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Roundtable on Sustainable Palm Oil

Annual Surveillance Audit Report & Supply Chain Certification Audit Report

(as per Attachment 1)

Annual Surveillance Audit Report no.: ASA1_096704

PT Bakrie Sumatera Plantation UNIT SUMUT I- North Sumatera

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1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation / Standard Used

The operations of the palm oil mill(s) and its supply base of FFB were assessed against the National Interpretation Indonesia year 2008 of the RSPO Principles & Criteria and the RSPO Supply Chain Certification Systems (SCCS) document (November 2009)

1.2 Scope of Assessment

The annual surveillance certification assessment was carried out on 1 and 5 estates under The operations of the palm oil mill(s) and its supply base of FFB were assessed against the National Interpretation Indonesia year 2008 of the RSPO Principles & Criteria owned by Bakrie Sumatera Plantation Group. The date of certification of this unit was **June 16, 2010**

1.3 Certification Details

The details of RSPO certification of PT Bakrie Sumatera Plantation SUMUT I Kisaran Unit are as per the table below

Table 1: Certification details of PT Bakrie Sumatera Plantation SUMUT I Kisaran Unit

RSPO Membership no.:	045-07(O)
Child numbers of each certification unit:	-
Certificate no.:	01 100 096704
Date of original certification:	16 June , 2010
Date of certification audit:	25 – 209 May 2009
Date of previous surveillance audit:	None

1.4 Location and Maps



Figure 1. Location of PT Bakrie Sumatera Plantation SUMUT I Kisaran Unit in North Sumatera, Indonesia

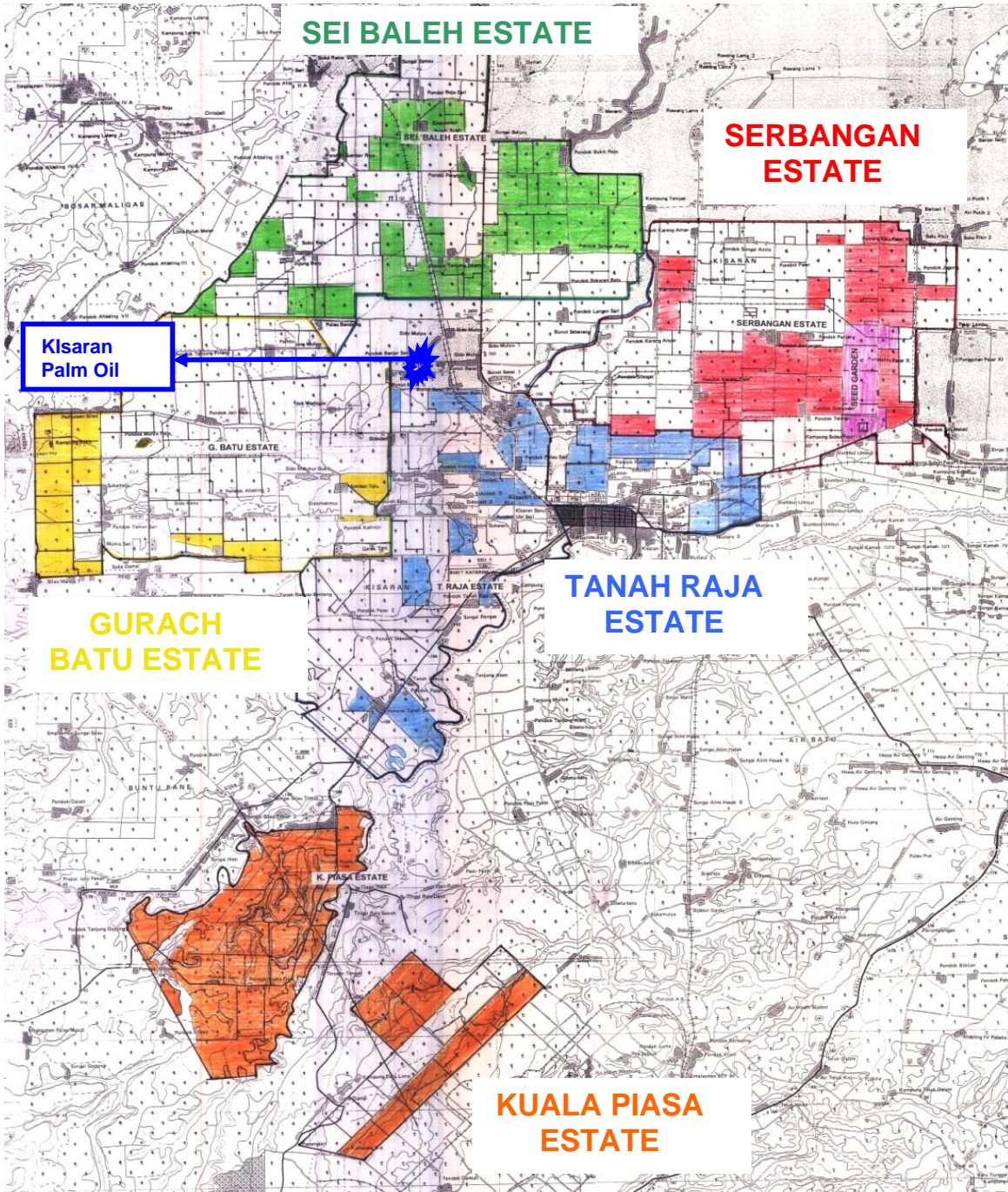


Figure 2: Map of PT Bakrie Sumatera Plantation SUMUT I Kisaran Unit

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

Name of mill / estate	Location	GPS locations	
		Latitude	Longitude
Main office	Jl. Ir. H. Juanda, Kisaran 21202, Asahan Distrik, North Sumatera Indonesia	02°59'04.6"	099°38'12.1"
Palm Oil Mill	Desa Sei Baleh, kec. Sei Baleh, kab. Batu Bara, Sumut.	03°02'26.7"	099°34'53.2"
Tanah Raja	Kelurahan..Sei Renggas, kec. Kisaran Barat, kab. Asahan, Sumut.	02°57'50.0"	099°35'57.7"
Gurach Batu	Desa Gerak Tani, Kec. Meranti, Kab. Asahan, Sumut.	3°20'45.0"	99° 58'23.4"
Kwala Piasa	Desa Tinggi Raja, Kec. Tinggi Raja, Kab. Asahan, Sumut	02°54'04.2"	099°34'00.2"
Serbangan	Desa. Rawang Lama, kec. Panca Arga, kab. Asahan, Sumut.	03°01'29.8"	099°39'30.3"
Sei Baleh	Desa, Sei Baleh, kec. Sei Baleh, kab. Batu Bara, Sumut.	03°04'12.1"	099°35'11.0"

1.5 Organisational Information / Contact Person

Contacts details of the company are as follows:

Company Name:	PT Bakrie Sumatera Plantation Unit SUMUT I,
Address:	Jl. Ir. H. Juanda, Kisaran 21202, Asahan Distrik, North Sumatera Indonesia Sei Baleh Village, Sei Baleh Sub District, Batu Bara Distric
Contact Person:	Mr. Atok Hendra Yanto
Telephone:	+62-623- 41434, +62-623-348614 ; Fax : +62-623-41066
Email:	-
Legal Permit *	<ol style="list-style-type: none"> HGU (Land use certificate) No. 66.HGU/DA/85/B/151 with area of 18,556.01 Ha, valid from 13 November 1996 for 25 years. HGU No. 020.HGU/1991 with area of 2,714 Ha valid from 7 December 1991 until 31 December 2020. HGU No. 026/HGU/BPN/1999 with area of 952 ha valid since 19 March 1999 for 35 years. Government directives: Keputusan BKPM No. 257/T/Pertanian/Industri/1989 and Keputusan BKPM No. 1293/T/Industri/2008 regarding Capital Investment within the State ('Penanaman Modal Dalam Negeri'). <p><i>HGU Area includes Aek Salabat estate(not included in certification scope)</i></p>

1.6 Description of Supply Base

Table 3: FFB Supply Information for Kisanan Palm Oil Mill for period January to December 2010

FFB Contributors	FFB supplied	
	Tonnes	%
Company owned estates:		
- Serbangan Estate	28,369.630	12.90
- Sei Baleh	39,211.350	17.83
- Gurach Batu	10,654.800	4.85
- Tanah Raja	25,270.980	11.49
- Kuala Piasa	54,201.280	24.65
Other company's area (not include in certification scope)	1,679.510	0.76
Smallholders / outgrowers:	60,489.815	27.51
TOTAL	219,877.37	100

1.7 Actual production volumes and project outputs.

Table 4: Total CPO and PK production from Kisanan Palm Oil Mill for period of January-December 2010 and projected production for year 2011

FFB Sources of Kisanan Palm Oil Mill	Certified tonnages (MT)		Actual Production* (MT)		Projected output for next 12 months** year 2011 budget (MT)	
	CPO	PK	CPO	PK	CPO	PK
5 company-owned estates	36,438	7,436	37,354.518	7,481.957	40,592	8,457
Outgrowers	-	-	697.202	185.280	13,296	3,689
GRAND TOTAL	36,438	7,436	38,051.72	7,667.237	53,888	12,146

* Data from January to December 2010

** Year 2011 production budget the source of FFB not only from 5 certified estates, there are additional FFB purchase from outgrower.

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 Kisaran Palm Oil Mill

Age & Year of Plantings	Oil palm planted area at each estate(ha)					
	Serbangan	Sei Baleh	Gurach Batu	Tanah Raja	Kuala Pi-asa	Aek Salabat*
0 – 5 yrs (2006 – 2010)	583	1090	422	949	122	-
5-10 yrs (2001 – 2005)	148	439	30	592	121	-
10-15 yrs (1996 –2000)	977	687	452	277	2001	-
15-20 yrs (1991 – 1995)	-	-	-	-	-	-
20-25 yrs (1986 – 1990)	-	-	-	-	-	-
25 - 30 yrs (1981 - 1985)	-	-	-	-	-	-
TOTAL	1708	2216	904	1818	2244	9

Note: * Aek Salabat is company's owned estate still not included in certification scope due to only has 9 ha palm oil plantation, however management plan to convert rubber plantation into palm oil plantation and this is will make Aek Salabat estate include in certification scope on the next surveillance audit.

Table 6: Planned and actual oil palm replanting activities and conversion from rubber plantation to oil palm plantation year 2012 to 2016 PT Bakrie Sumatera Plantation SUMBAGUT UNIT I Kisaran Unit (*)

Year	Total planned re-planting area (ha)	Total planned replanting area for each estate (ha)					Actual total area replanted (ha)
		Serbangan	Sei Baleh	Gurach Batu	Tanah Raja	Aek Salabat**	
2009	-	161	288	189	386	-	1024
2010	-	292	236	158	349	-	1035
2011	-	-	-	-	-	-	-
2012	460	13	58	-	389	437	-
2013	115	-	-	-	-	115	-
2014	77	-	-	-	-	77	-
2015	194	-	-	-	107	87	-
2016	36	-	-	-	-	36	-
Total	882	466	582	347	1231	752	2059

Note : * According to Letter no. 27/HBU/III/2011 signed by Head of Business Unit Sumut I dated March 21, 2011

** Aek Salabat is currently not included in the RSPO certification scope as it is planted with rubber, but will be included in year 2012 surveillance audit once it is replanted with oil palm

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- PT Bakrie Sumatera Plantation SUMUT I Kisaran Unit
- North Sumatera, Indonesia

1.9 Area of Plantation (Total, Planted and Mature)

Table 7: Oil Palm Planted Area Summary, FFB Production and Average yield/ha for PT BSP Kisaran Unit for period January to December 2010

Estate Name	Total area (ha)	Oil Palm Planted area (ha)	Mature (Production) area (ha)	Immature (Non-production) area (ha)	Nursery and land clearing	FFB Production* (tonnes)	Average yield/ ha*
Serbangan	1825	1708	1,249	459	117	28,369.630	25,178.1
Sei Baleh	2256	2216	1,637	579	40	39,211.350	24,916.9
Gurach Batu	992	904	557	347	88	10,654.800	21,650.6
Tanah Raja	1938	1818	986	832	120	25,270.980	28,211.7
Kuala Piasa	2244	2,244	2,244	-	-	54,201.280	24,161.6
TOTAL	9255	8890	6673	2217	365	157,708.040	124,118.9

Note * data January – December 2010

Table 8: Land use data for PT Bakrie Sumatera Plantation Kisaran Unit

Estate Name	Total area (ha)	Rubber Planted Area (ha)	Oil Palm Planted Area (ha)	HCV/ Potential HCV areas* (ha)	Land used for other purposes (ha)			
					Building	Road, rivers and railways	nursery	Other purposes
Serbangan	3453.20	1462	1708	44.2	56	65	117	1
Sei Baleh	4087.66	1587	2216	132.66	54	53	40	5
Gurach Batu	3911.44	2473	904	349.44	44	45	88	8
Tanah Raja	4208.23	1881	1818	49.23	180	122	120	38
Kuala Piasa	2825.48	450	2,244	66.48	22	30	-	13
TOTAL	18486.01	7853	8890	642.01	356	315	365	65

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
BSP Kisaran	Kisaran, North Sumatera	2009
Agrowiyana	Jambi	2010
Bakrie Pasaman Plantation	Pasaman, West Sumatera	2011
ARBV	South Sumatera	2012
Graha Dura Leidong Prima	North Sumatera	2013
Guntung Idaman Nusa	Riau	2014
Indogreen	Kalteng	2015

1.11 Progress of associated smallholders or outgrowers towards RSPO compliance

There is no smallholder scheme in PT BSP SUMUT Unit 1 that supplies to Kisaran Palm Oil Mill. Additional FFB is supplied from independent outgrowers. Until now company still not has specific program for independent outgrowers towards RSPO compliance.

1.12 (Revised) Approximate Tonnages Certified

The tonnages certified shall be revised from the previous amount stated in the RSPO certificate issued in June 16, 2010 due to an increase of oil palm plantation area resulting from rubber plantation conversion to fulfil mill capacity, due to mill production in previous years have not reached the maximum mill capacity. Based on Table 3 data, the revised approximate tonnages certified for company owned estates only, based on projected production in year 2011 are as follows:

Crude Palm Oil (CPO)	: 40,592 MT
Palm Kernel (PK)	: 8,457 MT

2.0 ASSESSMENT PROCESS

2.1 Certification Body

TUV Rheinland Malaysia Sdn. Bhd. is member of Group TÜV Rheinland Group, a global leader in independent testing and assessment services. The TÜV Rheinland Group was established in 1872 with offices located in over 360 locations in 62 countries on all five continents. TUV Rheinland Malaysia 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 Project Validations. TUV Rheinland Malaysia's office is located in Subang Jaya.

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) Dian S. Soeminta
- 2) Agus Salim Alfata

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

Name	Position	Qualifications / Experience
Irpan Kadir	Auditor	<p>Education: Bachelor of Agriculture, Department of Social and Economic of Agriculture, Bogor Institute of Agriculture.</p> <p>Trainings attended: Sustainable Natural Production Forest Management (Pengelolaan Hutan Alam Produksi Lestari - PHAPL) assessor training (May 2003); Forest Plantation Management (August 2003) training - Indonesian Ecolabel Institute (LEI).</p> <p>Working experience: Experienced as external auditor of PT. TUV International Indonesia for Sustainable Forest Management and RSPO Principles & Criteria. Has experience in conducting assessments of performance and social mapping for mining and forestry companies. He is a senior researcher and trainer at A + CSR Indonesia.</p>

2.3 Assessment Methodology & Agenda

The surveillance assessment was conducted between 30 May to 02 June 2011 as per the assessment program below. The assessment was carried out in accordance with TUV Rheinland Malaysia'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 time frame without compromising the integrity of the assessment in anyway.

All 5 estates and 1 mill were visited and the assessment team carried out field and document assessments of compliance to all the RSPO principles and criteria. Common systems were identified and specific evidence was recorded for individual estates. Interviews were conducted at all estates and the mill.

The certification assessment agenda is as explained below.

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- North Sumatera, Indonesia

Main Assessment Agenda.

Date	Location/ Main sites	Main activities
30 May 2011	Main Office	Opening Meeting
09.00-12.00	Main Office	Document verification for all previous audit findings
13.30 -18.00	Sei Baleh Estate	<ul style="list-style-type: none"> - Verification of previous audit findings - Site visit to HCV .2 and 4.2 area including verification of HCV management plan. - Site visit to Riparian Sei Bluru - Boundary stone area and legal boundary area. - Terusan Tengah village & Tinggi Raja village for verification land conflict/potential land conflict issues. - Discuss with estate security - Interview with estate location - Review of Agrochemical application
31 May 2011 08.00-12.30	Kuala Piasa estate	<ul style="list-style-type: none"> - Interview with woman workers - Site visit to Riparian River Sei Silau - PPE application
13.30-17.00	Serbangan estate	<ul style="list-style-type: none"> - Onsite verification of previous audit findings, such riparian river, HCV area and monitoring of HCV area. - Interview with estate worker regarding welfare, salary, safety and health, facilities etc. - Visit to chemical material warehouse - Check boundary stone
June 01, 2011 08.00-17.00	Oil Palm mill	<ul style="list-style-type: none"> - Onsite verification of previous audit findings - Interview with mill workers - Interview with FFB suppliers - Supply chain audit*
June 02, 2011 08.00-12.00	Kisaran Palm Oil mill	<ul style="list-style-type: none"> - Continue supply chain audit
13.30-15.00	Main office	<ul style="list-style-type: none"> - Preparing surveillance audit result - Closing meeting & Present findings.
17.00		End of 1 st surveillance audit

*Note: Supply chain certification audit results in separate report

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings pertaining to RSPO Principles & Criteria

During this 1st surveillance audit, 8 nonconformities were assigned against Major Compliance indicators while 7 nonconformities were assigned against Minor Compliance Indicators, for a total of 15 non-conformities. 3 observations or opportunities for improvement were identified. Further explanation of the non-conformities raised and corrective actions taken by the company are provided in Section 3.2. The observations & opportunities for improvement are listed in Appendix 5.

The following is a summary of findings made for the criteria listed in the RSPO Principles & Criteria Indonesian National Interpretation year 2008.

Principle 1: Commitment to transparency

Criteria assessed: CR1.1, CR1.2

Criteria not assessed: -

Findings:

Evidence of requests for information to the company is available, and the company has a procedure for handling requests for information BMH-03 Rev 02, which was issued on 15 May 2009. All requests for information made by stakeholders have been recorded in one document as required by the company procedure for handling information requests. Records of responses to requests for information from the company are available and recorded on the log book, however during surveillance audit there was not found response records for incoming letter from the sub-district head of Bandring Island no. 883/PB/XII/2010 dated December 27, 2010 regarding request for shell.

The company does not produce any general documents for public communication of company information, such as a public summary documents that contain information about the company's legal compliance, company's general performance, management of environmental impacts, CSR, Health & Safety programs and so on. The company still maintains their available documents and records of all requested information for a period of at least 3 years, depending on the importance of the documents.

Compliance status: Non Compliance, see NCR 1 of 15

There was found an incoming letter from local communities i.e. head of sub-district (Camat) Pulau Bandring dated 27 December 2010 regarding request for shell, however there is no evidence that the company responded to this letter.

Principle 2: Compliance with applicable laws and regulations

Criteria assessed: CR2.1, CR2.2,

Criteria not assessed: 2.3

Findings:

The company still has a list of applicable legal and other requirements and the company regularly evaluates the compliance of their estates to these legal requirements according to their company procedures as documented in their SOPs. The company makes efforts to comply with changes in the regulations, for example, upon receipt of a government letter regarding a change of the worker's minimum wage for North Sumatera province in 2011, a circular letter from PT BSP Human Resources office was issued to all estates to inform estate management of this change in regulations.

The company still implements ISO 9001 and ISO 14001 management, as such, the company has a good documented system related to laws and regulations that shall be complied to. This system was established as part of the company's ISO 9001 and ISO 14001 management system and is documented in the company's procedure, BMH-01 which is regarding compliance to regulations and other requirements. The company also has a mechanism to ensure that all applicable regulations and company's working procedure are well implemented as required as part of their ISO 14001:2004 certification.

Copies of all Land Cultivation Rights Titles (Hak Guna Usaha – HGU) and related documents to show ownership of land in accordance with relevant laws are well maintained by the company. Legal boundaries are also clearly demarcated using concrete boundary stones and these are maintained on site every once a year with the participation of local communities. Even though some boundary stones are now missing, the company knows all point of boundary locations in the field, an company has marked their boundary stones in a working area map.

There is no more land dispute in company's area and member of the Tinggi Raja community (Tinggi Raja sub district, Asahan district). This conflict has been solved and the result was accepted by both. BSP Estates Maps (made to appropriate scale) have been extended in order to recognized the boundary all villages surrounding BSP area and location of customary rights and to clearly indicate the palm oil activities of the company.

Compliance status: Full compliance

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

Criteria assessed: CR3.1

Criteria not assessed: -

Findings:

PT BSP has made a budget for 2011 and Strategic Management plan for 5 years period since 2012 to 2015.

In 2011 budget the information included are:

- Sales revenue
- Cost of goods sold
- Gross profit
- Operating expenses (included seling expenses, general and administration expenses)
- Total operating expenses
- Operating profit
- EBITDA
- Other expenses

As stated in budget for 2011, the company's plan gross margin ration will be 57%, operating profit will be 52% and net profit ration will be 38 %. Compared with the company's achievement in 2010 gross margin ration is 62%, operating profit is 56% and net profit ration is 38 %.

The company has a budget for 169,131,797 kg of production FFB in 2011 coming from 5 certified estate and Aek Salabat Estate. The company will purchase FFB from out growers in 2011 as much 73,868,204kg. Total planned CPO production in 2011 is 53,887,908 kg with average oil extraction rate (OER) of 24%. Total palm kernel (PK) produced in 2011 is projected to be 12,150,000 kg with average KER of 5%.

The company's strategic plan for next 5 years will be to achieve peak production in 2015. At this time, projected FFB production from company owned estates is 242,650,000 kg and the company will purchase FFB from out grower in 2015 as much 350,000kg. Total CPO produced in 2015 planned 58,299,000 kg with average OER is 23,99%. Total PK produced in 2015 planned still same i.e. 12,150,000 kg with average KER is 5%.

However, it was observed that the strategic plan only includes explanations about production planning, no information available about activities planned pertaining to environmental and social issues as recommended by AMDAL, RKL/RPL, HCV assessment result and Social Impact Assessment.

The company's actual replanting program referring to 5 years replanting program that was made in 2009 i.e, replanted area in year 2009 was 1024 ha, while in year 2010, replated ares was 1035 ha.

The company has no replanting plan in year 2011, however for the next five year replanting program is as follows: year 2012 is 460 ha, year 2013 is 115 ha, year 2014 is 77 ha, year 2015 is 194 ha and 2016 is 36 ha. The company will review its replanting program every year according to suitability with the condition and company's capability.

Compliance status: Compliance with observations

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

Criteria assessed: CR4.1, CR4.2, CR4.3, CR4.4, CR4.5, CR4.6, CR4.7, CR4.8

Criteria not assessed: -

Findings:

The SOPs for all estates are maintained on file and includes SOPs for all main estates activities procedures from seeding (nursery), land preparation, maintenance, harvesting to land clearing. All SOP was available on the estate office. The SOP for the mill is documented and most of the documents are dated Nov 2007. The SOPs for mill include receiving of FFB, sorting, and processes such as sterilizing station, digester, pressing station, clarification station, kernel silo, storage of CPO, PK and PKO and dispatch to storage tank. All SOP both in the mill and estate are well implemented. Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield always done through leaf and soil analysis, this is used for issuing fertilizer recommendation. The company takes efforts to maintain and increase soil fertility by use of fertilizer, legume cover crops for unproductive palm tree, compost, and land applications of POME or EFB. Records of all activities are kept as well.

Maps of soil types for all estates are available at the main office. The maps show that there are no marginal soils within the estate area and most of the estate land consists of alluvial soils and podsoils

The road maintenance program for Serbangan estate and Kuala Piasa Tanah Raja estate is available in the file at the main office and each estate. Road Maintenance Program for the whole of year 2011 is available and includes desilting of drains, closing potholes and grading. When maintenance works are completed, the work program is marked accordingly to show that the work has been completed.

Delineation of the riparian buffer zones has been carried out such as at riparian buffer zones of Sei Baleh River. The company has prepared a work plan for this and already begun the process of delineation of the buffer zones.

The mill has a documented plan and target to reduce their usage of natural resources, including water, electricity, fossil fuel, and paper. These records have been maintained since 2007.

Documented program of IPM activities for all estates for the year 2009 are available at the main office and respective estates, which includes work instructions for monitoring of *ganoderma* and the method for conducting census of caterpillars and rhinoceros beetles. Records of IPM implementation are maintained at the estate division office.

The company provided evidence in the form records of chemical usage for each estate since January until July 2009, consisting of calculations of pesticide toxicity units. From these records, it was found that the highest amount of active ingredient being applied in PT BSP plantation is Paraquat from Gramoxone (approx 64.22 gram per ha or 69.94 gram per ton FFB) and the LD 50 for Gramoxone is 283 mg/kg. The company's management has committed to reduce paraquat consumption and will make efforts to use alternative chemicals of less toxicity. The company uses only approved and registered agrochemicals and usage is documented as well. Records of all pesticides used including active ingredients used, area treated, amount applied per ha and number of applications good kept.

A health examination was conducted in February 2011 for workers associated with agro chemicals. However, there is evidence that health examinations are not conducted appropriately to identify health problems resulting from occupational risks. For example, cholinesterase (levels of toxins in the blood) tests were not conducted for all workers associated with agrochemicals, as it was found that one female worker has been working for 2 years as sprayer, and based on interviews with her, she always feels headache, however her medical check only consists of visual check but does not include blood tests. Results of health examinations for chemical workers at Kuala Piasa Estate of division 3 on October 28, 2010 and Division 1 and 2 Kuala Piasa Estate dated 18 April 2011 were also not yet available at time of audit. There is no evidence that the company has conducted examination of pregnancy for women workers doing work associated with agrochemicals.

As found during the certification audit, the company has no designated area to store the sprayer's personal protective equipment (PPE), and sprayers still bring their PPE home for washing. In the oil palm field, at areas where spraying has been recently carried out, the company does not place signboards to indicate that the area is restricted due to spraying activities. The company also has not established a mechanism for when replacement of sprayers cartridge mask replacement should be carried out.

As seen from records of regular health examinations conducted in July 2010 there was no action taken

for workers found with hearing impairment, as results showed there are 4 workers that have low level hearing impairment, 7 workers that have high level hearing impairment and 5 workers with mid-level hearing impairment.

It was also found that some mandors did not bring first aid kit to the field, i.e. at Kuala Piasa estate 3. First aid training has also not been done for workers in the operational area of the station kernel, processes, and others in the palm oil mill (POM). First aid training was only conducted for 3 mill workers.

The company uses trained contractors for some activities especially in the mill for servicing machine and over haul. However there is no evidence that some contractor workers from one of the company's contractors has been provided appropriate training for their new sprayers. It was also found that slashing worker has no appropriate occupational safety training because during audit there was found contractor without shoes while he is working at the area that has risk for snake bite.

PT BSP has a training program for employees based on their job competency conducted every once a year, as well as a training budget. The company also conducts training for local communities as part of the company's CSR program. Training performance for employees is documented by the Human Resources department.

Compliance status: Non Compliance; see NCR No. 2 of 15; 3 of 15; 4 of 15; 5 of 15; 6 of 15; 7 of 15, and 8 of 15

Please see section 3.3 for detailed information.

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

Criteria assessed: CR5.1, CR5.2, CR5.3, CR5.5, CR5.6

Criteria not assessed: 5.4

Findings:

Environmental aspects and impact that occur from plantation and mills activities had been identified. The company's first document of environmental impact identification was their Environmental Evaluation Study or Studi Evaluasi Lingkungan (SEL) document created in 1993 for PT BSP which then only consisted of rubber plantation and rubber factories. Then the company obtained an approval letter from government dated 22 February 2006 with permission to include oil palm plantation and palm oil mill in their operations, and hence the company made a new environmental impact assessment, known as 'Upaya Pemantauan Lingkungan (UPL) / Upaya Perencanaan Lingkungan (UKL)'. The company also has a letter no 685/HRD/IV/2011 dated April 18, 2011 to Asahan regent regarding request of business license permit for plantation area 9,243 ha for conversion from rubber plantation to oil palm plantation. Since 1993, company got approval of conversion to oil palm plantation base on letter no. HK.350/E.4.877/11.93 for total area 5,125 ha.

The total oil palm plantation area in PT BSP UNIT I North Sumatera now about 9000 ha, whereas stated in existing regulation, plantation with more than 3000ha should make an further revised environmental impact assessment document known as 'Analisa Dampak Lingkungan' or AMDAL document, not just UKL & UPL. The company had not developed a AMDAL document and this was raised as a non-conformity during the RSPO certification audit in 2009. At the time of this first surveillance audit, the company still had not developed the AMDAL document, so this was raised from minor to major non-conformity.

It was also found that the company has not done prepared a report to the local government on the implementation of their current UPL/UKL document for year 2010, as required by existing regulations. As this was raised a minor non-conformities no. 14 and no. 19 during the certification audit in 2009, this has now been raised to a major non-conformity. During the certification audit, there was also non-conformity no. 20 raised that the company's previous report on UPL and UKL implementation only included report on environmental parameters, but not social aspects. As the company has not prepared their latest report, this non-conformity has also been raised to a major non-conformity (under CR6.1).

The existing potential HCV areas within the company is the still same as during the main audit in 2009. There are 4 identified potential HCVs, i.e. HVC 1.2 for endangered species found in surrounding Lotus Lake, HCV 1.3 species habitat located around Lotus Lake (Danau Teratai) and Kuala Piasa estate,

HCV 4.1. water catchment and flood control area totally 4.31 ha, and HCV 6 area of traditional cultural identity, which is a grave area located in central plantation with total area of 7.2 ha. A management plan for identified HCV has been done and implemented. The company has tried to make monitoring of HCV area, however the program is still not appropriate with the values to be conserved. This was raised as potential for improvement.

The estates and mill has documented SOPs for management of scheduled wastes (including solid and liquid scheduled wastes), solid wastes and non-scheduled wastes by workers. The SOPs are well implemented. However The hazardous waste such as used oil and used chemical that are stored at the company central warehouse have been stored for a longer timeframe that is permitted in the company's license for hazardous waste storage and the company has no plan for the management of this waste. This was raised as a non-conformity.

Compliance status: Non Compliance; see NCR No. 9 of 15; 10 of 15; 11 of 15;

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

Criteria assessed: CR6.1, CR6.3, CR6.4, CR6.5, CR6.6, CR6.7, CR6.8, CR6.9, CR6.10, CR6.11
Criteria not assessed: CR6.2,

Findings:

At time of the certification audit, the company had developed a documented social impact assessment through participation of affected parties and local communities, however, no regular monitoring and management of social impacts was conducted. This was raised as a non conformity during the certification audit in 2009. During this surveillance audit, it was found that the company has carried out further monitoring and identification of social impacts, however, the results are not integrated or documented and the company has yet to establish a social impact management and monitoring plan. Results of monitoring or social impacts are also not reported to the local government.

BSP has a procedure to receive and resolve complaints/disputes in appropriate manner which is accepted by local communities and stakeholders. Procedure RSPO-01 has been established, issued on April 14, 2011. Due to there is no land dispute found, the procedure is still not implemented yet. The company also has a procedure for identification, calculation and compensation, and company has informed their stakeholder regarding this procedure this procedure. The procedure is still not implemented yet because the company has had no land compensation case.

Pay and conditions for company's employees and for employees of contractors already meet with minimum standards as required by government and are sufficient to provide decent living wages.

One contractor was found not fulfilling government regulation even though requirements to comply with all applicable legal requirements are stipulated in PT BSP's contract with with the contractor, e.g.

- Contracted worker for plantation maintenance i.e. slashing activities was found not wearing shoes, with is against requirements to wear appropriate safety equipment
- An underaged labourer aged 17 years old was found working as a sprayer in block 04-9704. This is inconsistent with the company's decree letter no. 783/HRD/V/2011 dated May 9, 2011 regarding policy for child labor (workers shall not be below 18 years of age).

This was raised as a non conformity.

The company's policy on sexual harassment and violence is clearly published in the company's RSPO Management Policy and company made procedure no. RSPO-02 as general grievance procedure, including specific grievance for woman. However, It was stated in the company's procedure that grievances pertaining to women's issues will be handled by gender committee, however, there is no gender committee representative in Kisaran mill, only for head office area. This is raised as a non conformity.

The company's HR Department has made and sent letter to contractors stating that payment of contractor's employees must be in accordance with the Regional Minimum Wage (UMR) and this will be monitored by the company.

The company has several corporate social responsibility program to local people as a contribution for local development, such donation for school, donation for building houses in several villages surrounding estate area, such as in Tanah Raja, and Kuala Piasa estate.

Compliance status: Non compliance; see NCR No. 12 of 15; 13 of 15; 14 of 15;

Principle 7: Responsible development of new plantings

Criteria assessed: CR7.1, CR7.2, CR7.3, CR7.4, CR7.5, CR7.6, CR7.7

Criteria not assessed: -

Findings:

The company has no development of new plantings. All existing area is the area under the company's existing HGU, which is all previously planted. The company is only carrying out expansion of their oil palm plantation inside existing HGU area from rubber plantation conversion area. The company's total oil palm plantation area was recently getting wider from 7226 ha in 2009 into 8890 ha in May 2011.

Compliance status: Not applicable since company has no development of new planting areas.

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

Criteria assessed: CR8.1

Criteria not assessed: -

Findings:

Some improvement has been done by the company, especially correction and corrective action from 2009 RSPO main audit. The company has carried out a review of all improvements.

The estates and mill has a monitoring action plan for the year 2010 performance, which includes the targets and steps to take to reduce the usage of natural resources such as water, electricity, fossil fuel (Petrol, oil and diesel) and paper documented in their Quality, Environment and Occupational Health Plan.

The estates also carries out monitoring on achievement of targets and prepares a monthly report on review results / evaluation of quality, environmental and occupational safety and health objectives. However, the monitoring actions plans still do not include plans for reduction of usage of chemicals, waste reduction and social impact management and monitoring plan. This is raised as a non conformity.

Compliance status: Non Compliance; see NCR No. 15 of 15

3.2 Status of Previously Identified Non-conformities

A total of 30 nonconformances were identified during the main certification assessment. These consisted of 15 major non-conformities and 15 minor non-conformities. During this surveillance assessment, it was found that some of the non-conformities previously raised had not yet been closed and these have been raised to Major Non-conformities under Section 3.3.

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.

Criterion 1.1, Indicator 1 (Major): Records of information requests

Non-conformance: 01 of 30

Requests for information made by stakeholders are not recorded in one document as required by the company's procedure for handling information requests (BMH-03 rev.02) and BSP's RSPO Management Commitment to transparency.

Proposed corrective action in 2009:

The company is to maintain up-to-date records of information requested in one documented record for consistency and evidence. A form for these records was established in line with the company's procedure for internal and external communication and consultation, doc: BMH-03.

Verification result in 2011:

Document BMH-03 has been established for Internal and External Communication issued on June 18, 2009. As stated on the procedure, all information both formal and informal (written) requested including the response will be recorded on form BMH-03 form to record external information requested and a form to record responses made by the company

Auditor Conclusions: Closed

Criterion 1.1, Indicator 3 (Major) : The records mentioned in 1 and 2 must be maintained for a period of time determined by the company, taking into account their relative importance.

Non-conformance: 02 of 30

Records of responses to requests for information from BSP are not maintained in one document as required by BMH-03 rev.02 (procedure for handling information requested) and BSP's RSPO Management Commitment to transparency.

Proposed corrective action in 2009:

The company is to maintain up-to-date records of all responses made by BSP to requests for information made by stakeholders in one documented record for consistency and evidence. The form for records of information requested and responses was established in line with the company's procedure for internal and external communication and consultation, doc: BMH-03.

Verification result in 2011:

The company revised their procedure BMH-03 rev 03 and reissued the procedure on June 18, 2009 to include a form to records of information requested and responses. Record of information requested also well maintained at Kisaran Palm Oil Mill, however during the surveillance audit, it was found that there are some incoming letters from stakeholders that the company has not been responded to yet, such as :

- Letter No. B/647/VIII/2010 dated 20/08/2010 from Battalion Infantry 126 regarding request of company's support to provide shell.
- Letter no 883/PB/XII/2010 dated December 27 Desember from the sub-district head of Pulau Bandrin regarding company's support to provide shell

Auditor Conclusions: Not closed and retained as Major Non-conformity under Section 3.3

Criterion 1.2, Indicator 1 (Major): Information and responses must include any relevant or required documentation, in accordance with applicable national laws, such as:

- **Legal: Land titles/user rights (Site Permit (Izin Lokasi), Plantation Operation Permit (Izin Usaha Perkebunan), Land Use Title (Hak Guna Usaha) or other documentation relating to application for Land Use Title in accordance with relevant procedures)**
- **Environmental: Environmental and Social Impact Assessment (AMDAL /UKL-UPL) and environmental management and monitoring reports (Laporan RKL-RPL)**
- **Social: Documentation of social activities and community programs.**
- **Health and Safety Plan**
- **Continuous improvement plan**

Non-conformance: 03 of 30

PT BSP Kisaran does not produce any management document for public communication of company information, such as a public summary document that contains information about the company's legal compliance, company's general performance, management of environmental impacts, CSR, Health & Safety programs and so on.

Proposed Corrective Action in 2009:

PT BSP established and made publicly available a company document presenting information about

the company's legal compliance, best practices implemented in their palm oil plantations, environmental impacts management, CSR, and Health & safety program. As per the company's procedure, BMH-03, the record will be maintained for at least 3 years.

Verification result in 2011:

BSP has web site to provide information about company profile etc. The company also has procedure BHM-03 to inform about what kind document could be published.

All document that will not result in negative impacts to the company if made publicly available can be accessed by public such as:

Company history and profile, map of company's area, company's products type, organization structure, summary of operational performance, financial performance, CSR programs and Environmental program, including record of awards and certificates achieved.

Auditor Conclusions: Closed

Criterion 2.2, Indicator 3 (Major): Where there are, or have been, disputes, proof of resolution or progress towards resolution by conflict resolution processes acceptable to all parties are implemented.

Non-conformance: 04 of 30

There is an ongoing land dispute between Kuala Piasa Estate and a villager of Tinggi Raja Village, District Tinggi Raja, Asahan since 2006 over a land area of 200 ha. BSP has a conflict resolution procedure, RSPO-01 issued date 15 May 2009. However, the company's conflict resolution mechanism is not accepted by the parties making claim to the land.

Proposed corrective Action:

PT BSP held a meeting with villager making the land claim and the Tinggi Raja Village Government and came to an agreement between the affected parties to resolve the conflict through a court case.

Verification result in 2011:

- The company has copies of minutes of a meeting held with the Head of village Terusan Tengah on June 03, 2009. The village head forwarded the information to Head of Sub District Tinggi Raja.
- The follow up meeting on June 12, 2009 was witnessed by head of Sub District, Head of village and 4 heirs of the land claimant. There was no agreement between the 4 heirs and PT BSP and so the two parties decided to go to court
- However, there was no further follow-up on this process and it was not known whether or not the case could be considered resolved or not as there were no longer any claims by the client.

After the audit team visited Terusan Tengah village and Tinggi Raja, it was found that the company's HGU boundaries with the villagers land had been made clear, and all involved parties knew of the boundaries. If there are any further claims on the company's HGU area, the claimants would have little basis to make their case.

Auditor Conclusions: Closed

Criterion 2.3, Indicator 1 (Major): Records of any negotiated agreements between traditional owners of land and plantation companies (if any), supplemented with maps in appropriate scale.

Non-conformance: 05 of 30

There is no evidence that the company has identified existing legal rights, customary rights of other users in BSP's land.

Corrective Action:

The company is to implement regular socialization and make signboards within estates areas to inform surrounding communities that it is forbidden for them to allow cattle to graze inside palm tree plantation. Grazing is allowed inside rubber plantation.

Verification result in 2011:

As informed through interviews with local communities, the company has informed them regarding lo-

cations allocated for local communities to carry out grazing activities, although this meeting was not documented. There is a specified location dedicated for grazing activities in Sei Baleh estate, i.e. block P09401 (68 Ha) and block P09302 (23 Ha) and maps indicating the area are available. Based on interviews with local communities surrounding Sei Baleh estate, they can use plantation area for grazing for animal except newly sprayed locations and immature plantation locations.

Auditor Conclusions: Closed

Criterion 2.3, Indicator 2 (Major): Maps of an appropriate scale showing extent of recognised customary rights.

Non-conformance: 06 of 30

BSP has no map of appropriate scale showing extent of recognised customary rights.

Corrective Action:

PT BSP designed a map in appropriate scale indicating the villages surroundings BSP's estates.

Verification result in 2011:

There are found appropriate maps with sufficient scale which has information about about villages location surrounding company's estate in Kuala Piasa and Sei Baleh estates. The map also includes information on locations that can be accessed by local people for other uses such as grazing and cemetery. However during onsite visit, some boundary stone as legal boundary between company's estate and communities area were not found, and company explained that they are aware of this situation however to make boundary reconstruction will take long time since this is will be depend on availability of BPN (National Land Agency) officer to re-establish the boundary stones. The company should keep ongoing communication with BPN officer for boundary reconstruction process.

Auditor Conclusions: Closed with observations

Criterion 2.3, Indicator 3 (Major): Copies of negotiated agreements detailing process of consent.

Non-conformance: 07 of 30

There is no negotiated agreement detailing process of consent according to the customary rights of others users within or surrounding BSP's area.

Corrective Action:

PT BSP prepared a documented agreement with other users in order to establish the customary right of other users within BSP's area.

Verification in 2011:

The company has a documented agreement, dated August 3rd 2009, between PT BSP and community members who use BSP concession area (about 12 m² in area) to build a house under certain conditions. This agreement includes a map in appropriate scale and is valid until August 3rd 2010. There is also agreement on 24 July, 2009 between PT BSP and the leader of Kelompok Tani Al Ikhlas, Kisaran Barat with 9 members to use a canal about 250m in length for fishing purposes. This agreement is valid for one year and a map in appropriate scale was prepared. The company had meeting with the communities on August 21, 2009 for relevant estates to inform them of the agreed customary rights areas. There were some evidence of this meeting such as photographs, list of participant and presentation material.

Auditor Conclusions: Closed

Criterion 3.1, Indicator 1 (Major): A documented working plan of the company for a minimum of 3 years period.

Non-conformance: 08 of 30

A documented integrated working plan of the company for a minimum of 3 years period has not been established. The management plan should be prepared to demonstrate the sustainability of each company's activities from economical, environmental, social and legal perspectives.

Corrective Action:

The company developed a strategic plan for 5 years to demonstrate the sustainability of each company's activities in terms of economical, environmental, social and legal perspectives that will be reviewed every once a year.

Verification result in 2011:

PT BSP made Budget 2011 and Strategic Management plan for 5 years period since 2012 to 2015. In 2011 budget the information included are:

- Sales revenue
- Cost of goods sold
- Gross profit
- Operating expenses (included selling expenses, general and administration expenses)
- Total operating expenses
- Operating profit
- EBITDA
- Other expenses

As stated in budget for 2011, the company's plan gross margin ration will be 57%, operating profit will be 52% and net profit ration will be 38 %. Compared with the company's achievement in 2010 gross margin ration is 62%, operating profit is 56% and net profit ration is 38 %.

The company has a budget for 169,131,797 kg of production FFB in 2011 coming from 5 certified estate and Aek Salabat Estate. The company will purchase FFB from out growers in 2011 as much 73,868,204kg. Total planned CPO production in 2011 is 53,887,908 kg with average oil extraction rate (OER) of 24%. Total palm kernel (PK) produced in 2011 is projected to be 12,150,000 kg with average KER of 5%.

The company's strategic plan for next 5 years will be to achieve peak production in 2015. At this time, projected FFB production from company owned estates is 242,650,000 kg and the company will purchase FFB from out grower in 2015 as much 350,000kg. Total CPO produced in 2015 planned 58,299,000 kg with average OER is 23,99%. Total PK produced in 2015 planned still same i.e. 12,150,000 kg with average KER is 5%.

However, it was observed that the strategic plan only includes explanations about production planning, no information available about activities planned pertaining to environmental and social issues as recommended by AMDAL, RKL/RPL, HCV assessment result and Social Impact Assessment.

Auditor Conclusions: Closed with observations

Criterion 4.5, Indicator 1 (Minor): Monitoring extent of IPM implementation including training

Non-conformance: 09 of 30

There is no record of training of mandors on how to conduct census of pests for IPM implementation.

Corrective Action:

The company carried out training on Integrated Pest Management for all estate supervisors (mandors) and deputy estate managers.

Verification result In 2011

The company provided evidence on the IPM training conducted, including training invitations, photographs, training certificates provided to participants, list of participant, and training materials. The training was conducted on August 4, 2009 at Bakrie office. It was attended by 26 supervisors and deputy estate managers

Auditor Conclusions: Closed

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Criterion 4.5, Indicator 2 (Minor): Monitoring of pesticide toxicity units (a.i. /LD 50 per tonne of FFB or per hectare).

Non-conformance: 10 of 30

There is no record of monitoring of pesticide toxicity units (a.i. /LD 50 per tonne of FFB or per hectare).

Corrective Action:

The company has monitored and recorded all the result. Monitoring records on pesticide toxicity units of agrochemicals used since January to July 2009 was provided.

Verification result in 2011:

The company provided evidence in the form records of chemical usage for each estates since January until July 2009, consisting of calculations of pesticide toxicity units. From these records, it was found that the highest amount of active ingredient being applied in the BSP plantation is Paraquat from Gramoxone (approx 64.22 gram per ha or 69.94 gram per tonne FFB) and the LD 50 for Gramoxone is 283 mg/kg. Company's management has committed to reduce paraquate consumption and will make efforts to use alternative chemicals of less toxicity.

Auditor Conclusions: Closed with observations

Criterion 4.7, Indicator 6 (Minor): Evidence of OHS and first aid equipments available at worksites

Non-conformance: 11 of 30

Implementation of the company's Occupational Safety and Health policy requires improvement. There is lack of consistency in OSH implementation, due to lack of availability of Safety & Health equipment or facilities at worksites and observations that workers are not using sufficient PPE, for example:

- There is no designated area to store the sprayer's personal protective equipment (PPE). Sprayers bring their PPE home for washing.
- PPE worn by sprayers does not appear to be in good condition (eg. mask is worn out with holes, goggles provided are too loose)

Corrective Action:

The company has made rules about the storage of personal protective equipment (PPE). All equipment must be stored in warehouses in each estate, like a knapsack sprayer. The company will conduct regular monitoring to ensure that all equipment is stored in the warehouse estate after each use as determined in the related standard operation procedure.

Verification result in 2011:

The company has developed an SOP on measures to prevent accidents and prevent illness (BMEP-WI-01). The company also has records (in the form of attendance lists and photographs) that a training on methods of agrochemical handling and how to use PPE for sprayer was conducted and attended by all sprayer on each estates. However the company still has not provided appropriate store the sprayer's personal protective equipment (PPE). Sprayer still brings their PPE home for washing, as found at Kuala Piasa 3 estate.

The company Iso has not made a mechanism to replace mask cartridge for sprayers after a certain timeframe.

Auditor Conclusions: Not closed and has been raised to Major Non-conformity under Section 3.3

Criterion 4.8, Indicator 3 (Major): Evidence that the company uses experienced or trained contractors.

Non-conformance: 12 of 30

There is lack of evidence that BSP's contractors are using trained or experienced workers.

Corrective Action:

Contractors used by the company have received official government letters, such as the Permit for Trade ('Surat Izin Usaha Perdagangan') from Ministry of Trade of Republic Indonesia, and BSP has obtained copies of these letters.

Verification result in 2011

The company provided copies of the 'Surat Izin Usaha Perdagangan' of the contractors, as evidence that the contractors meet and comply with existing regulation of the government. The auditors verified on site that some contractors have been trained. However during audit, it was found that there is no evidence some contractor workers from one contractor company has provided appropriate training for their new sprayers. It was also found that slashing worker has no appropriate training about first aid and safety training, because during audit a contracted workers was found without shoes while he is working at the area that has risk for snake bite.

Auditor Conclusions: Not closed and retained as Major Non-conformity under Section 3.3

Criterion 5.1, Indicator 2 (Major): Records of regular report on environmental management in accordance with relevant regulations.

Non-conformance: 13 of 30

Records of regular report on environmental management in accordance with relevant regulations such as RSPO, e.g monitoring record for identified HCV areas, is still not available.

Corrective Action:

The company has begun monitoring of environmental parameters such as waste water, exhaust emissions, noise, odor and the monitoring report has been submitted to the relevant institution.

Verification result in 2011:

There is no report of environmental management for period year 2010 as required by existing UKL/UPL document.

Auditor Conclusions: Not closed and retained as Major Non-conformity under Section 3.3

Criterion 5.1, Indicator 1 (Minor): Revisions to environmental management document if there are changes in companies operating areas or activities.

Non-conformance: 14 of 30

BSP has not made any revision made to the company's environmental management document due to changes in relevant regulation, for example, those related to identified HCV.

Corrective Action:

The company's documented environmental management plan has been revised. The document was revised due to the company's conversion program from rubber plantation to palm oil plantation, and the document is currently under review and waiting for approval from Asahan Regional Body for Management of Environmental Impacts ('Bapedalda Kabupaten Asahan')

Verification result in 2011

The company has not revised their environmental impact assessment document (UPL/UKL) to the AMDAL document as required by law due to changes in operations at Kisaran Palm Oil (land application program from palm oil mill effluent.) and conversion of rubber plantation to oil palm plantation

for an area of more than 3000 ha.

Auditor Conclusions: Not closed and has been raised to Major Non-conformity under Section 3.3

Criterion 5.2, Indicator 2 (Major): If, rare, threatened or endangered species, or high conservation value habitats are present, appropriate measures to preserve them are to be taken.

Non-conformance: 15 of 30

The company's HCV management plan is insufficient as it was not made with the participation of interested parties and has not been reviewed by a technical expert. Also, no socialization of the HCV management plan to stakeholders has been conducted.

Corrective Action:

The company has developed a documented management plan for identified HCV areas. A competent technical expert from WWF was engaged to assist in the development of these documents.

Verification result in 2011

The company provided their revised HCV management plan dated August 1, 2009, which includes a report on monitoring activities being carried out in HCV area and photographs. The document also includes recommendations to manage and monitor HCV conditions that should be conducted to maintained and improve HCV areas. The company carried out monitoring of HCV area, however the program still not appropriate with the value to be conserved. It was found in Sei Baleh and Kuala Pi-asa that riparian river that already defined as HCV 4.2 has no management plan.

Auditor Conclusions: Closed with observations

Criterion 5.3, Indicator 1 (Minor): Estates and mills waste management and disposal are implemented to avoid or reduce pollution.

Non-conformance: 16 of 30

It was found that for storage and collector license of hazardous waste for PT Wiraswasta Gemilang Indonesia (WGI) has not been renewed since its expiry on 3 November 2008, and the contractor also does not have a transportation license for hazardous waste, which is a required of the Government Regulation PP No.18 Year 1999.

Corrective Action:

Company has made letter to the Ministry of Environmental requesting for an extension of their contractor's temporary storage and collector licence. Also, the company has requested PT WGI to obtain the license for waste transportation, not only for waste collection and storage.

Verification result in 2011

The company provided copies of a letter no. 637/HRD-legal/VI/2009 from the Ministry of Environmental, as well as copies of the licence for PT WGI as waste collector and transporter i.e. no 912 year 2008, received from the Ministry of Environment.

Auditor Conclusions: Closed

Criterion 6.1, Indicator 1 (Major): Documented environmental and social impact assessment, including details of positive and negative social effects that may be caused by plantations and mills, and documented participation of affected parties and local communities.

Non-conformance: 17 of 30

A documented social impact assessment, including details of positive and negative social effects that may be caused by plantations and mills and conducted with the participation of affected parties and local communities, is not available.

Corrective Action:

A social impact assessment, which includes an assessment of the positive and negative social impacts of plantation and mill operations was completed with the involvement of affected parties and local communities.

Verification result in 2011:

The company provided a copy of the completed social impact assessment report with evidence of participation of local communities. The company has records of meetings conducted for stakeholders concerning the social impact assessment dated on August 21, 2009, including meeting minutes, presentation materials, photographic documentation and attendance lists. There are also records of socialization activities of social impact assessment conducted throughout the communities of surroundings villages. It was verified in Tengah village and the head of village explained that he was involved during the social impact assessment he showed the letter of acceptance of procedure conflict and dispute resolution. A social impact assessment to identify both positive and negative impacts was done in 9 villages (Subur, Terusan tengah, Tonggi Raja, Perhutanan Silau, Punggulan Dadi Mulyo, Perkebunan Sei Baleh, Meranti and Gedangan village) in July 27-30, 2009. However the document is still not integrated to consolidate all identified positive and negative social impacts. Some of negative and positive impacts have been determined on the document. There is also information about how to control negative impact, but not for impact monitoring report.

The social impact document was developed by internal staff. It is recommended that social impact assessment is conducted by external parties to ensure independence and transparency in the assessment process.

Auditor Conclusions: Closed with observations

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Criterion 6.1, Indicator 1 (Minor): Regular monitoring and management of social impact, with the participation of local communities.

Non-conformance: 18 of 30

Regular monitoring and management of social impact, with the participation of local communities and affected parties is not being carried out (related criterion 6.1.1)

Corrective Action:

Regular monitoring of social impacts is scheduled and results of the social impact assessment report have been socialized to community.

Verification result in 2011:

The company has carried out further monitoring and identification of social impacts, however, the results are not integrated or documented and the company has yet to establish a social impact management and monitoring plan. Results of monitoring or social impacts are also not reported to the local government.

Auditor Conclusions: Not closed and has been raised to Major Non-conformity under Section 3.3

Criterion 6.1, Indicator 2 (Minor): Results of revisions to the environmental management document that encompasses social impact assessments in the event there are changes to company's operational scope, in accordance with existing regulations.

Non-conformance: 19 of 30

There is no evidence that company made revisions to the environmental management document in accordance with existing regulations (related to criterion 5.1 and 6.1).

Corrective Action:

BSP has established an environmental management and monitoring report for Kisaran Palm Oil Mill PT Bakrie Sumatera Plantation Tbk which covers social impact management and monitoring, and will be reported regularly.

Verification Result in 2011

The company's RKL and RPL report only focuses to management and monitoring of environmental impacts but does not include management and monitoring for identified social impact. There are some activities carried out by the company to manage social impacts, however these activities were not recorded yet, such as installing traffic sign in Gurach Batu Afdeling 3 to manage dust impact from vehicle transportation.

Auditor Conclusions: Not closed and has been raised to Major Non-conformity under Section 3.3

Criterion 6.1, Indicator 3 (Minor): A regular and scheduled environmental management and monitoring Report.

Non-conformance: 20 of 30

A regular and scheduled social management and monitoring report is available but only includes environmental parameters, but not social aspects (related to 6.1)

Corrective Action:

BSP has established their environment management and monitoring report and this was sent to the related government authorities.

Verification result in 2011:

The company has not yet prepared a report of social impact management and monitoring. In the company's UKL/UPL implementation report, the company only focuses on environmental issues.

Auditor Conclusions: Not closed and has been raised to Major Non-conformity under Section 3.3

Criterion 6.2, Indicator 3 (Minor): A dedicated person responsible for consulting and communicating with local communities.

Non-conformance: 21 of 30

There is no evidence that the company's dedicated person responsible for consulting and communicating with local communities at all estate is recognized by the community and stakeholders.

Corrective Action:

BSP has made procedure for consultation and communication with community (BMH-03) which explicitly states that there is a dedicated responsible person to consult and communicate with local communities. The responsible person is a Division Assistant who will transfer any issues to the Management.

Verification Result:

The company has appointed two persons responsible for any communications and consultation with the communities.

However, according to information from Terusan Tengah Head of village, they and many of the villagers are not familiar with the two representatives. They are familiar with another representative from BSP Kisaran.

Auditor Conclusions: Closed with observations

Evidence: The company has developed a Standard Operating Procedure (SOP) for internal and external communication & consultation which contains information on the person responsible for consulting and communicating with local communities.

Criterion 6.3, Indicator 1 (Major): An open system, which is accepted by affected parties, to receive complaints and to resolve dispute in an effective, timely and appropriate manner.

Non-conformance: 22 of 30

There is no open system to receive complaints and to resolve dispute in an effective, timely and appropriate manner which is accepted by affected parties and stakeholders of BSP.

Corrective Action:

An open system to receive complaint and to resolve dispute in an effective, timely from stakeholder has established and socialized on August 21, 2009 as seen on list of participant and socialization material.

Verification result:

The company has developed a procedure for dispute resolution as per doc RSPO-02 rev 01 issued on April 14, 2011. Some of document changes are regarding to certification scope, existing procedure definition and responsibility including receiving incoming complaints from stakeholders. As clarified with local communities in Tinggi Raja village, the head of village has accepted its procedure also in Terusan Tengah village, the head of village showed the letter of acceptance of procedure conflict and dispute resolution.

Auditor Conclusions: Closed with observations

Criterion 6.3, Indicator 1 (Minor): Records of handling of the complaints

Non-conformance: 23 of 30

There is no evidence that handling of complaints was recorded in an appropriate manner and summarized in a specific document as required by the company's related procedure.

Corrective Action:

A form to record stakeholder complaints and responses has established and monitoring is scheduled based on need.

Verification result in 2011:

The company has a logbook to record communications with stakeholders, including incoming letters and its responses. There is also revision of the company's procedure for handling requested information, doc. No. BMH-03 rev 03 issued on June 18, 2009. However, there is some incoming complaint has been recorded such as: Letter B/647/VIII/2010 issued on 20/08/2010, however there are no responses for some of incoming letter such from dari Batalyon Infantri 126 regarding request of is shell, and letter no. 883/PB/XII/2010 dated Desember 27, 2010 from the sub-district head of Pulau Bandring requesting support in the form of of shell from Kisaran mill.

Auditor Conclusions: Not closed and has been raised to Major Non-conformity under Section 3.3

Criterion 6.3, Indicator 2 (Minor): Procedures for the identification and calculation of fair compensation for the loss of legal or customary right of the land, with the involvement of local community representatives and relevant agencies and made publicly available.

Non-conformance: 24 of 30

Procedures for the identification and calculation of fair compensation for the loss of legal or customary right of the land (if any), with the involvement of local community representatives and relevant agencies are not available.

Proposed Corrective Action in 2009:

BSP has established a procedure for identification of any person or party entitled to compensation. Socialization of this procedure was conducted and it was accepted by stakeholders.

Verification result in 2011:

The company has developed a procedure as per doc. RSPO-01 rev 01 dated April 14, 2011 to iden-

ified any person or party entitled compensation. The company held an event to inform stakeholders of this procedure on August 21, 2009. Some evidence found such as attendance list, photo and presentation material.

Auditor Conclusions: Closed

Criterion 6.4, Indicator 1 (Major): Procedures for the identification, calculation and compensation for the loss of legal or customary rights of the land, with the involvement of local community representatives and relevant agencies.

Non-conformance: 25 of 30

There is no evidence that the company has established a procedure for the identification, calculation and compensation for the loss of legal or customary rights, with the involvement of local community representatives and relevant agencies.

Proposed Corrective Action 2009

PT BSP has made socialization about procedures for identification, calculation and compensation for the loss of legal or customary rights with involvement of local community representatives and relevant agencies and regular socialization will be done depend on need.

Verification result 2011:

The company has developed doc. RSPO-01 rev 01 dated April 14, 2011, which is the company's prosedur to identify any person or party entitled to compensation. The company held an event to inform stakeholders of this procedure on August 21, 2009. Some evidence found such as attendance list, photo and presentation material.

Auditor Conclusions: Closed

Criterion 6.4, Indicator 1 (Minor): Records of identification of people entitled to receive compensation.

Non-conformance: 26 of 30

There are no records of identification of people entitled to receive compensation.

Proposed Corrective Action in 2009:

BSP has prepared flow chart of identification of any entitled person for fair compensation.

Verification result in 2011:

The company has developed doc. RSPO-01 rev 01 dated April 14, 2011, which is the company's prosedur to identify any person or party entitled to compensation. The company held an event to inform stakeholders of this procedure on August 21, 2009. Some evidence found such as attendance list, photo and presentation material.

Auditor Conclusions: Closed.

Criterion 6.5, Indicator 2 (Minor): Agreements entered into with contractors are to specify that contractors abide by labor laws.

Non-conformance: 27 of 30

An agreement entered into with contractors by the company specifies that contractors are to abide by labour laws (ie. OHS equipment, Social Security or work insurance and Minimum Wages), however, there is lack of consistent control of the contractors by BSP to ensure that they abide by the requirements.

Proposed Corrective Action in 2009:

HR Department has made and sent letter to contractors stating that payment of contractors employees must be in accordance with the Regional Minimum Wage (UMR) and this will be monitored by the company.

Verification result in 2011:

- The company could not produce the contract between company and its supplier in Kuala Bisa
- The contract agreement between company and a contracted FFB supplier contains no terms or requirements that require the supplier company to comply with OSH issues.
- The company prepared a letter No. 596/HRD/V/2009 dated May 29, 2009 for all suppliers regarding supplier's liabilities to pay workers wage as much as required by minimum wage (UMR).
- The company conducted monitoring was for one contractor to confirm that they are paying contracted workers wages as per the UMR (Upah Minimum Regional). There was some support coming to interview salary wage payment by contractor in Tanah Raja afdeling 3 in June 1, 2011. The worker required to work 60 hours a week with total payment is Rp 5000/hours or total income Rp 300,000. This is still not consistent with minimum payment level.

Auditor Conclusions: Not closed and has been raised to Major Non-conformity under Section 3.3

Criterion 6.9, Indicator 1 (Minor): Proof of implementation of sexual harassment policy.

Non-conformance: 28 of 30

There is no evidence that BSP's policy on sexual harassment and violence has been informed to all female workers.

Corrective Action:

BSP's HR Department has produced a letter regarding their policy on sexual harassment and this will be monitored.

Verification result in 2011:

The company produced a letter sent to all estate managers from the management of PT BSP on August 26, 2009, requiring them to inform all workers on their policy on sexual harassment. This letter was accompanying the contractual agreement between management and workers (Perjanjian Kerja Bersama - PKB). While several female workers interviewed were able to explain the policy, it was found that there were three new woman workers in Kuala Piasa 3 estate that still do not understand about the company's policy on sexual harassment and violence.

Auditor Conclusions Closed with observations

Criterion 6.9, Indicator 3 (Minor): Specific grievance mechanism is available.

Non-conformance: 29 of 30

BSP has set up a grievance mechanism procedure. But the company has yet to set a specific grievance mechanism for gender-related issues.

Proposed Corrective Action in 2009:

BSP has revised their grievance procedure as per document RSPO-02 to include a specific grievance mechanism for gender-related issues.

Verification result in 2011

The company made RSPO-02 as general grievance procedure, including specific grievance for woman. The company provided a copy of their revised grievance procedure, which includes a specific grievance mechanism for gender-related issues. The company maintains records of socialization of this procedure in the form of photo documentation and list of attendance. However as stated on the procedure that grievance procedure will be handled by gender committee, there is no gender committee representative in Kisaran mill.

The company's gender committee organization structure includes only head office personnel but does not cover woman worker at estates and mill.

Auditor Conclusions: Closed with observations

Criterion 8.1, Indicator 1 (Major): A monitoring action plan based on the social environmental impact assessment, and regular evaluations of plantation and mill operations. As a minimum, these must include, but not necessarily be limited to:

- **Reduction in use of certain chemicals (criterion 4.6).**
- **Environmental impacts (criterion 5.1).**
- **Waste reduction (criterion 5.3).**
- **Pollution and emissions (criterion 5.6).**
- **Social impacts (6.1).**

Non-conformance: no 30 of 30

There is no monitoring action plan based on the social environmental impact assessment, and regular evaluations of plantation and mill operations. The company's current monitoring plans do not include plans for the following aspects:

- Reduction in use of certain chemicals (criterion 4.6).
- Environmental impacts (criterion 5.1).
- Waste reduction (criterion 5.3).
- Social impacts (6.1).

And company shall take action and continually improve its performance base on evaluation result.

Proposed Corrective Action in 2009 :

Monitoring has been done at BSP through an internal audit and management review of RSPO audit findings to discuss the findings and improvement of all processes at plantation and mill to meet the RSPO requirements. The review was conducted on July 13, 2009.

Verification result in 2011

The company made management review only for environmental and safety aspects, but did not include information about :

- Reduction in use of certain chemicals
- Waste reduction
- Schedule waste and other relevant issues.
- And social impact management and monitoring plan

Auditor Conclusions: Not closed and retained as Major Non-conformity under Section 3.3

3.3 Identified Non-conformances against RSPO P&C Requirements, Corrective Actions Taken and Auditors Conclusions

During this surveillance assessment, a total of 15 nonconformances against the RSPO Principles & Criteria Indonesian National Interpretation year 2008 were identified. These consisted of 8 major non-conformities and 7 minor non-conformities. The company is given a timeframe to close all major non-conformities within 60 days and at time of first submission of this report to the RSPO, evidence of correction action is pending for 2 major non-conformities.

For the minor non-conformances, the company has provided their planned corrective action against these, and for those which could not be 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:

Criterion 1.1 (Major indicator 3) The records mentioned in 1 and 2 must be maintained for a period of time determined by the company, taking into account their relative importance.

Non-conformance 2011/ 1 of 15, Previously Minor, raised to Major non-conformity:

There was found an incoming letter from local communities i.e. head of sub-district (Camat) Pulau Bandring dated 27 December 2010 regarding request for shell, however there is no evidence that the company responded to this letter.

Correction:

The company's HR & GA Manager issued letter No. 892/HRD/I/2011 dated January 05, 2011 on behalf of Kisaran Palm Oil Mill as response for incoming letter from Caman Pulau Bandring, although during the surveillance auditor the letter was not found. The letter now has been found and will be kept in a proper manner.

Corrective Action:

Management representative issued instruction letter to always maintain all records of either incoming letter or outgoing letter.

Auditor Conclusions: Closed

Date of closure: 07/06/2011

Criterion (4.6 Minor indicator 2) Records of the results of health check-up for those who apply agrochemicals.

Non-conformance 2011/ 2 of 15 Minor non-conformity:

1) There is evidence that health examinations are not conducted appropriately to identify health problems resulting from occupational risks. For example, cholinesterase (levels of toxins in the blood) tests were not conducted for all workers associated with agrochemicals, as it was found that one female worker has been working for 2 years as sprayer, and based on interviews with her, she always feel headache, however her medical check only consists of visual check but does not include blood tests.

2) Results of health examinations for chemical workers at Kuala Piasa Estate of division 3 on October 28, 2010 and Division 1 and 2 Kuala Piasa Estate dated 18 April 2011 were also not yet available at time of audit.

Correction:

The company's HR & GA Manager issued letter no. 912/HRD/VI/2011 dated June 07, 2011 to all estate managers instructing them to conduct regular health check-up at Ibu Kartini hospital for all workers who apply agrochemical such sprayer. There is letter from Kuala Piasa estate manager to HR & GA manager regarding list of workers who required for cholinesterase test and can not be done in Ibu Kartini hospital, but should be conducted by Hiperkes (occupational safety doctor), there are 10 workers names on the list.

Corrective Action:

The HR & GA manager made a program for annual health check up and inform all estate managers that it is to be carried out.

Auditor Conclusions: Evidence of immediate action taken was accepted. Effectiveness of implementation to verified at next audit.

Date of closure: 07 June 2011

Criterion 4.6 (Minor indicator 3) Records showing that no work with pesticides for pregnant and breastfeeding women.

Non-conformance 2011/ 3 of 15 Minor non-conformity:

There is no evidence that the company has conducted examination of pregnancy for women workers doing work associated with agrochemicals.

Correction:

The company sent all woman worker who applies agrochemical to test for pregnancy, as seen on the record of pregnancy testing for all sprayer woman worker in Kuala Piasa dated June 06,2011 in Ibu Kartini Hospital.

Corrective Action:

The company made a program for periodic pregnancy test for all female workers in all estates.

Auditor Conclusions: Evidence of immediate action taken was accepted. Effectiveness of implementation to verified at next audit.

Date of closure: June 06, 2011

Criterion 4.7 (Minor indicator 6) Evidence of OHS and first aid equipments available at worksites (Minor NCR 2009/11 of 7)

Non-conformance 2011/ 4 of 15 (Previously Minor, raised to Major non-conformity):

As found during the certification audit, the company has no designated area to store the sprayer's personal protective equipment (PPE), and sprayers still bring their PPE home for washing. In the oil plan field, at areas where spraying has been recently carried out, the company does not place signboards to indicate that the area is restricted due to spraying activities. The company also has not established a mechanism for when replacement of sprayers cartridge mask replacement should be carried out.

Correction:

The company provided photographic evidence that a specific room has been prepared for washing all agrochemical contaminated clothes used by sprayers, and the company also provided hand washing place in each division estate. Sign boards stating "restriction to enter sprayed area" has been provided at locations where spraying has been recently conducted. A letter stating the mechanism for cartridge replacement has been issued i.e. letter no. 119/KP/06/11 as an instruction for all sprayers to replace their cartridge mask periodically. The company provided the pictures and copies of letter as evidence.

Corrective Action:

The company's RSPO management representative has made a monitoring program to ensure that all workers implement the company's policy regarding the usage of bathroom and washing room for all contaminated clothes. Estate manager will conduct field monitoring to ensure that sprayed area has sign board about restriction area. The company will make an annual budget for replacing cartridge mask base on information from estate manager.

Auditor Conclusions: Closed

Date of closure: July 7, 2011

Criterion 4.7 (Minor indicator 2) Regular health examination by a doctor for workers in station or exposed to high risk work.

Non-conformance 20011/ 5 of 15 (Minor non-conformity):

As seen from records of regular health examinations conducted in July 2010 there was no action taken for workers found with hearing impairment, as results showed there are 4 workers that have low level hearing impairment, 7 workers that have high level hearing impairment and 5 workers with mid-level hearing impairment.

Correction:

There is a letter no. 161/RSUIK-POM/VI/2011 from Mill Manager to Ibu Kartini Hospital regarding request of rechecking for workers who have hearing impairment, and the company provided a list of 15 workers that will be rechecked.

Corrective Action:

There is an instruction letter issued by mill manager no. 168/POM/VI/2011 regarding the usage of Personal Protective Equipment such ear plug, ear muffs and mask in locations with high risk noise.

Auditor Conclusions: Evidence of immediate action taken was accepted. Effectiveness of implementation to verified at next audit.

Date of closure: July 13, 2007

Criterion 4.7 (Minor Indicator 6): Evidence of OHS and first aid equipments available at worksites (NCR No.year 2009- 11 of 30)

Non-conformance 2011/ 6 of 15 Minor non-conformity:

It was found that some mandors did not bring first aid kit to the field, i.e. at Kuala Piasa estate 3.

Correction:

The company provided fist aid kit for all estates including all division in Kuala Piasa estate as seen in photos provided by the company. Socialization about first aid kit usage was done for all mandors including those at Kuala Piasa3.

Corrective Action:

The estate manager will check that all mandors always bring first aid kit to the field before they will go to the field everyday.

Auditor Conclusions: Evidence of immediate action taken was accepted. Effectiveness of implementation to verified at next audit.

Date of closure: 13/07/2011

Criterion 4.7 (Minor indicator 7) Workers trained in first aid should be present in both field and mill operations.

Non-conformance 2011/ 7 of 15 Minor non-conformity:

First aid training has not been done for workers in the operational area of the station kernel, processes, and others in the palm oil mill (POM).

Correction:

First aid training has been done for workers in the mill operational area as seen on a picture provided on June 7, 2011. First aid training has been done also for all mandors including mandors for spraying such as Dahlan in Kuala Piasa 3 as seen on the list of training participant.

Corrective Action:

The RSPO Management Representative made an annual first aid training program for new workers. The program also will include into induction training programs that is always provided for new workers.

Auditor Conclusions: Evidence of immediate action taken was accepted. Effectiveness of implementation to verified at next audit.

Date of closure: June 07, 2011

Criterion 4.8, Indicator 3 (Major): Evidence that the company uses experienced or trained contractors. (NCR year 2009/ No.12 of 30)

Non-conformance 2011/ 8 of 15 (Previously Minor, raised to Major non-conformity):

There is no evidence that some contractor workers from one of the company's contractors has been provided appropriate training for their new sprayers. It was also found that slashing worker has no appropriate occupational safety training because during audit there was found contractor without shoes while he is working at the area that has risk for snake bite.

Correction:

Training regarding OSH and First aid has been done on June 3, 2011 in Division 3 of Kuala Piasa estate for all contractors including the contracted workers identified in this non-conformity. A warning letter was issued to the contractor i.e. No. 118/KP/06/2011 dated June 07, 2011, stating that from now on all contracted workers shall use complete PPE during their work on the field.

Corrective Action:

Auditor Conclusions: Closed

Date of closure: June 7, 2011

Criterion 5.1, Indicator 2 (Major): Records of regular report on environmental management in accordance with relevant regulations. (NCR No. 13 of 30-2009)

Non-conformance 2011/ 9 of 15 (Major non-conformity):

There is no report of environmental management for period year 2010 as required by existing UKL/UPL document.

Correction:

An environmental consultant has been assigned to make environmental management and monitoring report, as seen on assignment letter from Head of Business Unit North Sumatera I- PT Bakrie Sumatera Plantation dated June 10, 2011

Corrective Action:

RSPO management representative will make annual program for environmental management and monitoring plan, as required by UKL/UPL document.

Auditor Conclusions: Closed

Verified during ISO surveillance audit, UKL/UPL report for year 2011 has been done and reported to local environmental officer.

Date of closure: August 19, 2011

Criterion 5.1 (Minor indicator 1) Revisions to environmental management document if there are changes in companies operating areas or activities. (NCR No. 14 and No. 19 of 30-2009)

Non-conformance 2011/10 of 15 (Major non-conformity):

The company has not revised their environmental impact assessment document (UPL/UKL) to the AMDAL document as required by law due to changes in operations at Kisaran Palm Oil (land application program from palm oil mill effluent.) and conversion of rubber plantation to oil palm plantation for an area of more than 3000 ha.

Correction:

The company issued a letter no. 105/Legal/2006 dated June 06, 2011 to the government Deputy of Environmental Impact officer requesting confirmation whether PT Bakrie Sumatera Plantation Unit I North Sumatera is required to revise the UKL/UPL document into AMDAL document according to existing regulations. There was a response letter B-4559/Dep.I/LH/07/2011 from the officer from Ministry of Environmental Republic Indonesia explaining that the company still can use existing UKL/UPL or AMDAL document as long there is no significant changes of process, raw materials and supporting material.

Corrective Action:

RSPO Management Representative will monitor all changes to both companies regulation or the changes in legal requirements and will always take action for compliances.

Auditor Conclusions: Closed

Date of closure: June 06, 2011

Criterion 5.3.1 (Minor indicator 1) Management plan of hazardous waste and instruction of disposal of agrochemicals and their containers waste in accordance with the product label and existing regulations.

Non-conformance 2011/ 11 of 15 Minor non-conformity:

The hazardous waste such as used oil and used chemical that are stored at the company central warehouse have been stored for a longer timeframe that is permitted in the company's license for hazardous waste storage and the company has no plan for the management of this waste.

Correction:

The company made letter no. 913/HRD/VI/2011 dated June 7, 2011 to the Deputy of administration, hazardous waste control, Ministry of Environment of the Republic of Indonesia, asking for a list of approved hazardous waste collector.

Corrective Action:

RSPO management representative will always monitor progress of response letter and asking informally about the availability of approved hazardous waste collector.

Auditor Conclusions: Evidence of immediate action taken was accepted. Effectiveness of implementation to verified at next audit.

Date of closure: July 13, 2011

Criterion 6.1, Indicator 1 (Minor): Regular monitoring and management of social impact, with the participation of local communities. (NCR No. 18 of 30-2009)

Non-conformance 2011/12 of 15 (Major non-conformity):

The company has carried out further monitoring and identification of social impacts, however, the results are not integrated or documented and the company has yet to establish a social impact management and monitoring plan. Results of monitoring or social impacts are also not reported to the local government.

Correction:

An environmental consultant has been assigned to make environmental management and monitoring report including monitoring of social impacts, as seen on assignment letter from Head of Business Unit North Sumatera I- PT Bakrie Sumatera Plantation dated June 10, 2011

Corrective Action:

RSPO management representative will make annual program for environmental and social management and monitoring plan, as required by UKL/UPL document.

Auditor Conclusions: Closed

Company provided the new document, social impact management and monitoring plan and the result also reported to local government together with UKL and UPL report for year 2011.

Date of closure: September 19, 2011

Criterion 6.5, Indicator 2 (Minor): Agreements entered into with contractors are to specify that contractors abide by labor laws. (NCR No.27 of 30 -2009)

Non-conformance 2011/13 of 15 (Major non-conformity):

One contractor was found not fulfilling government regulation even though requirements to comply with all applicable legal requirements are stipulated in PT BSP's contract with with the contractor, e.g.

- The contract agreement between company and a contracted FFB supplier contains no terms or requirements that require the supplier company to comply with OSH issues.
- Contracted worker for plantation maintenance i.e. slashing activities was found not wearing shoes, with is against requirements to wear appropriate safety equipment
- An underaged labourer aged 17 years old was found working as a sprayer in block 04-9704. This is inconsistent with the company's decree letter no. 783/HRD/V/2011 dated May 9, 2011 regarding policy for child labor (workers shall not be below 18 years of age).

Correction:

The company issued warning letter to contractor no. 117/KP/06/2011 informing them not to employ workers below 18 years old, and to ensure that all workers use proper equipment including shoes. As explained in the agreement between company and contractor e.g. no. 0653/KP.3/AT/P&C/TMK/V/2011 dated may 18, 2011, on article 5, it was stated in the agreement that contractors shall comply to worker regulation, shall use trained workers and provide adequate equipment for their workers. The company will take actions against errant contractors.

Corrective Action:

Auditor Conclusions: Closed

Date of closure: June 07, 2011

Criterion 6.9 (Minor Indicator 3). Growers and mills deal fairly and transparently with smallholders and other local businesses.

Non-conformance 14 of 15 (Minor non-conformity):

It was stated in the company's procedure that grievances pertaining to women's issues will be handled by gender committee, however, there is no gender committee representative in Kisaran mill, only for head office area

Correction:

Gender committee representatives from estates and the mill have been assigned, and company's an organization structure of gender committee was revised accordingly base on letter no. 914/HRD/VI/2011 from the HR & GA manager for all company locations

Corrective Action:

The RSPO management representative will monitor periodically gender committee performance.

Auditor Conclusions: Evidence of immediate action taken was accepted. Effectiveness of implementation to verified at next audit.

Date of closure: July 13, 2011

Criterion 8.1 (Major indicator 1) A monitoring action plan based on the social environmental impact assessment, and regular evaluations of plantation and mill operations. As a minimum, these must include, but not necessarily be limited to:

Non-conformance 2011/15 of 15 (Major non-conformity):

The company has made management review and improvement plans only for environmental and

safety, but not for:

- Reduction in use of certain chemicals
- Waste reduction
- Social impact management and monitoring plan

Correction:

Company's management on 8 June 2011 conducted a meeting to review any issues regarding

- Reduction in use of certain chemicals
- Waste reduction
- And social impact management and monitoring plan

Corrective Action:

The company's management review procedure was revised to include review of reduction in use of certain chemicals, waste reduction and social impact management and monitoring plan and management a part of the review agenda, and this will be implemented every year.

Auditor Conclusions: Closed

Date of closure: June 08, 2011

3.6 Noteworthy Positive Components

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

Findings:

Record of evaluation to legal compliance is excellence, well documented and integrated with compliance to RSPO Principles & Criteria. The compliance of laws evaluation conducted by RSPO team.

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

Findings:

The company can demonstrate their right to use their land and show ownership documents in accordance with relevant laws, including all HGU certificates, very clearly.

3.7 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
1	According to the local communities, their graveyard is used by BSP workers because BSP does not have graveyard facilities for their workers. During main assessment, auditors found a graveyard within BSP land area as HCV 6. There was no explanation about the graveyard's traditional/customary status or legal rights of the graveyard in HCV document as well as the agreement for using the graveyard for both parties.	All estates provide graveyards for both local communities and BSP workers.	It was verified that the company provide graveyards for local people such as in Kuala Piasa estate
2	BSP allows local communities transportation using BSP main road or production road for transported oil subsidies and food from government. The BSP main and production road is regularly maintained by dozer and other equipment.	PT BSP has not restricted the public to use all public roads that are located around the company's location. Road maintenance and reconstruction including bridge are the local government responsibilities. To improve security control in BSP estate only open public roads that does not facilitate the occurrence of lost production.	Communities can access the road freely.
3	Most of the local communities area nearby the mill are sometimes affected by odor and dust (i.e. dry season only). The local communities who live nearby drainage or waterways are also sometimes affected by erosion but BSP regularly maintains their waterways with heavy equipment	A regularly monitoring of Environmental Impact as well as odor and dust caused of Mill activities, showed that the odor and dust are within the standard emission quality as per government regulations	Monitoring of environmental impacts still not done for year 2010, and this was raised as a non-conformity
4	There are many grazing activities within BSP rubber plantation as well as palm oil plantation while it's prohibited according	1. According to BSP policy, grazing activities in BSP land area are not allowed. This activities would disturb palm oil fruit development	Company's response was accepted.

	<p>to BSP. 70 percent of local communities generated income from their cows farm. At present, local communities face difficulties finding fields for cow's grazing activities. The farmers proposed to the company to have a CD programme to provide grazing areas as a solution to the problem but there has not been any response from the company.</p>	<p>process.</p>	
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4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Next Surveillance Visit

The next surveillance visit is planned for June 2011

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

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

Signed on behalf of PT Bakrie Sumatera



.....
Effendi
RSPO Management Representative
Date:07-07-2011

Signed on behalf of TUV Rheinland Malaysia



.....
Dian Susanty Soeminta.
Lead Auditor
Date: 30-06-2011

APPENDICES

Appendix 1(a): Details of Revised Certificate

[Details of revised certificate to be included upon approval of ASA report and issuance of certificate]

Appendix 3: List of Abbreviations

AMDAL	Analisis Dampak Lingkungan & Sosial (Social & Environmental Impacts Assessment)
CPO	Crude Palm Oil
EIA	Environmental Impact Assessment
ERTs	Endangered, Rare & Threatened species
ESH	Environmental Safety & Health
FFB	Fresh Fruit Bunches
EFB	Empty Fruit Bunches
HCV	High Conservation Value
IPM	Integrated Pest Management
LTA	Lost Time Accident
MSDS	Material Safety Data Sheets
NGO	Non-Government Organization
OSH	Occupational Safety & Health
P&C	Principles & Criteria
PK	Palm Kernel
PKO	Palm Kernel Oil
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
PT	PT Bakrie Sumatera Plantations (Company name)
BSP	
RKL	Rencana Pengelolaan Lingkungan (Environmental Management Plan)
RPL	Rencana Pemantauan Lingkungan (Environmental Monitoring Plan)
SCCS	Supply Chain Certification System
SIA	Social Impact Assessment
SOP	Standard Operating Procedure
UKL	Upaya Pengelolaan Lingkungan (Environmental Management Efforts)
UPL	Upaya Pengelolaan Lingkungan (Environmental Management Efforts)

Appendix 4: List of Stakeholders Interviewed and Contacted

No.	Name of Stakeholder	Institution - Address
Stakeholders Interviewed On-Site		
1.	Effendi	Management Representative/Quality Center Departement
2.	Nahun Pangabean	Business Unit Head/BUH
3.	Eddy Prayitno	Manager
4.	Sumantri	HRD & GA
5.	Ismanudin	Finance Manager
6.	Abdulah Sani	Mill Manager
7.	Aizil Rivai	Hospital Head
8.	Didi Adinegara	ADM & Data Department
9.	A. Yakapeni N	Tanah Raja Estate

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10.	Toga Simamara	Serbangan Estate
11.	Bangar Siagian	Girach Batu Estate
12.	Sugiartono	Kuala Piasa Estate
13.	Andy Mirza S	Sei Baleh Estate
14.	Randang Astono	PNC-FD
15.	M. Husni Mubaraq	Centra Warehouse Bunut
16.	Syafarullah	Human Resource Department
17.	Suriana	Human Resource Department
18.	Titisan Sukma Abdi W.	Quality Department

Appendix 5: Observations and Opportunities for Improvement

No.	Observations / Opportunities for Improvement	Criteria
1	The company should keep ongoing communication with BPN officer to ensure reconstruction of boundary stones is carried out	2.3
2	The company's strategic plan should include 5 years activities planning for environmental and social issues.	3.1.1
3	The company should conduct more intensive communications with local communities and inform to communities with whom they can communicated if there have problem with company. Persons-in-charge should be clearly identified, whether it is the estate manager, HR officer or other personnel.	6.2.2

ATTACHMENT 1

Roundtable on Sustainable Palm Oil

Supply Chain Certification Report

Report no.: 18501540 001

Assessment against RSPO Supply Chain Certification Systems – Nov 2009

Name of client

**PT Bakrie Sumatera Plantation UNIT SUMUT I-
North Sumatera**

Report prepared by:
Dian S. Soeminta
(RSPO Lead Auditor)

Certification decision by:
Manfred Herbert Lottig
(COO TUV Rheinland Malaysia)

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1.0 SCOPE OF SUPPLY CHAIN CERTIFICATION ASSESSMENT

1.1 Executive Summary and Scope of Assessment

The operations of Kisaran Palm Oil Mill were assessed against the RSPO Supply Chain Certification Systems (SCCS) document (November 2009). The scope of the Supply Chain Certification System assessment covers the implementation of the Mass Balance supply chain model of Kisaran Palm Oil Mill.

The assessment was carried out on July 01, 2011 and a total of 6 non-conformities were found.

1.2 Certification Details

The details of RSPO certification of PT Bakrie Sumatera Plantation SUMUT I Kisaran Unit are as per the table below

Table 1: RSPO Certification details of Kisaran palm Oil Mill

RSPO Membership no.:	045-07(O)
RSPO Certificate no.:	01 100 096704
Date of first RSPO certificate & validity:	2010-06-14 to 2015-06-13
Date of certification audit:	25 – 29 May 2009
Date of previous surveillance audit:	-
Date of revised RSPO certificate & validity (if applicable):	-
CPO tonnages claimed:	36,428 tonnes
PK tonnages claimed:	7,436 tonnes

Table 2: RSPO Supply Chain Certification details of Kisaran Palm Oil Mill

(To be filled upon approval for SCCS certification by RSPO)

RSPO Supply Chain Certificate no.:	
Date of RSPO Supply Chain certificate & validity:	
Date of approval by RSPO:	

Refer to Appendix 1 for further details of the RSPO Supply Chain certificate.

1.3 Organisational Information / Contact Person

Contacts details of the company are as follows:

Company Name:	Kisaran Palm Oil Mill
Address:	Jl. Ir. H. Juanda, Kisaran 21202, Asahan District, North Sumatera Indonesia Sei Baleh Village, Sei Baleh Sub District, Batu Bara District
Contact Person:	Mr. Atok Hendra Yanto
Telephone:	+62-623- 41434, +62-623-348614 ; Fax : +62-623-41066

1.4 Actual production volumes and projected outputs.

Table 3: Certified tonnages claimed, certified tonnages purchased or sold, total and projected CPO and PK production from Kisaran Palm Oil Mill

	Amount (MT)	
	CPO	PK
Certified tonnages claimed	36,438	7,436
Certified tonnages sold*	0	0
Certified tonnages purchased*	0	0
Actual Production*	37,354.518	7,481.957
Projected output for next 12 months	40,591.631	8,456.590

*Data from June 17, 2010 to June 16, 2011

1.5 Summary of Previous Assessment

This is the first supply chain assessment for PT Bakrie Sumatera Kisaran Palm Oil Mill, therefore no summary of previous assessment is available

2.0 ASSESSMENT PROCESS

2.1 Certification Body

TUV Rheinland Malaysia Sdn. Bhd. is member of Group TÜV Rheinland Group, a global leader in independent testing and assessment services. The TÜV Rheinland Group was established in 1872 with offices located in over 360 locations in 62 countries on all five continents. TUV Rheinland Malaysia offers certification for a wide range of management systems according to established international standards including ISO 9001, ISO 14001, OHSAS 18001, as well as CDM Validation and Verification. TUV Rheinland Malaysia's office is located in Subang Jaya.

2.2 Qualifications of Lead Assessor and Assessment Team

Name	Position	Qualifications / Experience
Dian Susanty Soeminta	SCCS Lead Auditor	<p>Education: Bachelors Degree in Forestry - Bogor Agriculture Institute. Indonesia, (1990 to 1995).</p> <p>Trainings attended: ISO 9001:2000 lead assessor course 1996 - Neville Clark; ISO 14001 lead assessor course - PE International; OSHAS: 2007 training, Sustainable Forest Management (SFM) - Forest Stewardship Council (FSC) system training; Chain of Custody training for FSC System.</p> <p>Working experience: Professional forester since 1995 to 2000. Lead Auditor for Forest Stewardship Council (FSC), Sustainable Forest Certification (SFC) and Chain of Custody (COC) Certification, Lead auditor for Environmental Management System (EMS) and Quality Management System (QMS) audits. Conducted sustainable forest management certification audits on FSC and Indonesian Ecolabel Institute (Lembaga Ecolabel Indonesia - LEI) standards for 20 companies, more than 50 COC FSC/LEI audits, and EMS and QMS audits at more than hundred companies for TUV Rheinland Indonesia. Instrumental in the preparation of TUV Rheinland Indonesia for Sustainable Forest Management Certification System and TUV Rheinland Malaysia for RSPO Certification. Member of Task Force for Indonesian National Interpretation (Guidance on scheme smallholder RSPO certification). Developed TUV Rheinland RSPO Gap Assessment Checklist and report template.</p>
Noki Purwaka	SCCS Auditor	<p>Education: Bachelor of Forest Product Technology, University of Gajah Mada, Yogyakarta.</p> <p>Trainings attended: Sustainable Natural Production Forest Management (Pengelolaan Hutan Alam Produksi Lestari - PHAPL) assessor training, Chain of Custody training for FSC, Timber legality verification training</p> <p>Working experience: Experienced as chain of Custody auditor and conducting Timber Legality verification for 5 years.</p>

2.3 Assessment Methodology & Agenda

The supply chain certification assessment was conducted between July 01-02, 2011 as per the assessment program below. The assessment was carried out in accordance with TUV Rheinland Malaysia's RSPO audit procedure as well as the RSPO Supply Chain Certification Systems document.

An on-site assessment was conducted and the assessment team carried out field and document assessments of compliance to RSPO Supply Chain Certification System requirements.

The company proposed the correction and corrective action for all identified non conformities raised to the certification body 15 days after the closing meeting. Verification of closure of non-conformances was conducted 30 days after the closing meeting of the main assessment through document checked proces.

Agenda of Supply Chain Assessment

Date	Location / Main sites	Auditor	Main activities
July 1, 2011 08.00-17.00	Oil Palm mill	Dian S. Soeminta & Noki Purwaka	<ul style="list-style-type: none"> - Opening Meeting - Management Commitment - Documentation system - Incoming FFB - Mill tour - Interview with mill workers - Interview with FFB suppliers - Supply chain audit. - Production Process
July 02, 2011 08.00-14.00	Kisaran Palm Oil mill	Dian S. Soeminta & Noki Purwaka	<ul style="list-style-type: none"> - Outgoing Product. - Training - Preparing closing Meeting - Closing Meeting Present findings

3.0 ASSESSMENT FINDINGS

3.1 Description of Supply Chain Management System

Kisaran mill is Palm Oil Mills owned by PT Bakrie Sumatera Plantation Tbk Kisaran unit, that is located in Kisaran, Asahan District, North Sumatra. Kisaran Mill was established in 2007, based on the government directives from the Capital Investment Coordination Board (BKPM), i.e 'Keputusan BKPM No. 257/T/Pertanian/Industri/1989' and 'Keputusan BKPM No. 1293/T/Industri/2008'. Currently Kisaran Mill receives FFB supply from 5 estates owned by PT Bakrie Sumatera Plantation Tbk- Kisaran Unit , which are Tanah Raja Estate, Gurach Batu Estate, Kuala Piasa Estate, Serbangan Estate, Sei Baleh Estate, since company increase their production capacity following their approved production capacity (full capacity) and Kisaran mill receive supplies of FFB from independent outgrowers or other suppliers. The description of supply chain management system as determined below:

1. Documented procedures

Findings:

The organization has established a written procedure and/or work instruction that covered all the elements specified in the SCCS requirements for general CPO production processes starting from marketing, FFB receipt, FFB production process until shipment, but this does not cover supply chain procedures regarding how CSPO will be produced from incoming material until production process and how will the CSPO be claimed according to the mass balance system. The following procedures are available in Kisaran Palm Oil Mill:

- e.g.
- BMO-02 Procedure of Certified Palm Oil Production Process (*Prosedur Tentang Pengolahan Tandan Buah Segar*).
 - BMO-03 Procedure of Fruit Fresh Bunch Receipt and Storage (*Prosedur Tentang Penerimaan Buah Segar*).

- BMO-04 Procedure of Certified Palm Oil Storage (*Prosedur tentang penyimpanan hasil produksi (CPO dan PK)*)
- BMO-05 Procedure of Certified Palm Oil Sales (*Prosedur Tentang Pengiriman Hasil Produksi*)
- BMO-06 Procedure on Solid and Liquid Waste of Palm Oil factory (*Prosedur Tentang Pengolahan limbah padat dan cair PKS*)
- BMO-08 Procedure of CPO and PK Quality Analysis (*Prosedur Analisa mutu CPO dan PK*)
- BMO-09 Procedure of Palm Oil Production Losses Analysis (*Prosedur Analisis Lossis Produksi*)
- BMM-FC-01 Flow Chart of rubber and palm oil sales and delivery contract (*Flow Chart Tentang kontrak penjualan dan pembelian produk karet dan sawit*)
- BMM-FC-02 Flow Chart of customer complaint handling (*Flow Chart tentang penyelesaian keluhan dari pelanggan*)
- BMM-FC-03 Flow Chart Flow Chart on customer needs and expectations (*Flow Chart tentang kebutuhan dan harapan pelanggan*)
- BMM-FC-04 Flow Chart of Customer Communication (*Flow Chart tentang komunikasi dengan pelanggan*).
- BMM-FC-05 Flow Chart of Customer Satisfaction Analysis (*Flow Chart tentang pengukuran tingkat kepuasan pelanggan*)
- BMM-FC-06 Flow Chart of the sales contract and purchase of products (*Flow Chart tentang kontrak penjualan dan pembelian produk*).

The list of forms to records the SCCS system implementation were:

- BMM-FR-01 Form of Rubber Price
- BMM-FR-02 Form of Sales Contract
- BMM-FR-03 Form of Sales Memo
- BMM-FR-04 Form of Export Marking
- BMM-FR-05 Form of Shipping Instruction
- BMM-FR-06 Form of Commercial Invoice
- BMM-FR-08 Form of Packing List
- BMM-FR-11 Form of Delivery Order
- BMM-FR-13 Form of Sales Monitoring / Communication List
- BMM-FR-14 Form of Customer Satisfaction
- BMM-FR-16 Form of Sales Result
- BMM-FR-18A Form of CPO Sales Contract
- BMM-FR-18B Form of PK Sales Contract
- BMM-FR-18C Form of PK-Shell Sales Contract
- BMM-FR-19 Form of Delivery Order
- BMM-FR-20 Form of Transporting Attorney Power
- BMM-FR-22 Form of Sales Data List
- BMO-FR-01 Form of CPO Transportation Checking Evidence
- BMO-FR-03 Form of FFB Scales
- BMO-FR-04 Form of FFB Selection Result
- BMO-FR-05 Form of FFB Quality Selection
- BMO-FR-07 Form of FFM Boiling Standard
- BMO-FR-26 Form of Delivery Notes
- BMO-FR-28 Form of Working Order Sheet
- BMO-FR-38 Form of Daily CPO Production Reports
- Etc.

Samples of records of completed forms were sighted. Until the audit conducted, organization not appointed yet the name of the person that having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements.

Compliance status: Non Compliance

1. The organization has not specified yet the supply chain certification system implementation policy
2. The organization has established the palm oil production mechanism starting from marketing, FFB receipt, FFB production process until shipment, but this does not cover supply chain procedures.
3. Lack of evidence that the organization has appointed personnel that has responsible and authority to implementation of supply chain certification system.

2. Purchasing and goods in

Findings:

Purchasing mechanism is defined under BMM-FC-01 Flow Chart of rubber and palm oil sales and delivery contract. The organization has established and maintained the palm oil fresh fruit bunches receipt procedure (BMO-03 issued on 18 March 2011 Rev.02).

The implementation of the procedure will be recorded in the forms named "Formulir Nota Timbangan (Weight Note Form)" (BMO-FR-03), 'Formulir Sortasi Mutu TBS (FFB Quality Sorting Form)' (BMO-FR-05) and 'Formulir Hasil Sortasi (Sorting Results Form)' (BMO-FR-04).

A person has been appointed to be responsible to receive RSPO certified palm oil or palm oil products and ensure that the validity of accompanying trade and shipping documentation is verified prior to accepting the RSPO certified palm oil. The mill has announced and confirm trades in the RSPO Traceability/UTZ Certified system (all processing facilities up and until refinery) this shall include making Shipping Announcements and Shipping Confirmations in the UTZ Certified system on the level of each shipment.

The organization plans to claim their products and mass balance material category. At the time of audit, the organization has not claimed any palm oil as RSPO certified.

Compliance status: Non Compliance

1. Lack of evidence that the purchase order document used for RSPO certified palm oil has specified the material category as identity preserved, segregated or mass balance.
2. The organization has established the procedure for handling non conformity material/document in the procedure of non conformity (BMA-07 Issued on 23 March 2011 Rev.2), but this does not cover the mechanism to declassify the RSPO material when the supply chain certification of supplier was found to be invalid

3. Sales and goods out

Findings:

The procedure for palm oil sales is defined in BMM-FC-01 Flow Chart of rubber and palm oil sales and delivery contract procedure. Until present organization has not yet sold their certified palm oil products, so verification of compliance to the requirements for sales and good out can not be done yet. In the sales and product dispatch procedure, it is still not defined regarding the specific mechanism for certified product with mass balance claimed, whether will be informed on company's sales document such as commercial invoice, or other delivery/product transport documents. The company's current sales and product transport documents are still in use for regular CPO/PK products.

Following the demand of certified product from buyer, company should make a specific procedure for certified product with mass balance claimed.

Compliance status: Compliance with observations

4. Processing

Findings:

Processing are not applicable as the company is planning to use Mass Balance, and since they are the first player in the supply chain, the requirement for downgrading of supply chain model is also not applicable.

Compliance status: Not applicable

5. Record keeping

Findings:

The company's SCCS system implementation is integrated with the ISO 9001:2008 standard and ISO 14001:2004 standard system. The organization has established and maintained the procedure of documents and data controls and the records to be maintained for SCCS implementation are explained in the each procedure. The organization uses a filing system to store records.

The organization has stated the retention times for all records and reports to be at least five (5) years. The organization has records and balance sheets of all receipt and deliveries of RSPO certified palm oil on a monthly basis.

Until present, the organization has not claimed yet their palm oil as RSPO certified products. The organization will claim as Mass Balance and this will be specified in purchase and sales contract, but organization has established and implemented the supply chain certification system procedure and provided documented proof that the RSPO certified palm oil can be traced back entirely to the palm oil mill.

Compliance status: Non Compliance

Lack of evidence that the production process records used starting from FFB Reception form to palm oil sold form includes a description of the selected supply chain model used by the company.

6. Training

Findings:

The organization has established and implemented the training Procedure (BMH-02 Issued on 25 June 2009). The procedure covered mechanism of training needed, training report, training evaluation and competencies standard.

The organization has provided and specified the Supply Chain Certification System (SCCS) training on July 2011 that was attended by 8 managers on July 2011.

Organization has established and specified the training records as followed:

- BMH-FR-06 Training Needed Plan Form
- BMH-FR-07 External Training Needed Form
- BMH-FR-08 Training Report Form
- BMH-FR-09 Training Evaluation Form
- BMH-FR-10 Personal Competencies Form

Compliance status: Non Compliance

The organization has established the training procedure (BMH-02) and created the training program on 2011, but lack of evidence that the organization has conducting supply chain certification system training for all staff and employees

7. Claims

Findings:

Until present organization not claimed yet the palm oil products as certified palm oil. Organization will claim the products after received the SCCS Certificate.

Compliance status: not Applicable yet.

3.2 Identified Non-conformances against RSPO SCCS Requirements, Corrective Actions Taken and Auditors Conclusions

SCCS Non-conformance 1 of 6:

1. The organization has not specified yet the supply chain certification system implementation policy
2. The organization has established the palm oil production mechanism starting from marketing, FFB receipt, FFB production process until shipment, but this does not cover supply chain procedures.

Correction:

The company's policy regarding implementation of Mass Balance system for supply chain in Kisaran Palm oil Mill has been defined.

A new procedure regarding supply chain procedures starting from marketing, FFB reception, FFB production process until shipment has been determined in BM-FC-04.

Corrective Action:

Training about company's policy for supply chain system to all employee and training of the new supply chain procedure BM-FC-04 to all relevant staffs and workers is planned.

Auditor Conclusions: Closed

Date of closure: June 27, 2011

SCCS Non-conformance 2 of 6:

Lack of evidence that the organization has appointed personnel that has responsible and authority to implementation of supply chain certification system.

Correction:

The management has established a new organization structure for supply chain system and assigned management representatives to control, monitor and reporting implementation of supply chain as defined by Kisaran Palm Oil Management.

Corrective Action:

To conduct training of the new organization structure and management representative to all company's level and distribute relevant documents for its implementation.

Auditor Conclusions: Closed

Date of closure: June 27, 2011

SCCS Non-conformance 3 of 6:

Lack of evidence that the purchase order document used for RSPO certified palm oil for any certified FFB from outsider has specified the material category as identity preserved, segregated or mass balance.

Correction:

Procedure for FFB purchasing has been revised, requiring to have statement about certified FFB in purchasing document if company will buy certified FFB from outsider especially from certified supplier.

Corrective Action:

To conduct training and distribution of information to all relevant staff regarding new regulation for FFB purchasing (if any certified FFB from outsider).

Auditor Conclusions: Closed

Date of closure: June 27, 2011

SCCS Non-conformance 4 of 6:

The organization has established the procedure for handling non conformity material/document in the procedure of non conformity (BMA-07 Issued on 23 March 2011 Rev.2), but this does not cover the mechanism to declassify the RSPO material when the supply chain certification of supplier was found to be invalid

Correction:

Procedure non conformance product (BMA-07 Issued on 23 March 2011 Rev.2) has been revised to explain the mechanism for handling non conformity material/document and declassification of the RSPO material when the supply chain certification of supplier was found to be invalid, the procedure now is numbered BMA-07 Rev.3, issued on June 27, 2011.

Corrective Action:

To have training of the new revised procedure to all relevant staff and workers for adequate implementation and compliance.

Auditor Conclusions: Closed

Date of closure: June 27, 2011

SCCS Non-conformance 5 of 6:

Lack of evidence that the production process records used starting from FFB Reception form to palm oil sold form includes a description of the selected supply chain model used by the company.

Correction:

Statement of "Mass Balance" model used has been included in all production process records starting from FFB reception forms to palm oil sold forms.

Corrective Action:

To have training about the new requirement for preparing production records, which must include a description that the mass balance model is used.

Auditor Conclusions: Closed

Date of closure: June 27, 2011

SCCS Non-conformance 6 of 6:

The organization has established the training procedure (BMH-02) and created the training program on 2011, but lack of evidence that the organization has conducting supply chain certification system training for all staff and employees

Correction:

Supply chain system certification training plan has been established, training will be conducted in the end of August 2011. Training will be conducted by external trainer. Waiting for confirmation from external trainer.

Corrective Action:

To propose identified personnel that will be participating for SCCS training.

Auditor Conclusions: Closed

The company provided evidence that training about SCCS has been conducted on September 2011, attended by related manager. Training evidence such attendance list and training material has been provided.

Date of closure: August 2011

3.3 Conclusion and Recommendation for RSPO Supply Chain Certification

The audit team has confirmed through the audit process that PT Bakrie Sumatera Plantation Sumut I Kisaran Palm Oil Mill has established and maintains an effective system to ensure compliance with the RSPO Supply Chain Certification System requirements (dated November 2009). It is also confirmed that the company's annual volume of CPO and PK sold for the period of June 17, 2010 to June 16, 2011 has not exceeded the certified annual tonnages as claimed in the organization's RSPO certificate no. 01 100 096704

TUV Rheinland Malaysia recommends that Kisaran Palm Oil Mill be approved for certification of compliance to the RSPO Supply Chain Certification System requirements.

4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Next Surveillance Visit

The next surveillance visit is planned for [date] (to be included upon approval of certification)

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

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

Signed on behalf of Kisaran Palm Oil Mill

Signed on behalf of TUV Rheinland Malaysia



.....
Abdulah Sani
Mill Manager
Date: July 20, 2011

.....
Dian Susanty Soeminta
Lead Auditor
Date: July 15, 2011

APPENDICES

Appendix 1: Details of Supply Chain Certification Certificate

(To be included upon approval of certification by the RSPO)

Appendix 2: List of Abbreviations

BKPM	Badan Koordinasi Penanaman Modal (Capital Investment Coordination Board)
CPO	Crude Palm Oil
P&C	Principles & Criteria
PK	Palm Kernel
PKO	Palm Kernel Oil
SCCS	Supply Chain Certification System