procedure described above regarding the calculation of the parties who are entitled to receive compensation.

The conflict resolution process starts from problem response, problem investigation, and conflict resolution through mediation, discussion and tribunal. This mechanism has been publicised to surround Villages during stakeholder consultation on January 27, 2017.

**Compliance status:**  Yes  No

NCR No: -

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

**Findings:**

Sei Meranti has payment records for workers for March 2017. Worker's wages based on Decision of the Governor of North Sumatra 188.44/623/KPTS/2016 dated October 28, 2016 concerning the determination of minimum wage SUMUT 2017 IDR. 1,961,354.69. And decree from Board of Directors.

**Compliance status:**  Yes  No

**NCR RSPO01353 (Major 6.5.1)**

Based on field observation, document review and interviews, it known that the company has no able to show the objective evidence regarding:

3.17/SKPTS/R/ 14/2017 regarding the determination of employee's salary (2017) of category IA/0 amounting IDR. 1,961,355 to IID/7 IDR. 4.321.179. Available payment of wages for Mill employees in July 2017, for example Andi Saputra IA/4, Mill process IDR. 1.988.127. Ilham, security, IA / 13 IDR. 2,048,367,

Based on field observation, document review and interviews, it known that the company has no able to show the objective evidence regarding:

- a. Sei Meranti Estate has not been able to show evidence of payment for contractor (upkeep worker) in accordance with District Minimum Wage
- b. Wages clause in a Temporary contract worker (PKWT) for harvesting in Sei Meranti estate is not accordance with the District Minimum Wage.
- c. Based on the results of the field visit of Afd VII, no evidence of authentic payroll / wage receipt receipt signed by the employer and the employee, in which the pay slip specifies the minimum information required by the RSPO.
- d. The evidence of recording of the name of the sub-contract worker is accompanied by a signature as proof of salary deduction, but the signature in the recording is different from the existing signature of the socialization document, whereas under the name of the same workers and contractors.

**This condition raised as non-conformity (NCR RSPO01353).**

PTPN III has collective labor agreement (PKB) 2016-2017, which contains the rights and obligations of employees set about wages, leave, occupational health, health benefits etc. Collective labor agreement (PKB) was signed between the management of PTPN III and the union Representative of Workers witnessed by Head of Labour and Transmigration Agency North Sumatera on February 11, 2017. Socialization conducted by distributing pocket book of PKB to every workers of PTPN III.

Unit Sei Meranti has facilities for workers, as follow :

**Sei Meranti Mill**

Housing G1: 2 units, Housing G2 93 units, musholla 1unit, health care 1 unit, Union office 1 unit.

**Sei Meranti Estate**

Housing G1: 5 units, Housing G2 : 255 units ,Mosque 8 unit, church 1, Madrasah 8 units, health centre 1 unit, Employee hall 1 unit, tennis pool 1 unit, table tennis 2 units, badminton 1 unit, volley pool 8, football 2 units, kindergarten 1 unit, Elementary Scholl 4 units,

- a. Sei Meranti Estate has not been able to show evidence of payment for contractor (upkeep worker) in accordance with District Minimum Wage
- b. Wages clause in a Temporary contract worker (PKWT) for harvesting in Sei Meranti estate is not accordance with the District Minimum Wage.
- c. Based on the results of the field visit of Afd VII, no evidence of authentic payroll / wage receipt receipt signed by the employer and the employee, in which the pay slip specifies the minimum information required by the RSPO.
- d. The evidence of recording of the name of the sub-contract worker is accompanied by a signature as proof of salary deduction, but the signature in the recording is different from the existing signature of the socialization document, whereas under the name of the same workers and contractors.

**Criterion 6.6: The employer respects the rights 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.**

**Findings:**

The organization has collective labour agreement (Perjanjian Kerja Bersama) or PKB that agreed by the organization and the worker union (SP-BUN Sei Meranti) and acknowledged by the competent authority agency (head of labor and transmigration agency of North Sumatera Province) dated February 11, 2016. On article 5 (organization's acknowledgement) of the PKB stated: "... Worker Union of PTPN III is legal worker union by law in the

**Compliance status:**  Yes  No

NCR No: -



organization". And, in the article 6 (Worker Union Facilities) said, the organization provided office room and its utilities for worker union activities.

Records of meeting on August 30, 2017 in mill meeting room, with discussion agenda about mill processing premium result, evidence attendance list 27 participants (management and employee representatives).

Minutes of the meeting on January 20, 2017 at the KSMTI meeting room with the agenda of discussing the socialization of PKB 2017 with some new agreement :

1. The female worker able to bear the family member.
2. Strata II range is widened from the previous company regulation from IC to ID, at present IC-II/B.
3. Maternity allowance becoming IDR. 750.000, - evidence with attendance list of 28 representatives of workers and management.

**Criterion 6.7: Children are not employed or exploited.**

**Findings:**

The company has policy on age of employment, with 18 years as the minimum employment age. This stated in Work Instruction No. IK-3.08-01/01 (8th revision) dated 6 May 2011 related Worker Recruitment and on article 11 of the company's Joint Employment Contract (PKB) for period of 2016-2017. The commitment of company covering worker from third parties, which working in company areas so that agreement letter between the companies with outsource company has included minimum age requirements.

Based on employee data and during field visit, auditor not found child labour in plantation area.

**Compliance status:**  Yes  No

NCR No: -

**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.**

**Findings:**

The company reward employees as assets of the company with dignity regardless of race, color, religion, origin, physical barriers, gender, and age are continuously improved capacity through education and training consistently. This statement contained in the Code of Conduct PTPN III, Business Ethics and commitment to Stakeholders. Below table of worker composition:

**Sei Meranti POM**

Type Worker	Gender		Religion		Origin	
	Male	Female	Moslem	Christian	Local	Non Local
Staff	8	-	5	3	8	-
Employee	143	10	151	5	153	-

**Sei Meranti Estate**

Type Worker	Gender		Religion		Origin	
	Male	Female	Moslem	Christian	Local	Non Local

**Compliance status:**  Yes  No

NCR No: -



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<b>Staff</b>	14	-	11	3	14	-
<b>Non Staf</b>	549	103	340	312	652	-
<b>PKWT</b>	2	-	2	0	2	-
<b>Outsourc- ing</b>	30	-	12	18	30	-

There is evidence that workers and groups including local communities have not been discriminated against and happy with the way the company is treating them. There is no evidence complaint against the organization on issues relating to discrimination.

The company has implemented a policy of equal employment opportunities to gain employment and minimum age requirements worker policy. The youngest worker Imam helper opt Boiler. born in 30 Oct 1993

**Criterion 6.9: There is no harassment or abuse in the work place, and reproductive rights are protected.**

**Findings:**

The company has anti-sexual harassment policy that defines sexual harassment as 'words, jokes and action' that refer to sexual harassment. The company has also provided mechanism to solve this problem using report to respective supervisor, followed by investigation. There is a letter with No. 3.08/SE/165/2009 dated 6 July 2009 on the communication of information on sexual harassment policy to all of workers and contractor workers. Refresh of anti-sexual harassment policy and flow process of reporting of sexual harassment as grievance to employees so the company has carried out socialization dated on March 22, 2016 in Employee Hall. Interviews with a number of employees and worker women obtained information that they had attended the socialization of the sexual harassment policy.

Concerning the Handling Whistleblowing mechanism, stated in the Code of Conduct PTPN III, Chapter IV Work Ethics.

1. Presented in writing and can reported by email, stating the complaint box complete personal identity.
2. The identity of the complainant guaranteed confidentiality by the company.
3. The information reported must supported by evidence sufficient and reliable as the initial evidence for further investigation.

Article 26 of the Collective Employment Contract (PKB) states that all workers have rights for leave. This includes birth leave, menstrual leave, marriage leave, etc. Based on worker interview in Sei Meranti POM and estate, they understood that they have right of childbirth leave during 3-month and menstruation leave.

Based on the results of interviews with women sub-contract workers in block T8 they stated never heard female committee or gender committee or women empowerment. **This condition raised as non-conformity (NCR RSPO01354).**

**Compliance status:**  Yes  No

**NCR RSPO01354 (Major 6.9.1)**  
 Based on the results of interviews with women sub-contract workers in block T8 they stated never heard female committee or gender committee or women empowerment.

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

**Findings:**

The company has procedures to purchasing of Fresh Fruit bunches from third party No. PK-3.03-12 Rev 0, as technical guidance pricing on quality classification results of sorting and extraction of palm oil and palm kernel.

Based on production records for 2016 and 2017, list of FFB third party source is available in place. For 2016 there are consist of 6 FFB third party source (company/CV) consist of UD Mandiri Pratama; CV Sawit Lestari; CV KD-KD; UD Waskita Jaya; UD Andhita, CV Naga Tuter with total planted area about 1,908 ha; then for 2017 consist of CV Sawit Lestari; CV KD-KD; UD Andhita with total planted area about 1,326 ha.

Records of daily FFB third party volume per day incoming available in place through the daily production records for 2016 and 2017.

The FFB third party FFB record for 2016 follow are:

- CV Sawit Lestari about 10281.130
- Mandiri Pratama about 1757.120
- Waskita Jaya about 4051.650
- KD-KD about 20694.880
- Andita about 9143.460
- Bekanta about 1128.530
- Naga Tuter about 2625.810
- Berkat about 698.00
- Torgamba Karya about 15.220
- Monica Jaya about 252.220
- Harapan Tani about 22.640

The FFB third party FFB record for 2017 follow are:

- CV KD-KD about 156.830
- CV Sawit Lestari about 6.660
- UD Andhita about 186.160

Company has carried out field verification for all third party FFB sources, evidenced company collected the land use certificate copy and take the GPS point of the FFB source (estate). Example based on internal letter No.MR/Int/25/2016 dated on January 18, 2016 about FFB third party source verification in field. This letter has informed about GPS point of FFB third party source sampling.

**Compliance status:**  Yes  No

NCR No: -

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

**Findings:**

The company has the obligation to organize the Partnership Program and Community Development (Program Kemitraan dan Bina Lingkungan (PKBL)). The program is planned each year based on proposals from partners / communities around the company. The company actively contributes to local community development programmes where each estate has allocation for such activities. For example, the company makes contributions to local development under following evidence such Assistance to repair 1unit of poor citizen's house in Bagan Sinembah. Contribute to reconstruction community mosque at Bagan Sari sub district.

**Compliance status:**  Yes  No

NCR No: -

**Criterion 6.12: No forms of forced or trafficked labor are used.**

**Findings:**

The company does not employ migrant workers. Checking against worker who works on contractors, they are mostly wives of employees. The rest are residents of communities around the company. The Contractor is obliged to report the identity of its employees to the company. They informed about the type of job and salary on July 2017.

**Compliance status:**  Yes  No

NCR No: -

**Criterion 6.13: Growers and millers respect human rights.**

**Findings:**

PN III has a sustainability policy document issued in October 2015 and signed by the Director. Point No. 8 of the policy states that the PN III to respect human rights and avoid complicity in violations of human rights, respect for the rights and dignity of workers, treat workers fairly and free from all forms of discrimination including preventing all forms of abuse and sexual violence and to protect the rights of reproduction of all workers.

Socialization conduct at Sei Meranti estate on Feb 27, 2017 and mill dated on Feb 01, 2017 and attendance list of the socialization. To 3<sup>rd</sup> party such maintenance contractor, FFB transport contractor and FFB suppliers (CV. Purba Pratama, CV Abadi jaya, CV Athrizal, CV Atirah, Cv Wahana, CV Hafidz, CV Adit Sejahtera).

**Compliance status:**  Yes  No

NCR No: -

**Criterion 7.1: A comprehensive and participatory independent social and environmental impact assessment is undertaken prior to establishing new plantings or operations, or expanding existing ones, and the results incorporated into planning, management and operations**

**Findings:**

There is no new planting activity since November 2005 in all estate. All planted area since November 2005 came from replanting activity, evidenced based on field assessment. So, the new SEIA document for this company for new planting no available. All process in the estate and mill already covered in SEIA document and already verified as explained above. So this criteria not applicable and did not verify.

**Compliance status:** NA

NCR No: -

**Criterion 7.2: Soil surveys and topographic information are used for site planning in the establishment of new plantings, and the results are incorporated into plans and operations.**

**Findings:**

There is no new planting activity since November 2005 in all estate, information about soil type and topography condition already explained in the EIA document and explained above

**Compliance status:** NA

NCR No: -

**Criterion 7.3: New plantings since November 2005 have not replaced primary forest or any area required to maintain or enhance one or more High Conservation Values.**

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<p><b>Findings:</b></p> <p>During 1st surveillance audit, there is no new planting activity since November 2005 in all estate, year of planting 2005 until 2010 came from replanting activity. The young of year planting from 2011 – 2015 came from replanting also.</p>	<p><b>Compliance status:</b> NA</p> <p>NCR No: -</p>
<p><b>Criterion 7.4: Extensive planting on steep terrain, and/or marginal and fragile soils, including peat, is avoided.</b></p>	
<p><b>Findings:</b></p> <p>There is no new planting activity since November 2005 in all estate, information about soil type and topography condition already explained in the EIA document and explained above.</p>	<p><b>Compliance status:</b> NA</p> <p>NCR No: -</p>
<p><b>Criterion 7.5: No new plantings are established on local people's land where it can be demonstrated that there are legal, customary or user rights, without their free, prior and informed consent. This is dealt with through a documented system that enables these and other stakeholders to express their views through their own representative institutions.</b></p>	
<p><b>Findings:</b></p> <p>There is no new planting activity since November 2005 in all estate, and there is no information from stakeholder consultation that the palm oil development of Sei Meranti are dislike by community, and based on consultation stakeholder, local community agreed with Sei Meranti palm oil development. So this criteria not applicable and did not verify</p>	<p><b>Compliance status:</b> NA</p> <p>NCR No: -</p>
<p><b>Criterion 7.6: Where it can be demonstrated that local peoples have legal, customary or user rights, they are compensated for any agreed land acquisitions and relinquishment of rights, subject to their free, prior and informed consent and negotiated agreements.</b></p>	
<p><b>Findings:</b></p> <p>There is no new planting activity since November 2005 in all estate, and there is no information from stakeholder consultation that the palm oil development of Sei Meranti are dislike by community, and based on consultation stakeholder, local community agreed with Sei Meranti palm oil development. So this criteria not applicable and did not verify.</p>	<p><b>Compliance status:</b> NA</p> <p>NCR No: -</p>
<p><b>Criterion 7.7: No use of fire in the preparation of new plantings other than in specific situations, as identified in the ASEAN Guidelines or other regional best practice.</b></p>	
<p><b>Findings:</b></p> <p>There is no new planting activity since November 2005 in all estate, and there is no information from stakeholder consultation that the palm oil development of Sei Meranti are dislike by community, and based on consultation stakeholder, local community agreed with Sei Meranti palm oil development. So this criteria not applicable and did not verify.</p>	<p><b>Compliance status:</b> NA</p> <p>NCR No: -</p>
<p><b>Criterion 7.8: New plantation developments are designed to minimize net greenhouse gas emissions.</b></p>	
<p><b>Findings:</b></p> <p>There is no new planting activity since November 2005 in all estate, and there is no information from stakeholder consultation</p>	<p><b>Compliance status:</b> NA</p> <p>NCR No: -</p>

that the palm oil development of Sei Meranti are dislike by community, and based on consultation stakeholder, local community agreed with Sei Meranti palm oil development. So this criteria not applicable and did not verify.

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

**Findings:**

For environmental management the company already done reported the environmental management and monitoring implementation to the related official government every semester periodicaly. The report showed the result of measurement of environmental parameters, such as water surface quality, land application measurement, air pollution and ambient, waste water/POME measurement. Based on certificate result of measurement all of parameters still under below standard.

SIA document has revised to include employees as stakeholders and recording of conflict resolution with communities from Pasir Tutung Village. All records meeting accompanied by the questionnaire, attendance list and photos of activities then realized in the social management and monitoring plan.

The company is consistency in implementation of QMS, EMS and monitoring of liquid waste, emission and pollution by third party laboratory (results of examination has informed on RKL/RPL report), land application, use of renewable energy and the action plan for continual improvement has conducted through management review meeting mechanism and established quality objective, and internal audit.

**Compliance status:**  Yes  No

NCR No: -

The following is a summary of findings made for the criteria listed in the RSPO Supply Chain Certification November 2014 with selected supply chain model Mass Balance (MB) for detail information about company's compliances to RSPO SCCS modul E.

**E.1. Definition**

**Findings:**

During 1 surveillance, Sei Meranti mill still implement the RSPO SCCS with MB system Module E based on direction letter No.3.03/SKPTS/02/2015 about SCCS model for Sei Meranti Mill is MB. Due to the nature condition of the Sei Meranti mill, it is possible to implement other supply chain system other than MB. Based on production record for 2016 and 2017 until semester I, the raw material source (FFB) came from internal estate (Sei Meranti estate), other PT PN III estate (certified and noncertified) and other FFB source (out grower).

**Compliance status:**  Yes  No

NCR No: -

**E.2 Explanation**

**Findings:**

Sei Meranti Palm Oil Mill has record of estimated certified products production (CPO and PK) that could potentially be produced from owned estate under Sei Meranti supplied based/audit scope i.e.: Sei Meranti estate. Also this estimation was including in long term production budget. The estimated certified production will present on the public summary in Table 4.

Sei Meranti Palm Oil Mill during the certification assessment, did not registered yet in RSPO IT Platform/e-Trace, and also during the certification assessment, the mill still prepared and developed the system to preventive action when the RSPO SCCS MB system will run in the mill.

**Compliance status:**  Yes  No

NCR No: -

**E.3 Documented procedures**

**Findings:**

During 1st surveillance, Sei Meranti POM has established procedure and work instruction as guideline for RSPO SCCS MB implementation, i.e.:

- a) Procedure No.PK-3.11-11 Rev02 revision date 19/05/2016 about SCCS procedure. This procedure explain about authorized person responsibility for SCCS implementation from mill manager, head of technology departement and head of commercial department. Procedure also mentioned all sales activity should record to RSPO IT Platform (e-Trace) complete with contract number, type of product, transportation document information.
- b) IK-3.11-12/01 Rev02 revision date 19-05-2016 about handling incoming raw material (FFB). This procedure explained how to handing the incoming raw material (FFB) between certified and noncertified, whereas for certified FFB the FFB delivery slip (PB-25) shall complete with stamp (CSPO stamp) and noncertified not complete with CSPO stamp.
- c) Procedure No.PK-3.11-08 Rev04 revision date 19-05-2016 about product delivery to Belawan Installation, PT SAN, PT IKN and PKSMK, and Thirdparty. This procedure explained about how to deliver certified and noncertified product (CSPO and CSPK). Whereas the facility will deliver CSPO and CSPK certified, delivery form (PB-33.01) shall complete with CSPO and/or CSPK stamp RSPO SCCS MB stamp, and for noncertified product will not complete with the stamp.
- d) IK-3.11-03/11 Rev02 revision date 01-03-2017 about FFB grading activity. This procedure explained about grading process in the loading ramp area. Whereas grading process is not separate between certified and noncertified FFB, due to the supply chain model applied for Sei Meranti is MB. The difference between certified and noncertified raw material handling located in documentation since FFB delivery note until dispatch delivery note, under mass balance control.

Authorized person who will responsible for RSPO SCCS MB implementation in the facility is Mill Manager (Daniel Surbakti). During the surveillance audit, records of SCCS training is available in

**Compliance status:**  Yes  No



place, done on June 8, 2017 completed with attendant list evidenced, with attendees about 15 person.

**E.4 Purchasing and good in**

**Findings:**

Sei Meranti POM has verified certified and noncertified raw material and product. This data recorded in the mass balance template for 2016 and 2017. Based on mass balance report there is no purchased certified activity done by Sei Meranti POM from other certified source. The certified raw material came from owned estate (Sei Meranti estate only).

Sei Meranti POM also has mechanism to inform the CB if there is a projected overproduction of certified tonnage through the email. During 1st surveillance, certified product sold by Sei Meranti POM still below the maximum certified tonnage claimed for 2016.

**Compliance status:**  Yes  No

NCR No: -

**E.5 Record keeping**

**Findings:**

During 1st surveillance, Sei Meranti POM recorded all certified raw material receipt, certified raw material process until certified product sold in the mass balance report. But, the Sei Meranti POM could not showed evidenced that mass balance report evaluated every three month (three monthly basis). **This condition raised as non-conformity (NCR RSPO01355).**

Every transaction certified product sold registered in palm trace. Until 1st surveillance process, total certified product CPO sold was 18300 mt and PK about 1333.32 mt.

As mentioned above every transaction already recorded and registered in palm trace, several evidence regarding this activity is a shipping announcement, i.e.:

Remarks	Seller	Buyer
Name	Sei Meranti POM	PT Nagamas Palm Oil Lestari
Member ID	RSPO_PO1000004927	RSPO_PO1000002300
Seller contract	a. 0246/KPBN/CPO-L/N-III/VI/2017 b. 0251/ KPBN/CPO-L/N-III/VI/2017	-
Product name	CSPO	-
Program	Mass Balance	-
Volume	250 mt 300 mt	-
Transaction ID	TR-44a0ec9e-c388 TR-67056cff-16b7	-

**Compliance status:**  Yes  No

**NCR RSPO01355**

Sei Meranti POM could not showed evidenced that mass balance report evaluated every three month (three monthly basis).

**3.2 Status of Previously Identified Non-conformities**

Total 10 (ten) nonconformances were identified during the Certification Assessment. These consisted of 6 (six) major non-conformities and 4 (four) Minor non-conformities. During this surveillance assessment, it found that there was sufficient evidence for closure of all non-conformities.

The following is a description of the evidence of action taken to close the non-conformities raised during the previous assessment, as well as auditor's conclusions on the status of the non-conformities.

Non Conformity Report No.	Non-conformity Description	Verification of Correction / Corrective Action	Status
<p align="center"><b>Major</b>  <b>2.1.1</b>  <b>NCR 2015 –</b>  <b>01.a and 01.b</b></p>	<p>a. Sei Meranti POM was located in Rokan Hilir district, Riau province, but the license was issued in North Sumatera.</p> <p>b. During the certification assessment, Sei Meranti estate could not show completely the statement that the Sei Meranti concession area was exclude from forest area. Accordance to the Ministry decree of forestry 214. This condition still waiting confirmation from related official government</p>	<p>a. The company submitted letter from Estate Official Government of Rokan Hilir district No. 525/DSIBUN/2015/11.82 dated on August 12, 2015. This letter explained that the business plantation permit (IUP) of Sei Meranti still in process. This document covered Sei Meranti POM and Sei Meranti Estate located in Rokan Hilir district. Then, Estate Official Government submit request letter to the company by letter number 525/Disbun/2016/4.90 dated on April 11, 2016, this letter explained about palm oil data collection, then based on decree letter from Estate Official Government of Rokan Hilir district No. 525/DISBUN/2016/10.49 explained about the business plantation permit (IUP) of Meranti still under process. This letter issued on September 08, 2016</p> <p>b. Letter number 522/287 dated on February 9, 2016 from Forestry Official Government of North Sumatera about explanation of land use rights of PT PN III under Torgamba Group (include Sei Meranti). This letter was explained that the Sei Meranti concession area was excluding from forest area of North Sumatera based on attached map Ministry of Environmental and Forestry No. SK.5358/MenLHK-PKTL/IPSDH/2015 dated on November 20, 2015 (Revision IX).</p>	<p align="center"><b>Closed with</b>  <b>Observation</b>  <b>On July 30,</b>  <b>2015</b></p>
<p align="center"><b>Minor</b>  <b>2.1.4</b>  <b>NCR 2015 – 02</b></p>	<p>Found record that the identification and evaluation legal compliance proses accordance the company procedure above not completed carried out by company, whereas the estate couldn't showed the result of identification and inventarization</p>	<p>Record of law and regulation printed also available in place. Records for law and regulations compliance evaluation carried out twice in a year, whereas for 2016 the evaluation finished in early 2017. Based on law and regulation evaluation all regulation has fully comply by estate and mill.</p>	<p align="center"><b>Closed</b>  <b>On Oct 2017</b></p>

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Non Conformity Report No.	Non-conformity Description	Verification of Correction / Corrective Action	Status
	of law and regulation by district manager already distributed to all unit in place		
<b>Major 4.1.4 NCR 2015 – 03</b>	Sei Meranti POM couldn't show the record of result FFB third party verification, example from CV Jaya Utama, CV Karya Mandiri, and CV Torgamba Karya, already done carried out by company based on company procedure number PK-3.03-09.	The company already submit letter number MR/Int/13/2015 dated on January 2015 about information to FFB third party verification process. This letter addressed to FFB third party on behalf CV. Torgamba Karya, mentioned that the verification will carry out on January 19, 2015. Based on berification result summary the FFB third party already has legal land (land use owned-SHM) and location was cleared from conflict, then based on result, explained that the CV. Torgamba Karya has 5 employee, and office facilities, covere total area about 200 Ha, with FFB average production about 30 tonnes/day, also explained the GPS point of land area. Also for CV Jaya Utama (intern memo number MR/Int/07/2015) dated on June 19, 2015, and CV Karya Mandiri (intern memo number MR/Int/09/2015), all the letter showed information contained about each third party FFB such as geographical position, location, workers employee, and land title legality. During the certification audit, estate can not show this result because not available in estate office, but available in district office.	<b>Closed On July 30, 2015</b>
<b>Major 4.6.10 NCR 2015 – 04</b>	Based on document and field verification, Sei Meranti estate couldn't show the evidenced that the hazardous waste from chemical container disposed to the authorized hazardous waste collector.	The company submitted evidenced i.e.: hazardous license collector based on decree of Environmental Ministry number 30/2012 issued in Jakarta, dated on February 7, 2012, this license valid for 5 years since the dated issue on behalf PT Tenang Jaya Sejahtera; and hazardous disposal manifest number 0000250 dated on May 13, 2015. Based on license from ministry of environmental above, the collector licensed covered all hazardous type produced by estate and mill.	<b>Closed On July 30, 2015</b>
<b>Major 4.6.11 NCR 2015 – 05</b>	Based on field observation interviewed with sprayer workers, there is no evidenced that the sprayer workers already done carried out the cholinesterase test.	The company has submit the result of cholinestrace test for all chemical workers, example cholinestrace test number RSTOR/SKHPK/155/VI/2015 and RSTOR/SKHPK/117/VI/2015 chemical workers in division VI and X, based on medical test, all workers was good condition and fit to continue their job.	<b>Closed On July 30, 2015</b>
<b>Major 5.6.2 NCR 2015 – 06</b>	The company doesn't have GHG mitigation management program from result of identified	The company submitted the document of GHG mitigation work plan for 2015, with the activity such as: record of ferti-	<b>Closed On July 30, 2015</b>

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Non Conformity Report No.	Non-conformity Description	Verification of Correction / Corrective Action	Status
	significant pollutant and emission already done by company.	lizer used, chemical use, fossile fuel use, electricity use and the GHG mitigation program was reduce the chemical use, vegetation enrichment and maintained the vehicle periodically	
<b>Minor 5.6.3 NCR 2015 – 07</b>	GHG calculation used by company not appropriate using approved tools by RSPO	Sei Meranti both of mill and estate has done carry out the GHG calculation based on GHG calculation template new version of RSPO. The calculation result will show in public summary report in first page.	<b>Closed On Oct 2017</b>
<b>Major 6.3.1 NCR 2015 – 08</b>	During field assessment, found the SMS centre number was out of function.	Based on the result of verification of recording documents complaints of current employees through sms center Whistle blowing system handled by Head Office Medan	<b>Closed On Oct 2017</b>
<b>Major 6.5.1 NCR 2015 – 09</b>	Field check and interview with contractors worker result with 3 maintenance workers showed that contractor has paid IDR 25.000 in this last 2 years for 3 type of jobs (manual, DAK and chemist) per day. There is no wage improvement for the last 2 years that follow the improvement of local minimum wage payment. On the other hand, the piece rate norm has improved every year.	The company submitted the document of salary paid process for 2015 and also salary formula socialization to all outsource workers dated on June 8, 2015, with the formula was minimum payment based on regulation in 2015 about IDR 2,015,000, working/hours 173/month, IDR 11,647/hours. This formula was accepted by third party workers. And the salary recapitulation payment showed the salary has been paid was compliance.	<b>Closed On July 30, 2015</b>
<b>E.3 SCCS NCR 2015 – 10</b>	Found in company procedure and management decree about RSPO SCCS implementation in Sei Meranti palm oil mill, still mentioned and explained about RSPO SCCS SG in mill, then also based on field assessment in weighbridge process, found the operator in weighbridge not understood yet about how to handling the incoming certified and uncertified FFB	The company submitted the evidenced to close this conformity, i.e.: documentation of RSPO SCCS MB brief/socialization in July 24, 2015 to all related person incharge, this brief was attendant by 7 person from laboratory, weighbridge, document control, production clerk, manager in Sei Meranti mill, complete with brief photograph.	<b>Closed On July 30, 2015</b>

### 3.3 Identified Non-conformances, Corrective Actions Taken and Auditors Conclusions

During this surveillance assessment, total 18 nonconformances identified. These consisted of 15 major non-conformities (included 1 major non-conformity for RSPO SCCS and 1 major non-conformity for Partial Certification) and 3 minor non-conformities. For the major non-conformances, the company has taken the necessary corrective action to close these non-conformances within 60 days of completion of the assessment, and this verified by the audit team through checks of documents submitted by the company. For the minor non-conformances, the company has taken corrective action against these as well, and for those verified as closed through document checks, the closure of these minor non-conformities will be assessed during the next surveillance audit. A summary of all identified non-conformances, corrective actions taken and auditor conclusions is as below:

#### 3.3.1. Major non-conformities

It recommended by the lead auditor to award the system of the company with a certificate pursuant to the above-mentioned RSPO standards after eliminating the non-conformities rated as "major".

Indicator	NCR No.	Evidence Observed	Deadline for implementation (Date)	Correction/Corrective Action taken	Auditor Conclusion
Partial Certification 4.2.4	RSPO01338	PTPN III shows evidence of a letter addressed to the RSPO Compensation Task Force (Mr. Dillon). The letter describes the progress of HCV Compensation and Remediation Assessment in new development areas (Muara Upu - South Tapanuli). In the letter explained that the assessment stage in the new development area has entered the stage of land use change analysis and the assessment of obligations to determine compensation and remediation. Consultants appointed by the company (Mr. Riswan) are undertaking all these stages.	Oct 13, 2017	<p><b>Correction:</b></p> <ul style="list-style-type: none"> <li>• Sending the letter to RSPO on the development of the Muara Upu HCV compensation proposal.</li> <li>• Conducting the Gap Assessment for all POM and Estate that have not been certified RSPO in second semester of 2017 according to schedule that have been determined.</li> </ul> <p><b>Corrective action:</b></p> <ul style="list-style-type: none"> <li>• Periodically communicate with the RSPO until the HCV Compensation Plan of Muara Upu is approved.</li> <li>• Arranging schedule of Gap Assessment to all POM and Estate that have been not RSPO certified yet on early year.</li> </ul>	Closed
Major 2.1.1	RSPO01339	Some evidence attached by the company, such as: <ol style="list-style-type: none"> <li>1. List of laws and regulations referred to appendix 1 of the RSPO P &amp; C document.</li> <li>2. The company shows the sufficient evidences for closing some condition are not in accordance with the laws and regulations. The evidences shown are:</li> </ol>	Oct 13, 2017	<p><b>Correction:</b></p> <ol style="list-style-type: none"> <li>1. Listing all relevant laws and regulations in FM-3.08-18 / 01 (List of Regulations).</li> <li>2. Conducting some improvement to comply with the laws and regulations, such as:           <ol style="list-style-type: none"> <li>a. Sending letter to the relevant agency for communicate the status of bussiness permit.</li> <li>b. Reporting the employee report to</li> </ol> </li> </ol>	Closed

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		<p>a. Letter from PTPN III to License Service Agency of Rokan Hilir District (Letter Number: PMSTI / Dinas, PMPT/3/2017 dated August 5, 2017 and Letter responses from License Service Agency of Rokan Hilir District No. 144 / DPMPTSP. 503 / 2017 dated on August 25, 2017. This letter mentioned SPUP (IUP) No. HK. 350 / 770 / Dj.Bun.5 / XI /2001 still valid based on regulation No. 98 / Permentan / OT.140 / 9 / 2013 article 56.</p> <p>b. Employment Compulsory Letters from local labour agency of Rokan Hilir District dated August 25, 2017. This letter stated the company has reported regarding their labour to the local labour agency of Rokan Hilir District. And this compulsory letter valid until September 1, 2017.</p> <p>c. Documentation of re-socialization regarding PPE for all workers. The documents include a warrant from the Manager to the Field Assistant to re-socialization to all employees regarding PPE monitoring, photos of socialization activities, attendance lists, socialization materials and minutes of Minutes of providing Personal Protective Equipment to contract labor.</p>		<p>the relevant agency.</p> <p>c. Re-socialization to all sub-contract worker regarding the company policy to commitment of used PPE when working in the field.</p> <p>d. Conducting the medical check (Cholinesterase test) for Sub-contractors worker (related to chemicals) and documented all of this event (result of medical check, photograph, attendance lists, etc).</p> <p>e. Request proof of payment of sub-contract workers insurance to the contractor and documented the evidence.</p> <p>f. Sending a letter to the relevant agencies to provide recommendations on the use of chemicals, such as: Manthene, Ally 20WG, Posat, Decis and Orthene</p> <p>g. Giving Extra fooding to sub-contract workers who use chemicals.</p> <p>h. Making a letter of affirmation to the responsible in the field (Assistant and Foreman) related to the Company's Policy regarding the Management of River Border Area with a radius of 10 meters from the right and the left river. And providing the re-socialization to all workers (especially to chemical operator) regarding Management of River Border Area (No chemical activity to this area).</p> <p>i. Conducting the re-socialization to all chemical operator to maintenance of river border areas No chemical activity to this area).</p> <p>j. Make a schedule and carry out a</p>	
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		<p>d. Documentation of medical check up (cholinesterase test) for all chemical operator from Sub-contractor Company. There were 6 (six) sub-contractor companies (<b>CV. Maju Jaya, CV. Mitra Keluarga, CV. Tunas Muda, CV. Tehnindo Megah Gemilang, CV. Irfa Perdana, CV. Vina &amp; Co</b>). The medical check up conducted on August 11, 2017 held by "Laboratorium Serasi – Rokan Hilir". Based on the medical check up result, there were some workers indicated in not good condition. Against this case, PTPN III has sent a notification letter to the contractor's management for not hiring the employee indicated in unhealth conditions (based on medical checkup).</p> <p>e. Proof of payment of employment insurance contributions for sub-contract workers Afdeling VII (from Vina &amp; Co Contractor). Receipt of payment of employment insurance contributions on dated August 7, 2017 on behalf CV. Vina &amp; Co (for 4 workers).</p> <p>f. Related this case, the company shows some evidences, such as:</p> <ul style="list-style-type: none"> <li>• Application letter for</li> </ul>		<p>medical checkup.</p> <p>k. Making a schedule and perform the medical check for all Employees every year.</p> <p>l. Sending an application letter to the relevant agencies to follow up the extension of surface water permit of Sei Meranti POM.</p> <p>m. Sending an application letter to the relevant agencies to follow up the extension of Underground water permit of Sei Meranti Estate.</p> <p><b>Corrective action:</b></p> <ol style="list-style-type: none"> <li>1. Section 3.08 distributes prevailing laws and regulations annually to Districts / Estate / Units according to PK-3.08-18 (Identification and evaluation and compilation of laws and regulations).</li> <li>2. Ensuring all of relevant laws and regulation are implemented (monitoring periodically) and documenting evidence of compliance.</li> </ol>	
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		<p>new approval chemical recommendation from local labour agency of South Labuhanbatu District (Letter Number: KMSTI/X/50/2017 dated August 8, 2017).</p> <ul style="list-style-type: none"> <li>• New Chemical Recommendation Permit Letter from Labour District Office (No. 560/220/NAKER/VIII/2017 dated August 11, 2017). In this letter has stated Manthene, Ally 20WG, Posat, Decis and Orthene are listed on new chemical recommendation.</li> </ul> <p>g. The company shows the list of extra feeding feeding documents to the chemical operator. Based on the document it known that the extra feeding provided are eggs and milk.</p> <p>h. The company shows some evidences, such as:</p> <ul style="list-style-type: none"> <li>• Circular letter form PTPN III Head Office regarding buffer zone management of river.</li> <li>• Reaffirmation of the river buffer zones are 10 meters form right - left of river (letter number: 2/9/2017 dated 5 October 2017) and shall be obliged to im-</li> </ul>			
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		<p>plement circulars letter from the Medan head office. This letter sent by Estate Manager to Senior Assisstant and field assistant. If this aafirmation is not implemented, there is a punishment.</p> <ul style="list-style-type: none"> <li>• Re-socialization in the field to all chemical operator that the buffer zone areas currently are 10 meters right – left of river and it is forbidden to conduct chemical spraying activities in the area.</li> </ul> <p>i. The company shows some evidences, such as:</p> <ul style="list-style-type: none"> <li>• Reaffirmation of the river buffer zones are 10 meters form right - left of river (letter number: 2/9/2017 dated 5 October 2017) and shall be obliged to implement circulars letter from the Medan head office. This letter sent by Estate Manager to Senior Assisstant and field assistant. If this aafirmation is not implemented, there is a punishment.</li> <li>• Re-socialization in the field to all chemical operator that the buffer</li> </ul>			
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		<p>zone areas currently are 10 meters right – left of river and it is forbidden to conduct chemical spraying activities in the area. The documents include a warrant from the Manager to the Field Assistant to re-socialization to all employees regarding buffer zone areas management, photos of socialization activities, attendance lists and socialization materials.</p> <p>j. Documentation of medical check up (cholinesterase test) for all chemical operator from Sub-contractor Company (included Sei Meranti's chemical warehouse operator).</p> <p>k. Documentation of medical check up for all workers with high potential risk (Spirometric test, Audiometric test and cholinesterase). There were 30 workers from Sei Meranti Estate (Audiometric: 10 workers, Spirometric test: 10 workers, Cholinestrace test: 10 workers) and 30 workers from Sei Meranti POM (Audiometric: 10 workers, Spirometric test: 10 workers, Cholinestrace test: 10 workers). The medical check up con-</p>			
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		<p>ducted on August 14, 2017 held by “Balai Hyperkes Sumatera Barat”. Based on the medical check up result, all of worker are in good condition.</p> <p>i. The company shows some evidences, such as:</p> <ul style="list-style-type: none"> <li>• Application letter from PTPN III – DLAB1 (No. DLAB-1/X/65/VIII/2017 dated August 19, 2017) to Governor of Riau Province regarding extension of Surface water permit.</li> <li>• Notification letter from Water Resources Office of Riau Province (letter number: 31/SKT/BWSS-III/2017 dated August 25, 2017). This letter stated that extension of Surface water permit of PTPN III – Sei Meranti POM still process until this letter issued.</li> </ul> <p>m. The company shows some evidences, such as:</p> <ul style="list-style-type: none"> <li>• Application letter from PTPN III - Head Office (No. 3.08/X/119/2017 dated August 29, 2017) to Head of investment and licensing office North Sumatra Province.</li> </ul>			
<p><b>Major</b> <b>4.1.1</b></p>	<p><b>RSPO01340</b></p>	<p>The company shows some evidences to improved, such as:</p>	<p><b>Oct 13, 2017</b></p>	<p><b>Correction:</b></p> <ul style="list-style-type: none"> <li>• Making the performance evaluation of</li> </ul>	<p><b>Closed</b></p>

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		<p>a. Performance evaluation of contractor for period Semester I/2017.</p> <p>b. Weekly Progress Report of contractor's performance. This report informed description of job, plan of job and actual progress report.</p>		<p>contractors on period 1<sup>st</sup> semester of 2017.</p> <ul style="list-style-type: none"> <li>Distribute the results of Weekly Progress Report of contractor's performance to the Afdeling after the Estate Manager has approved.</li> </ul> <p><b>Corrective action:</b></p> <ul style="list-style-type: none"> <li>Ensuring the performance evaluation of contractor conducted by company every six months. The methodology to ensuring this activity is monitoring the weekly report of contractor activity has been done. Then the estate office (estate manager) will be create the recapitulation of performance evaluation by semester based on the weekly report of contractor activity.</li> <li>Ensuring the distribution of the Weekly Progress Report of contractor's performance to the Afdeling after the Estate Manager has approved directly.</li> </ul>	
<b>Major 4.3.1</b>	<b>RSPO01341</b>	Maps of marginal land and other maps in accordance with RSPO requirements (scale 1: 50,000).	<b>Oct 13, 2017</b>	<p><b>Correction:</b></p> <ul style="list-style-type: none"> <li>Revise maps of marginal land and other maps in accordance with RSPO requirements (scale 1: 50,000).</li> </ul> <p><b>Corrective action:</b></p> <ul style="list-style-type: none"> <li>Ensuring all of maps are created and distributed in accordance with RSPO requirements (scale 1: 50,000).</li> </ul>	<b>Closed</b>
<b>Major 4.6.6</b>	<b>RSPO01342</b>	<p>The company shows some evidences to improved, such as:</p> <ul style="list-style-type: none"> <li>Socialization letter invitation from field Assistant to the foreman to invite all sub-contract workers to join socialization activities regarding on the procedures for the storage of Chemical materials and</li> </ul>	<b>Oct 13, 2017</b>	<p><b>Correction:</b></p> <p>Conducting re-socialization to the sub-contract workers regarding on the procedures for the storage of Chemical materials and tools for workers.</p> <p><b>Corrective action:</b></p> <p>Monitoring of the procedure periodically. The methodology is ensuring after the work-er</p>	<b>Closed</b>



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		<p>tools for workers (including the prohibition to the worker to bring home the PPE).</p> <ul style="list-style-type: none"> <li>Documentation regarding this socialization such as: Materials of socialization, list attendance and photograph.</li> </ul>		<p>finished, they have take a bath in the special room and put their tools working in the chemical storage.</p>	
<b>Major 4.7.2</b>	<b>RSPO01343</b>	<p>HIRARC Document has been revised.</p>	<b>Oct 13, 2017</b>	<p><b>Correction:</b> Revise the identification of hazard risk assessment and control (FM-3.16-02 / 11) by adding activities such as: Activities in chemical warehouse, Fertilizer, hazardous and toxic waste storage and Activities in emplacement.</p> <p><b>Corrective action:</b> Identify of risk analysis document and risk control every once of year in accordance with PK-3.16-02 (Management Planning System of PT Perkebunan Nusantara III (Persero) and or if there is an accident or environmental impact has happened.</p>	<b>Closed</b>
<b>Major 4.7.3</b>	<b>RSPO01344</b>	<p>Documentation regarding:</p> <ul style="list-style-type: none"> <li>Re-socialization to all workers (including sub-contract workers) regarding commitment to PPE used.</li> <li>Minutes of distribution of PPE to all sub-contract workers.</li> </ul>	<b>Oct 13, 2017</b>	<p><b>Correction:</b></p> <ul style="list-style-type: none"> <li>Completing the Employee PPE in accordance with the risk analysis that has been prepared.</li> <li>Monitoring and inspecting of PPE according to FM-3.16-45 / 02 (examination of the use of PPE in the workplace).</li> </ul> <p><b>Corrective action:</b></p> <ul style="list-style-type: none"> <li>Identification of PPE are needs in accordance with the risk analysis that has been prepared and proposes the procurement.</li> <li>Monitoring of PPE are used by all workers (included sub-contract workers)</li> </ul>	<b>Closed</b>

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<b>Major 4.8.1</b>	<b>RSPO01345</b>	Documentation regarding practices training for all workers (included sub-contract workers). The documentation submitted by company consist of Attendace list, photograph and training's module.	<b>Oct 13, 2017</b>	<p><b>Correction:</b> Conducting training in accordance with the 2017 program and documenting training evidence.</p> <p><b>Corrective action:</b> Create the training programs and conduct training annually.</p>	<b>Closed</b>
<b>Major 5.3.2</b>	<b>RSPO01347</b>	<p>The company shows some evidences to improved, such as:</p> <ul style="list-style-type: none"> <li>• Mechanism of ex chemicals containers storing periods.</li> <li>• Re-socialization for warehouse operator regarding maintenance chemical warehouse.</li> <li>• Photograph of collecting the hazardous and toxic waste materials.</li> <li>• Delivery Order Letter of hazardous and toxic waste materials to the temporary storage of hazardous and toxic waste</li> </ul>	<b>Oct 13, 2017</b>	<p><b>Correction:</b> Record, control and send all hazardous and toxic waste in afdeling to hazardous and toxic temporary storage immediately by enclosing Delivery Order Letter (SPB). Distributing of MSDS, installing, and putting the PPE in the afdeling warehouse for makes it easy to use.</p> <p><b>Corrective action:</b> Monitoring of implementation procedure regarding maintenance chemical warehouse in the Afdeling according to IK-3.11-19 / 01 (Handling and storage of hazardous waste) and recording all hazardous waste into FM-3.11-19 / 01 (Log Book).</p>	<b>Closed</b>
<b>Major 5.6.2</b>	<b>RSPO01349</b>	<p>The company shows some evidences to improved, such as:</p> <ul style="list-style-type: none"> <li>• Schedule of plant maintenance (manuring and spraying) document 2017.</li> <li>• Realization of plant maintenance (manuring and spraying) document. 2017.</li> <li>• Recapitulation of Conservation tress are planted on Semester 1/ 2017.</li> <li>• Schedule of Vechile Maintenance document</li> </ul>	<b>Oct 13, 2017</b>	<p><b>Correction:</b> Implemented the mitigation program following the GHG mitigation program.</p> <p><b>Correction:</b> Document the results of the GHG mitigation program.</p>	<b>Closed</b>

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		<p>and Realization of vehicle maintenance 2017.</p> <ul style="list-style-type: none"> <li>• Program and Realization of Fuels Used on Semester 1 /2017.</li> <li>• Water usage document.</li> <li>• Fiber and Shells usage document.</li> <li>• Document of Laboratories test (air, noise, water waste, etc).</li> </ul>			
<b>Major 6.1.3</b>	<b>RSPO01350</b>	<p>The company has been sent evidence of improvement such as:</p> <ul style="list-style-type: none"> <li>• List attendance of socialization related social impact management action plans for 2017 on August 23, 2017. Discuss with Village of Bagan Batu, Village of Bahtera Makmur, Village of Suka Maju, Village of Gelora and Village of Meranti Makmur.</li> <li>• Photograph of socialisation activity.</li> <li>• Document of social impact management action plans for 2017 agreed by all parties.</li> <li>• Invitation letter from Estate Manager to the representative community (Village of Bagan Batu, Village of Bahtera Makmur, Village of Suka Maju, Village of Gelora and Village of Meranti Makmur.).</li> </ul>	<b>Oct 13, 2017</b>	<p><b>Correction:</b> Continue to use and customize the program on the 2012 SIA document for the 2017 social impact management plan (Long Term Plan).</p> <p><b>Corrective action:</b> Every 5 years update the SIA document in accordance with its designation.</p>	<b>Closed</b>
<b>Major 6.3.1</b>	<b>RSPO01352</b>	<p>Sei Meranti shows evidences of follow up activities to repair the workers houses at Afd VII From May 29 to July 24, 2017 (it already conducted)</p>	<b>Oct 13, 2017</b>	<p><b>Correction:</b> Carry out gradual improvements to damaged housing and provide log book on Employee complaints report.</p>	<b>Closed</b>

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				<b>Corrective action:</b> Identify the damaged houses and fix them.	
<b>Major 6.5.1</b>	<b>RSPO01353</b>	<p>The company has been sent evidence of improvement such as:</p> <ul style="list-style-type: none"> <li>a. List of contract labor wage payments. The document shows information about the name, working hours, HK amount, wage amount (IDR 13,295 per hour) and extra fooding in the form of money (IDR 76.950 per month). Based on verification of the document, worker's wage in accordance with the minimum wage (IDR 1,961,354.69 per month or IDR 78,454.19 per days with the 7 hours working days). The document (list of sub-contract workers wage payment has been signed by workers and related authority (contractor).</li> <li>b. Wage calculation matrix for sub-contract workers. This matrix becomes the basis for PTPN III in determining the value of agreement with contractors and this calculation has been agreed by the contractor too.</li> <li>c. Document of employee agreement has been revised. In the document has been stated that the provision of wage for worker (harvesting – PKWT) in accordance with the minimum wage requirement. The workers got IDR 2,500,000 per month exclude the extra wage (premi).</li> <li>d. Employee agreement among CV Hafidz and their workers. Morev-</li> </ul>	<b>Oct 13, 2017</b>	<p><b>Correction:</b></p> <ul style="list-style-type: none"> <li>a. Request proof of payment of wages of contractor workers in accordance with relevant legislation.</li> <li>b. The provision of temporary worker ("PKWT") wages according to UMP refers to UURI No 13 of 2003 on employment articles 89 and 90.</li> </ul> <p><b>Corrective action:</b></p> <ul style="list-style-type: none"> <li>a. Monitoring proof of wage payment contractor's workers every month.</li> <li>b. Ensuring the provision of temporary worker ("PKWT") wages according to UMP refers to UURI No 13 of 2003 on employment articles 89 and 90.</li> <li>c. Checking and ensuring signature compliance of all documents relating to the contractor and its worker.</li> </ul>	<b>Closed</b>

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		er, list of payment wage of workers on July 2017.			
<b>Major 6.9.1</b>	<b>RSPO01354</b>	Sei Meranti conducted dissemination related gender committee and female empowerment to all workers at Afd VII on August 23, 2017	<b>Oct 13, 2017</b>	<p><b>Correction:</b> Socialization the gender committee to all employees.</p> <p><b>Corrective action:</b> Ensure the socialization of gender committees has been implemented to all employees and documentation of the evidences in the form of invitations, materials, attendance lists, minutes and documentary photos.</p>	<b>Closed</b>
<b>E.5 SCCS</b>	<b>RSPO01355</b>	Sei Meranti POMI show the mass balance report evaluated every three month (three monthly basis).	<b>Oct 13, 2017</b>	<p><b>Correction:</b> Create the mass balance neraca per quarter.</p> <p><b>Corrective action:</b></p> <ul style="list-style-type: none"> <li>• Ensure mass balance balances have been made quarterly.</li> <li>• To socialize the SCCS criteria that have been published in the Work Procedure of PTPN III (Persero) to the related personnel</li> </ul>	<b>Closed</b>

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**3.3.2. Minor non-conformities**

It recommended by the lead auditor to award the system of the company a certificate pursuant to the above-mentioned RSPO standards. The non-conformities identified shall audited again in line with the timeframe during the next surveillance audit

Indicator	NCR No.	Evidence Observed	Deadline for implementation (Date)	Correction/Corrective Action taken	Auditor Conclusion
Minor 5.1.3	RSPO01346	The company has sent correction and corrective action request. The implementation of this CAR will seen in the next surveillance.	August 12, 2018	<p><b>Correction:</b></p> <ul style="list-style-type: none"> <li>Monitored and reported all impacts assesed in the EIA report every semester according to the EIA document matrix.</li> <li>Reviewing the EIA documents and documenting the results.</li> </ul> <p><b>Corrective action:</b></p> <ul style="list-style-type: none"> <li>Ensure that all impacts within the matrix of EIA document have been monitored and reported in the EIA report every semester</li> <li>Every 2 years conducting the EIA document review.</li> </ul>	Closed
Minor 5.3.3	RSPO01348	The company has sent correction and corrective action request. The implementation of this CAR will seen in the next surveillance.	August 12, 2018	<p><b>Correction:</b></p> <ul style="list-style-type: none"> <li>Conducting socialization to Employees about PK-3.19-09 on prohibition to burn domestic waste.</li> </ul> <p><b>Corrective action:</b></p> <ul style="list-style-type: none"> <li>Documenting the results of socialization about the prohibition to employees to burn garbage.</li> </ul>	Closed
Minor 6.1.4	RSPO01351	The company has sent correction and corrective action request. The implementation of this CAR will seen in the next surveillance.	August 12, 2018	<p><b>Correction:</b></p> <p>Carry out field visits by planning social governance plans with the parties involved.</p> <p><b>Corrective action:</b></p> <p>Annually managing social impacts with the parties involved are consistently &amp; responsi-</p>	Closed



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				bly.	

### 3.4 Noteworthy Positive Components and Potential for Improvement

#### Positive Observation:

No.	Indicator	Positive Components
	-	-

#### Potential for Improvement:

No.	Indicator	Potential for improvement
	-	-
	-	-

### 3.5 Conclusion and Recommendation for RSPO P & C and Supply Chain Certification

The audit team has confirmed through the audit process that PT Perkebunan Nusantara III – Sei Mearnti POM and its supply based has established and maintains an effective system to ensure compliance with the RSPO P & C (NI P&C RSPO 2013 for Indonesia year 2016) and Supply Chain Certification System requirements (dated November 2014). It is also confirmed that the company's annual volume of CPO and PK sold for the period of 2016 has not exceeded the certified annual tonnages as claimed in the organization's RSPO certificate no. 82450214003 until Certification Assessment.

TUV Rheinland recommends that PT Perkebunan Nusantara III Sei Meranti Mill and estate be continuing approved for certification of compliance to the RSPO P & C and Supply Chain Certification System requirements.

### 3.6 Issues Raised by Stakeholders and Findings Pertaining to Issues

Below is a summary of issues raised by stakeholders interviewed on site

No.	Issues Raised	Management Response	Audit Verification
-	-	-	-

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#### **4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY**

##### **4.1 Date of Next Surveillance Visit**

The next surveillance visit planned for April 2018

##### **4.2 Acknowledgements of Internal Responsibility and Formal Sign-Off by Client**

It acknowledged that the assessment visit carried out as described in this report and we accept the assessment findings and report content.

Signed on behalf of PT Perkebunan Nusantara III 



Name: **AHMAD DIPONEGORO**  
Position: **Kepala Bagian**  
Date:

Signed on behalf of PT TUV Rheinland Indonesia



Mhd. Fundy Cholis Kurniawan  
Lead Auditor  
Date: Nopember 14, 2017

## Appendices

### Appendix 1: Details of Revised Certificate

# Certificate

Standard : **Indonesian National Interpretation of RSPO Principles & Criteria for the Production of Sustainable Palm Oil; July,2016 and RSPO Supply Chain Certification Systems: 2014**

Certificate Registr. No. : 824 502 16050

Certificate Holder : PT TUV Rheinland Indonesia certifies :  
**PT Perkebunan Nusantara III (Persero)  
Sei Meranti Palm Oil Mill**  
Meranti Makmur Village, Bagan Sinembah  
Subdistrict, Rokan Hilir District,  
Riau Province, Indonesia  
and its company owned estates according to the annex



RSPO number : -  
Scope : Palm Oil Production and Plantation Management System

An audit was performed, Report No. ASA182450216050. Proof has been furnished that the requirements according to Indonesian National Interpretation of RSPO Principles & Criteria for the Production of Sustainable Palm Oil; July, 2016 and RSPO Supply Change Certification System; 2014 are fulfilled.


Validity: The due date for all future surveillance audits is 14.08 (dd.mm).  
The certificate is valid from 14-10-2016 until 13-10-2021.  
The certificate shall remain valid in period stipulated above provided that the certificate holder mentioned here continues to comply with the RSPO P&C requirements. Status of compliance of the certificate holder shall be based on the annual inspections conducted by PT TUV Rheinland Indonesia.

RSPO registered parents company\* : PT Perkebunan Nusantara III  
(RSPO Member No. : 1-0030-06-000-00)

\* Name of the RSPO registered member company of which the certificate holder is a subsidiary (if applicable)

Date of first certificate : October 14, 2016

Indonesia, 22-01-2018

  
PT TUV Rheinland Indonesia  
Director

The certificate remains property of PT TUV Rheinland Indonesia and can be withdrawn in case of terminations as mentioned in the contract or in case of changes or deviations of the above-mentioned data. The licensee is obliged to inform PT TUV Rheinland Indonesia immediately of any changes in the above-mentioned data. Only an original and signed certificate is valid.

# Annex to certificate

Standard : **Indonesian National Interpretation of RSPO Principles & Criteria for the Production of Sustainable Palm Oil; July,2016 and RSPO Supply Chain Certification Systems: 2014**

Certificate Registr. No.: 824 502 16050

Location: **PT Perkebunan Nusantara III (Persero)**  
 Address : **Sei Meranti Palm Oil Mill**  
 Meranti Makmur Village, Bagan Sinembah  
 Subdistrict, Rokan Hilir District,  
 Riau Province, Indonesia;

Name of mill / estate	Location	GPS locations	
		Latitude	Longitude
Sei Meranti Mill	Meranti Makmur Village, Bagan Sinembah Subdistrict, Rokan Hilir District, Riau Province, Indonesia	01° 33' 1.97"N	100° 18' 40.41"E
Meranti Estate	Meranti Makmur Village, Bagan Sinembah Subdistrict, Rokan Hilir District, Riau Province, Indonesia and Sei Meranti Village, Torgamba Subdistrict, Labuhan Batu Selatan District, North Sumatera Province, Indonesia	01° 00' 06.52"N	110° 24' 26"E

CPO Tonnage Total Production: 30,970.02 tonnes  
 PK Tonnage Total Production: 11,370.08 tonnes  
 Company Estates FFB Tonnages: 155,820.00 tonnes  
 FFB Tonnages from other sources: 90,000.00 tonnes  
 CPO Tonnage claimed for certification: 32,410.56 tonnes  
 PK Tonnage claimed for certification: 6,653.51 tonnes

Scope of SCCS & supply chain model assessed : FFB receipt, produce and delivery of CPO & PK with implementation of the following SCCS :  
 Identity Preserved  
 Mass Balance

Indonesia, 22-01-2018



PT TUV Rheinland Indonesia  
 Director

Issued by PT TUV Rheinland Indonesia

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**Appendix 2: List of Abbreviations**

AMDAL	Analisis Dampak Lingkungan & Sosial (Social & Environmental Impacts Assessment)
APL	Areal Penggunaan Lain (Non-forested Land Use)
APU	Air Permukaan Umum (Public water surface)
BPD	Badan Penasehat Desa (villages advisory body)
BPN	Badan Pertanahan Nasional (National Land Agency)
CD	Community Development
CPO	Crude Palm Oil
CSR	Corporate Social Responsibility
EIA	Environmental Impact Assessment
ERTs	Endangered, Rare & Threatened species
ESH	Environmental Safety & Health
FFB	Fresh Fruit Bunches
EFB	Empty Fruit Bunches
GIS	Geographic Information System
HCV	High Conservation Value
HGU	Hak Guna Usaha (Land Use Rights)
HPK	Hutan Produksi Konversi (Converted Production Forest)
Hyperkes	Hygiene Perusahaan & Kesehatan Kerja (Company Hygiene & Occupational Health)
HRD	Human Resource Department
IDR	Indonesian Rupiah (Indonesian currency)
IPM	Integrated Pest Management
IUP	Izin Usaha Perkebunan (Agriculture Use Permit)
KUD	Koperasi Unit Desa (Village Unit Cooperative)
LKS	Lembaga Kerja Bersama (Cooperation Institute)
LTA	Lost Time Accident
MOU	Memorandum of Understanding
MSDS	Material Safety Data Sheets
NGO	Non-Government Organization
OKI	Ogan Komerang Ilir (district name)
OSH	Occupational Safety & Health
PAD	Pendapatan Asli Daerah (Regional Original Income)
PBB	Pajak Bumi & Bangunan (Land and Building Tax)
PHT	Pekerja Harian Tetap (Permanent Workers)
PKO	Palm Kernel Oil
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
RKL	Rencana Pengelolaan Lingkungan (Environmental Management Plan)
RPL	Rencana Pemantauan Lingkungan (Environmental Monitoring Plan)
RTRWP	Rencana Tata Ruang Wilayah Propinsi (Provincial Land Use Plan)
RUTR	Rencana Umum Tata Ruang Wilayah (Area landscape planning)
SIA	Social Impact Assessment
SOP	Standard Operating Procedure
SPPI	Serikat Pekerja Perkebunan Indonesia (Indonesian Estate Workers Union)
SPSI	Serikat Pekerja Seluruh Indonesia (Indonesian Workers Union)
UKL	Upaya Pengelolaan Lingkungan (Environmental Management Efforts)
UPL	Upaya Pengelolaan Lingkungan (Environmental Management Efforts)
UPTD	Unit Pelaksana Teknis Daerah (Regional Technical Implementation Unit)



**Appendix 3: List of Stakeholders Interviewed and Contacted**

No.	Name of Stakeholder	Institution - Address	Remark
<b>Stakeholders Interviewed On-Site</b>			
1.	Chendra Kesuma	Estate Manager	
2.	Poltak Sirait	Mill Manager	
3.	Ginting	Head Assistant Rayon A	
4.	Yusrizal	Head Assistant Rayon B	
5.	Hasan Harahap	Mill Head Assistant	
6.	Sinambela	MR	
7.	Supriyadi	Field Assistant	
8.	Sinaga	Field Assistant	
9.	M Yamin	Field Assistant	
10.	Sugiartono	Laboratory assistant	
11.	Siti Maryam	Estate DCC	
12.	Arif	Estate DCC	
13.	Mahmud	1st Foreman	
14.	Ridwan	Foreman	
15.	Ridwan	Manual weeding foreman	
16.	Nasution	Harvester	
17.	M. Pardede	Harvester	
18.	Rosdiana Br.Siahaan	Sprayer	
19.	Hotmaria Br.Sinaga	Sprayer	
20.	Samsiar Br. Ujung	Sprayer	
21.	Serly Hasibuan	Sprayer	
22.	Ampun	DCC DLAB 1	
23.	Miswan	Loader operator in loading ramp	
24.	Jafar Purba	Weighbridge operator	
25.	Roni Arif Kurniawan	Chemical Storage clerk	
26.	Legito	Chemical Storage clerk	