PUBLIC SUMMARY REPORT

Client: PT. SOCFIN INDONESIA Bangun Bandar Mill and Its Supply Bases

Site Address: Bangun Bandar Mill: Kecamatan Dolok Maisihul Kabupaten SERDANG BEDAGAI 206691 IDN
               Its supply bases: Kecamatan Dolok Maisihul Kabupaten SERDANG BEDAGAI 206691 IDN

Standard(s): National Interpretation of RSPO Principles and Criteria for Sustainable Palm Oil Production, Republic of Indonesia, May 2008
Audit Report

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Executive Overview

SAI Global has audited PT. Socfin Indonesia operations comprising one mill, one oil palm estate, support services and infrastructure. PT. Socfin Indonesia operation was found complies with the requirements of the National Interpretation of RSPO Principles and Criteria for Sustainable Palm Oil Production, Republic of Indonesia, May 2008 and the RSPO Supply Chain Certification System, November 2011 and RSPO Supply Chain Certification Standard, Module E – CPO Mill: Module E Mass Balance November 2011. Initially Major Nonconformities were identified during this 1st annual surveillance audit. Follow up audit have been conducted to review the corrective action taken to the Major Nonconformities, and objective evidences reviewed that Major Nonconformities could be closed out. The recommendation from this audit is that continuation of certification for PT. Socfin Indonesia Bangun Bandar Mill as a producer of RSPO Certified Sustainable Palm Oil and Palm Kernel is issued.

Abbreviations Used

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMDAL</td>
<td>Environmental Impact Analysis (Analisis Dampak Lingkungan)</td>
</tr>
<tr>
<td>BHL</td>
<td>Daily worker (Buruh Harian Lepas)</td>
</tr>
<tr>
<td>BOD</td>
<td>Biological Oxygen Demand</td>
</tr>
<tr>
<td>BPN</td>
<td>National Land Agency (Badan Pertanahan Nasional)</td>
</tr>
<tr>
<td>CPO</td>
<td>Crude Palm Oil</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>EFB</td>
<td>Empty fruit bunches</td>
</tr>
<tr>
<td>FFB</td>
<td>Fresh Fruit Bunch</td>
</tr>
<tr>
<td>FRF</td>
<td>Fractionation and Refinery Factory</td>
</tr>
<tr>
<td>GPS</td>
<td>Global Positioning</td>
</tr>
<tr>
<td>HCV</td>
<td>High Conservation Value</td>
</tr>
<tr>
<td>HGU</td>
<td>Land Use Title (Hak Guna Usaha)</td>
</tr>
<tr>
<td>HPH</td>
<td>Forest Authority Concession (Hak Penguasaan Hutan)</td>
</tr>
<tr>
<td>IPM</td>
<td>Integrated Pest Management</td>
</tr>
<tr>
<td>ISO</td>
<td>International Standards Organisation</td>
</tr>
<tr>
<td>ISPO</td>
<td>Indonesia on Sustainable Palm Oil</td>
</tr>
<tr>
<td>KHT</td>
<td>Permanent worker (Karyawan Harian Tetap)</td>
</tr>
<tr>
<td>kWH</td>
<td>Kilo Watt Hour</td>
</tr>
<tr>
<td>LCC</td>
<td>Legume cover crops</td>
</tr>
<tr>
<td>MB</td>
<td>Mass Balance</td>
</tr>
<tr>
<td>MSDS</td>
<td>Material Safety Data Sheet</td>
</tr>
<tr>
<td>NGO</td>
<td>Non Government Organisation</td>
</tr>
<tr>
<td>OHS</td>
<td>Occupational Health and Safety</td>
</tr>
<tr>
<td>P2K3</td>
<td>Safety Committee</td>
</tr>
<tr>
<td>PEL</td>
<td>Environmental Evaluation Manual (Pedoman Evaluasi Lingkungan)</td>
</tr>
<tr>
<td>POM</td>
<td>Palm Oil Mill</td>
</tr>
<tr>
<td>PPE</td>
<td>Personal Protective Equipment</td>
</tr>
<tr>
<td>PK</td>
<td>Palm Kernel</td>
</tr>
<tr>
<td>PKB</td>
<td>Joint Working Agreement (Perjanjian Kerja Bersama)</td>
</tr>
<tr>
<td>PKOF</td>
<td>Palm Kernel Oil Factory</td>
</tr>
<tr>
<td>RABOQA</td>
<td>Quality Society of Australia</td>
</tr>
</tbody>
</table>
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RKL  Environmental Management Plan (*Rencana Pengelolaan Lingkungan*)
RPL  Environmental Monitoring Plan (*Rencana Pemantauan Lingkungan*)
RSPO Roundtable on Sustainable Palm Oil
SA   Social Accountability
SCCS Supply Chain Certification System
SIA  Social Impact Assessment
SP   Indonesian Worker Union (*Serikat Pekerja*)
TLV  Threshold Limit Value
TPH  Ton Per Hour
WWTP Waste Water Treatment Plant

1.0  SCOPE OF THE CERTIFICATION ASSESSMENT

1.1  Introduction

SAI Global conducted an audit of PT. Socfin Indonesia Bangun Bandar Mill and Its Supply Bases on 15 to 16 and 19 October 2012.

The purpose of this audit report is to summarise the degree of compliance with the relevant criteria, as defined on the cover page of this report, based on the evidence obtained during the audit of PT. Socfin Indonesia Bangun Bandar Mill and Its Supply Bases.

SAI Global audits are carried out within the requirements of SAI Global procedures that also reflect the requirements and guidance provided in the international standards relating to audit practice such as ISO/IEC 17021, ISO 19011, RSPO Certification System, relevant RSPO Supply Chain Certification System and other normative criteria. SAI Global Auditors are assigned to audits according to industry standard or technical competencies appropriate to the organisation being audited. Details of such experience and competency are maintained in our records. The audit team is detailed in the attached audit record.

In addition to the information contained in this audit report, SAI Global maintains files for each client. These files contain details of organisation size and personnel as well as evidence collected during preliminary and subsequent audit activities (Documentation Review and Scope) relevant to the application for initial and continuing certification of your organisation.

Details of your primary contact persons and their contact details and site addresses are also maintained. Please take care to advise us of any change that may affect the application/certification or may assist us to keep your contact information up to date, as required by SAI Global Terms and Conditions.

Please note that this report is subject to independent review and approval. Should changes to the outcomes of this report be necessary as a result of the review, a revised report will be issued and will supersede this report.

1.2  Audit Objective

Annual Surveillance Audit

To determine continuing compliance of your organization’s on RSPO system with the audit criteria; and it’s effectiveness in achieving continual improvement and RSPO objectives.

The audit also conducted to verify the volumes of certified and uncertified FFB entering the mill and volume sales of RSPO certified producers’ inline with requirements of RSPO Supply Chain...
Audit Report

1.3 Scope of certification

The scope of certification is the CPO production from one (1) Palm Oil Mill and one (1) FFB supply base owned by PT. Socfin Indonesia.

Bangun Bandar Mill PT. Socfin Indonesia
Location: Kecamatan Dolok Masihul, Kabupaten Serdang Bedagai 20691, Sumatera Utara, Indonesia
GPS Location: East 99° 2’ 34.80” North 3° 19’ 54.73”
Annual production: CPO/year: 13,034.56 ton
PK/year: 2,548.29 ton

Bangun Bandar Estate PT. Socfin Indonesia
Location: Kecamatan Dolok Masihul, Kabupaten Serdang Bedagai 20691, Sumatera Utara, Indonesia
GPS Location: East 98° 57’ 58.70” – 99° 4’ 36.33”
North 3° 16’ 24.46” – 3° 20’ 32.54”
Annual FFB Production: 56,458.71 ton
Total Area: 4,146.85 Ha
Planted Area: 2,974.63 Ha

1.4 Location of mill and estates

PT. Socfin Indonesia mill and estate are located in North Sumatera Province. The geographical coordinate of the mill and estates are shown on Table 1.

Table 1: Mill and Estates GPS Locations

<table>
<thead>
<tr>
<th>MILL AND ESTATE</th>
<th>EASTING</th>
<th>NORTHING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangun Bandar Mill</td>
<td>99° 2’ 34.80” E</td>
<td>3° 19’ 54.73” N</td>
</tr>
<tr>
<td>Bangun Bandar Estate</td>
<td>98° 57’ 58.70” - 99° 4’ 36.33” E</td>
<td>3° 16’ 24.46” – 3° 20’ 32.54” N</td>
</tr>
</tbody>
</table>
Audit Report
Figure 1 Map of Mill and Estates Location

PETA BATAS ADMINISTRASI KABUPATEN
KEBUN BANGUN BANDAR DAN TANAH GAMBUS
Kabupaten Serdang Bedagai
Skala 1 : 400,000

Batas Kabupaten
Batas Kebun
Audit Report

1.5 Description of supply base

The FFB is sourced from one (1) organisation owned by PT. Socfin Indonesia and the third party which excluded from certification. The hectare and FFB production of the plantation is shown on Table 2.

Table 2: FFB Production of the supply base

<table>
<thead>
<tr>
<th>ESTATE</th>
<th>PLANTED AREA (HA)</th>
<th>FFB (TON/YEAR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangun Bandar</td>
<td>2,974.63</td>
<td>56,458.71</td>
</tr>
<tr>
<td>The third party (excluded from certification)</td>
<td></td>
<td>41,000.00</td>
</tr>
</tbody>
</table>

Source: Socfin Indonesia, October 2012

1.6 Date of plantings

Table 3: Age Profiles of Planted Palms

<table>
<thead>
<tr>
<th>Year</th>
<th>Bangun Bandar Estate Planted Area (Ha)</th>
<th>% of Planted Area</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mature</td>
<td>Immature</td>
</tr>
<tr>
<td>1984</td>
<td>43.54</td>
<td></td>
</tr>
<tr>
<td>1986</td>
<td>100.21</td>
<td></td>
</tr>
<tr>
<td>1989</td>
<td>206.25</td>
<td></td>
</tr>
<tr>
<td>1990</td>
<td>174.79</td>
<td></td>
</tr>
<tr>
<td>1991</td>
<td>124.62</td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>72.56</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>30.48</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>141.81</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>105.24</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>100.83</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>109.11</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>34.16</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>172.60</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>257.22</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>86.68</td>
<td></td>
</tr>
</tbody>
</table>
1.7 Other certificates held

The organisation is implementing quality, environmental, and occupational health and safety management system based on ISO 9001:2008, ISO 14001:2004, and OHSAS 18001:2007. The details of other certifications held are shown in the following table.

Table 4: Certification Held by Mill and Estates

<table>
<thead>
<tr>
<th>MILL/ESTATE</th>
<th>OTHER CERTIFICATION HELD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ISO 14001:2004 by SAI Global, Certificate number: CEM20867, Expired date: 26 September 2014</td>
</tr>
<tr>
<td></td>
<td>OHSAS 18001:2007 by SAI Global, Certificate number: OHS20840, Expired date: 5 November 2012</td>
</tr>
<tr>
<td>Bangun Bandar Estate</td>
<td>ISO 14001:2004 by SAI Global, Certificate number: CEM20867, Expired date: 26 September 2014</td>
</tr>
<tr>
<td></td>
<td>OHSAS 18001:2007 by SAI Global, Certificate number: OHS20840, Expired date: 5 November 2012</td>
</tr>
</tbody>
</table>

1.8 Organizational information/contact person

PT. Socfin Indonesia
Jl. K.L. Yos Sudarso No. 106, Medan 20115
Phone : (+62-61) 6616066
Fax   : (+62-61) 6614390
Contact person : Mr. Hasan Bisri
                Head of System Management and Social Department
Email          : kasyhuri@yahoo.co.id
1.9 Time bound plan for other management units

PT. Socfin Indonesia is committed to RSPO certification of all its Management Units located in North Sumatera and Aceh. Time bound plan has been developed to achieve the RSPO certification for all its Management Units by 2014. The time bound plan is realistic and challenging. The plan is detailed on Table 5. The time bound plan was updated on February 1, 2012. Several Management Units was delayed to obtain RSPO certification due to there was pre-audit for International Sustainability and Carbon Certification for Bangun Bandar and Mata Pao Estate. SAI Global accepted the reason of the delay. There is also additional plan for SCCS in FRF and PKOF.

Table 5: RSPO Certification Time Bound Plan

<table>
<thead>
<tr>
<th>No.</th>
<th>Mills</th>
<th>Supply Base</th>
<th>Time Bound</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Negeri Lama</td>
<td>Negeri Lama Estate</td>
<td>Pre Audit in December 2012, Certification Audit in 2013</td>
</tr>
<tr>
<td>2</td>
<td>Matapao</td>
<td>Matapao Estate</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Sungai Liput</td>
<td>Sungai Liput Estate</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Aek Loba</td>
<td>Aek Loba Estate</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Lae Butar</td>
<td>Lae Butar Estate</td>
<td>2014</td>
</tr>
<tr>
<td>6</td>
<td>Seunagan</td>
<td>Seunagan Estate</td>
<td>2014</td>
</tr>
<tr>
<td>7</td>
<td>Seumanyam</td>
<td>Seumanyam Estate</td>
<td>2014</td>
</tr>
<tr>
<td>8</td>
<td>Fractination and Refining Factory (FRF) &amp; Palm Kernel Oil Factory (PKOF)</td>
<td>POM Tanah Gambus, Negeri Lama, Aek Loba, Matapao, Bangun Bandar and Lae Butar</td>
<td>2014</td>
</tr>
</tbody>
</table>

Revision remarks:
The revision is made due to the delay of Pre-Audit in Negeri Lama, Mata Pao and Sungai Liput from original schedule on July 2012 to December 2012 leading to delay of their certification audit and certification schedule of other estates.
This revision is also made to include RSPO certification for FRF and PKOF which is not scheduled in the original time bound.

Medan, February 1, 2012

Harold Q. Williams
Principal Director

Source: Socfin Indonesia, October 2012
1.10 Area of plantation

The areas details for organisation owned estates are shown on Table 6.

Table 6: Estates and Area Planted

<table>
<thead>
<tr>
<th>ESTATE</th>
<th>MATURE (HA)</th>
<th>IMMATURE (HA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangun Bandar</td>
<td>1,980.27</td>
<td>994.36</td>
</tr>
</tbody>
</table>

Source: Socfin Indonesia, October 2012

Table 7: Hectare Statement

<table>
<thead>
<tr>
<th>AREA</th>
<th>HECTARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mature area</td>
<td>1,980.27</td>
</tr>
<tr>
<td>Immature area</td>
<td>994.36</td>
</tr>
<tr>
<td>Total area planted</td>
<td>2,974.63</td>
</tr>
<tr>
<td>Emplacement and Mill</td>
<td>47.75</td>
</tr>
<tr>
<td>Nursery</td>
<td>4.23</td>
</tr>
<tr>
<td>Effluent, Isolation Drain</td>
<td>7.21</td>
</tr>
<tr>
<td>PLN</td>
<td>5.25</td>
</tr>
<tr>
<td>Conservation area</td>
<td>8.07</td>
</tr>
<tr>
<td>Bamboo</td>
<td>0.47</td>
</tr>
<tr>
<td>Bud wood Garden</td>
<td>1.24</td>
</tr>
<tr>
<td>Swamp</td>
<td>4.64</td>
</tr>
<tr>
<td>Other area</td>
<td>1,093.36</td>
</tr>
<tr>
<td><strong>Total leased area</strong></td>
<td><strong>4,146.85</strong></td>
</tr>
</tbody>
</table>

Source: Socfin Indonesia, October 2012

1.11 Approximate tonnages offered for certification (CPO and PK)

The approximate tonnages certified are: CPO/year: 13,034.56 ton and PK/year: 2,548.29 ton

1.12 Partial Certification Requirements

Several documents were review to ensure that partial certification requirements were fulfilled, e.g.:
- HCV assessment report of Negeri Lama, Aek Loba, Mata Pao and Sungai Liput Estate. HCV assessment reports were established by Forestry Department of Bogor Agricultural Institute (IPB). The assessors were approved HCV assessor. Peer review is being process and planned to be finished on 26 November 2012.
- Social impact assessment of Negeri Lama, Aek Loba, Mata Pao and Sungai Liput Mill and
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Social impact assessment was performed by team of ISO Secretariat Socfin Medan Head Office and personnel from each Estate.

- Evaluation result of compliance with regulations of Aek Loba and Mata Pao Mill. Compliance with regulations of Aek Loba and Mata Pao Mill was conducted by Socfin Head Office Medan and Manager of Mill and Estate.

Based on those documents:

- There was no new planting since January 2010 so there was no replacement of primary forest or any area identified as containing High Conservation Values (HCVs) or required to maintain or enhance HCVs in accordance with RSPO criterion 7.3. (Negeri Lama, Aek Loba, Mata Pao and Sungai Liput Estate)
- Land conflict was occurred in Aek Loba Estate. The case have been followed up and closed out. Supreme Court accepted reconsideration submitted by the organisation and Land Office of Asahan on 31 August 2012.
- Aek Loba and Mata Pao Mill were complied with regulations.

Documents reviewed did not cover all uncertified management units, e.g. Lae Butar, Seunagan and Seumanyam Mill. SAI Global concluded that partial certification requirements have not been fulfilled yet. Major non conformance was issued in this area.

Major non-conformance against partial certification requirements:

- Documents reviewed for partial certification requirements did not cover all uncertified management units, e.g. HCV assessment report and SIA report for Lae Butar, Seunagan and Seumanyam Mill, evaluation result of compliance with regulations for Negeri Lama, Sungai, Lae Butar, Seunagan and Seumanyam Mill and Estate. SAI Global concluded that partial certification requirements have not been fulfilled yet.

Major non-conformance closed:

Assessment to land clearing, land conflict and potential to labour dispute has been conducted to Lae Butar, Seunagan and Seumanyam Estate in 16 November 2012 by Management Representative. Result of assessment mentioned that:

- There was no new planting since January 2010 so there was no replacement of primary forest or any area identified as containing High Conservation Values (HCVs) or required to maintain or enhance HCVs in accordance with RSPO criterion 7.3.
- There was no land conflict.
- There was no labour dispute.
- Negeri Lama, Lae Butar, Seumanyam and Seunagan Mill are complied with regulation.

1.13 Date of issue of certificate

Date of issue of certificate: 11 November 2012
Date of previous audit (initial certification): 10-12 and 16 May 2011

2.0 AUDIT PROCESS

2.1 Certification body

PT. SAI Global Indonesia
Graha Iskandarsyah, 4th floor
Jl. Iskandarsyah Raya No. 66 C
Kebayoran Baru, Jakarta 12160, Indonesia
Phone : +62 21 720 6186, 720 6460
Fax : +62 21 720 6207
SAI Global is one of the world’s leading business providers of independent assurance. SAI Global provides organisations around the world with information services and solutions for managing risk, achieving compliance and driving business improvement.

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The SAI Global business is driven by two equally important client needs - the mandated need for organisations to conform to regulations, standards and legislation in all their locations, and the operational need for organisations to improve business processes and procedures as well as corporate culture. As we are a global company, we can meet these needs for any client - those operating within one country’s borders and in one language or those operating across borders and in many languages.

There are three business units/divisions within SAI Global namely the Information Services Division, the Compliance Division, and the Assurance Division. The Assurance Division helps organisations manage risk, achieve process or product certification and drive improvement by providing training, registration audits and supplier management programs that can improve business performance. We provide independent audits, assessments and certification of your products or business processes to ensure they comply with industry standards or customer specific requirements. We understand how compliance with those standards can improve the efficiency, economy and profitability of your operation. With auditing and assessment staff located around the world, our clients include large global corporations as well as single site organisations.

2.2 Audit methodology

The Surveillance Audit was performed on 15 to 16 and 19 October 2012 and Follow up Audit was performed on December 18, 2012. The audit programme was included in the body of report. The audit methodology for collection of objective evidences is site inspection, documentation and record review and interview with staffs, workers, and other stakeholders. Objective evidences from documentation/record review in one area may also be cross checked with other objective evidences in other areas and with the evidence of implementation on site during the audit.

During the audit, particular attention has been paid to previous non-conformities. The previous minor non-conformities were checked for being closed. Assessments plan has included but not be limited to areas of potential environmental and social risk. Considering previous audit findings, the mill and all supply bases were audited during this surveillance audit.

2.3 Qualification of the lead auditor and audit team member

Ria Gloria – Lead Auditor

Ria Gloria graduated with Bachelor of Chemical Engineering degree from Bandung Institute of Technology in 1994. She has working experience as Environmental Consultant for many years. She has completed ISO 14001 (1995), ISO 9001 (2004), RSPO (2009) lead auditor training courses, SCCS (2010) and ISPO (2012) lead auditor training courses. For the last 9 years she has been involved in quality (ISO 9001) and environmental (ISO 14001) management system audits for
 Audit Report

very broad industrial and in the palm oil sector since 2003 for several plantations and mills. She has received training for good agricultural practices including integrated pest management and high conservation value (2008-2009).

Sigit Yulianto – Audit Team Member

Sigit Yulianto graduated with Bachelor of Metallurgical Engineering degree from University of Indonesia in 1993 and Master of Occupational Health and Safety from the same university in 2006. He has working experience in the manufacturing industry for many years. He also certified OHS Expert in Indonesia. For the last 15 years he has been involved in quality (ISO 9001) and occupational health and safety management system audits for very broad industrial and service sectors including in the palm oil sector since 2008 for several plantations and mills. He has received training for good agricultural practices including integrated pest management and high conservation value (2008-2009).

Irawan Y Bawono – Audit Team Member

Irawan Y Bawono graduated with Bachelor of Food Technology from Gadjah Mada University on 1992. He has completed ISO 9001 (2008), ISO 22000 (2005) lead auditor training courses, RSPO auditor (2008), SCCS (2010 and 2012), ISPO (2012) lead auditor training courses, and RSPO (2012) lead auditor training courses. For the last 6 years he has been involved in quality (ISO 9001) and food safety management system (ISO 22000 and HACCP) audits including in the palm oil sector since 2007 for several plantations and mills. He has received training for good agricultural practices including integrated pest management and high conservation value (2008-2009).

Bayu Abirowo – Audit Team Member

He is a Bachelor of Electrical Engineering from Trisakti University, Jakarta. He has joined with SAI Global since 2004 as Lead Quality Auditor for ISO 9001:2008 and registered in IRCA. He has working and auditing experiences in manufacturing companies with large scale manpower and deals with various kind and positions of interviewed peoples. He is also SA 8000 auditor certified by Social Accountability International since 2011. He has received training for legal requirements of land acquisition, customary rights, HCV (High conservation value) and social impact management in palm forestry. He is also trained for RSPO principles and criteria (P&C) and ISPO (2012) lead auditor.

Resit Sözer – Technical Specialist for HCV Issues

Dutch nationality Biologist, since 1994 active in Indonesia in the field of Endangered Species research (Bornean Peacock Pheasant, Javan Hawk-eagle), Endangered Species surveys (Sumatran Rhino, Orang Utan, Javan Tiger), habitats surveys (conservation areas, HPH, oil palm plantations), wildlife trade surveys, wild animal rescue, reintroduction and restocking of wildlife, endangered species breeding programs (Bornean Peacock Pheasant, Javan Warty Pig, Black-winged Starling), scientific publications and community involvement.

2.4 Stakeholder consultation

Stakeholder consultation was performed to internal and external stakeholders. Internal stakeholders included staffs and workers. External stakeholders were selected by considering that they have an interest in the organisation activities, directly border with organisation, area which the
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workers live. External stakeholders included governments, and civil societies.

One on one interview and group discussion with stakeholders was conducted during audit, to verify compliance against relevant criteria and indicator related to land status and conflict, environmental, social aspect and HCV. Martebing and Aras Panjang Village has been chosen to represent societies affected by Bangun Bandar Mill and Estate.

Table 8: List of internal and external stakeholder

<table>
<thead>
<tr>
<th>STAKEHOLDERS</th>
<th>METHOD OF CONSULTATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head of SP</td>
<td>Group discussion</td>
</tr>
<tr>
<td>Head of Gender Committee</td>
<td>Group discussion</td>
</tr>
<tr>
<td>Representative of worker</td>
<td>Group discussion</td>
</tr>
<tr>
<td>External Stakeholder</td>
<td></td>
</tr>
<tr>
<td>Society Leader of Martebing Village</td>
<td>One on one interview</td>
</tr>
<tr>
<td>Society Leader of Aras Panjang Village</td>
<td>One on one interview</td>
</tr>
</tbody>
</table>

See appendix C for detail of stakeholder issues and comment.

2.5 Date of next surveillance visit

The next surveillance visit will be conducted around August 2013 two months before datum month of the certification period.

3.0 AUDIT FINDINGS

3.1 Actions taken on previous audit issues

It was noted that corrective actions of previous minor nonconformities have been implemented and verified. However there were issue that were not properly actioned yet in the several areas. The detail was mentioned in Appendix B.

3.2 Summary of findings

PRINCIPLES 1: COMMITMENT TO TRANSPARENCY

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

Criterion 1.1 Indicator Major 1 and 2

Information request and their respond were determined in a documented procedure. Communication procedure was established and implemented by the organisation. Communication procedure described follow up of information request from interested party. All information requests from stakeholder was listed and recorded by Mill and Estate. Most of request from stakeholder directly respond by the organization.

Records of information request from stakeholder were kept by Mill and Estate. Most of request was
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initiated from community around Estate (Village Head and representatives) and also some request from Labour Department (Dinas Tenaga Kerja). Some of requests are pertinent to information labour data from Labour Department, donation request from village, and it was used for social activity for community around Estate. All requests from stakeholders directly respond by the organization.

Criterion 1.1 Indicator Major 3
All information requests from stakeholder was listed and recorded by Mill and Estate. Record of information and respond was kept by the organisation. Retention time for records was determined minimum 5 years.

Opportunity for improvement:
- Although 5 mandatory ethical policies have been informed to workers, a documented evidence of such awareness might be recorded. E.g. protection of sexual harassment, minimum age for worker, the right to join trade union, prohibition of discrimination, protection of reproduction right for female workers.
- Consider performing RSPO awareness every time there was a new or change of subcontractor. E.g. subcontractors of facilities repair, land clearing, etc.

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

Criterion 1.2 Indicator Major 1
Management documents are publicly available, such as: HGU (Land Use Title), AMDAL (Environmental Impact Analysis), Occupational Health and Safety Management Plan and CSR Program. Organisation documents that is generally available by the organisation. Several documents have been requested from stakeholders such as the number of workers from the Department of Labour and Social Security.

The documented procedure was established, it’s mentioning the process and responsibilities and authorities in regards responding the request on information from the public. The coverage of request on information as stated in the procedure including information on legal documents, environmental documents, social activities documents, occupational health and safety programme documents and continual improvement documents. The form to record the request on information from public has been established as attached in the procedure. This form was also intended to record the response of the company on the request as well. Confidential information request such as financial data, cost and revenue was described in the procedure. Top Management in Head Office Medan will review each request whether it could be followed up or not. Up to the time of this audit, there was no request on information or confidential information from stakeholders, as reported.

CSR programs were available. The CSR program involved Mill and Estate community. CSR plan for activity for year 2012 was available and few of them were implemented. Social activity report for year 2012 was made. Some of activities were conducted such as road repairs, funding, etc. Public comments are welcome for CSR program and their requesting included in annually CSR program.

Criterion 1.2 Indicator Major 2
SOC/PSM/9.01 dated 01 April 2011 was established to respond the request the public in regard the legal documents. The form to record the respond and associated follow up on respond has been established. It was reported that so far no request from public in regard legal documents. The retention time on such record is 5 years.
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PRINCIPLES 2: COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

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

Criterion 2.1 Indicator Major 1
Evidence of compliance with applicable local, national and ratified international laws and regulations of Bangun Bandar Mill and Estate have been provided, including valid permits (waste water discharge permit, river water and ground water abstraction permits, hazardous waste storage permit, boiler and pressurised vessel permits), provision of required infrastructure (waste water treatment ponds, hazardous waste storage), availability of MSDS, periodic environmental parameter monitoring (stationary emission, ambient emission and ambient noise, moving source emission, waste water discharge quality, and ground water quality), system of plant cultivation, oil palm plantation, list of flora and fauna protected, management of guard area, paramedic and company doctor, transport and lifting equipment, medical check up, safety committee, minimum wage, labour law, occupational safety, employee social benefit.

Criterion 2.1 Indicator Major 2
Updating of law and regulations change activities were well documented and last update was performed in October 2012. Register of contact for assessing and updating information of all applicable local, national and ratified international laws and regulations has been provided. Contact to government institution is conducted regularly.

Criterion 2.1 Indicator Minor 1
The procedure SOC/PSM/4.05 also describes mechanism for ensuring information of applicable environmental legal and other requirements were accessed, reviewed and applied.

The procedure also describes mechanism for ensuring information of applicable environmental legal and other requirements were accessed, reviewed and applied. Updating of law and regulations change activities were well documented and last update was performed in October 2012. Information on applicable legal and other requirements have been reviewed and summarised.

Criterion 2.1 Indicator Minor 2
Evidence of compliance with applicable laws and regulations which concern the operation of Bangun Bandar Mill and Estate has been already evaluated internally as required by the procedure SOC/PSM/4.05. Evaluation of compliance was documented within “Evaluation of Compliance with Laws and Regulations”. Last evaluation of compliance was performed in October 2012. The accuracy of evaluation of compliance results and associated evidences of compliance were examined during this audit and in general found sufficient. There was gap identified with regards to AMDAL. AMDAL is being revised due to additional of several activities. The gap was already completed with action plan that described action to be taken, delegation of responsibility and time frame.

Major non-conformance against criterion 2.1
- The evaluation of compliance against OHS regulation in regard “Permenaker No. 02/Men/1980” was justified complied, in fact, not. The procedure SOP/PSM/4.19 has been revised and mentioning that the frequency for medical check up is every 5 years for office and administration staff less than 45 years of old, every 3 years for employee more than 45 years of old, every one year for employee directly exposed to hazard. This policy in regard medical check up is not in compliance with the requirements as stated in the above mentioned regulation in regard the regular medical check up (every one year) and special medical check up.

Major non-conformance closed with minor non-conformance:
- Procedure SOP/PSM/4.19 was revised on 1 December 2012 to amend that medical check up is performed annually as required by Permenaker #02/Men/1980.
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- Evaluation result of compliance with Permenaker #02/Men/1980 was revised to mention that Permenaker #02/Men/1980 has not been complied. Medical check up is planned to be conducted in November 2013.
- Program of medical check up 2013 has been established.

Minor non-conformance against criterion 2.1:

- Annual medical check up program for 2013 was already made, however realisation of medical check up in 2013 will be checked during next surveillance audit.

Minor nonconformity against criterion 2.1

- Compliance with regulation Ministry Decree 233/2003 has not been assessed and mentioned in the latest compliance report (October 2012). This regulation says about working on holidays with specific job.
- The overtime logs have not been signed by respective employee. Overtime shall be voluntary and signed in a documented record (refer to Ministry Decree 102/ 2004)

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

Criterion 2.2 Indicator Major 1
Bangun Bandar Estate demonstrates the right to use the land and no disputes nor outstanding disputes over the land. There is a working map with appropriate scale (1:25000) available captured the legal boundaries that clearly demarcated. Bangun Bandar Estate has 1 (one) HGU:

- HGU #2 issued on 26 February 1998, located on Tanjung Meriah, Dolok Masihul, Deli Serdang (now is Serdang Bedagai), North Sumatra with total area 4,146.85 Ha. The HGU is valid trough 31 December 2023.

PT. Socfin Indonesia (Bangun Bandar Estate) has License of Plantation Operation as follows;

- BK.350/821/DJ.Bun.5/XI/2001 issued on 23 November 2001 for 4,146.85 Ha located on Tanjung Meriah, Dolok Masihul, Deli Serdang (now is Serdang Bedagai), North Sumatra. Mill capacity is 25 TPH and no change until now.

Criterion 2.2 Indicator Major 2
Signboard was available at sites audited, indicated HGU number and operation area and land title. A review to legal boundaries maintenance records at Estate audited and survey to a number of legal boundaries demonstrated that the legal boundaries were well maintained by Estate. Based on the survey and inspection Estate at that time had updated its GPS location of their boundary pegs. Reconstruction of boundary pegs was evident. Regular inspection of the boundary pegs had been established to be conducted every month by Administration worker (Krani Keliling) and the result is documented. Five of eighty four pegs were sampled and verified during the audit; peg #23 on block 54 division I, #61 Block 33 division II, #64 block 22 division III, #47 block 99 division IV and #51 block 101 division IV. In general the pegs were maintained, except the peg #51 on block 101 was not maintained in proper.

Criterion 2.2 Indicator Major 3
There are no disputes over the land for Estate.

Criterion 2.2 Indicator Minor 1
Based on HGU documents it was noted that all land were acquired from goverment land. Therefore the indicator regarding evidence of land acquisition resolution with free prior and informed consent was not applicable.

Criterion 2.2 Indicator Minor 2
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A mechanism to resolve conflict has been established and documented by each estate: SOP for conflict resolution and land acquisition have been disseminated and approved by Head of Village, Head of District and Head of BPN Serdang Bedagai and community/community representatives (e.g. community leader, religion leader, youth leader).

Minor nonconformity against criterion 2.2
- It was found that peg #51 on block 101 was not maintained in proper. Inspection and maintenance report for the peg #51 on block 101 was OK.

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

This criterion was not applicable. Planted areas of the Estate are wholly on Government land, leased under HGU as indicated above. No land settlement for the estates area mentioned above. Maps have been developed for each estate indicating Legal demarcation and planted areas.

PRINCIPLES 3: COMMITMENT TO LONG-TERM ECONOMIC AND FINANCIAL VIABILITY

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

Criterion 3.1 Indicator Major 1
Management plan for period 2011-2013 was established in order to achieve long-term economic and financial viability. The plan was approved by the Principle Director. The parameters stated in the management plan were including revenue and profit, crop projection (FFB yield trends), CPO and PK extraction rate; estimated estate cost (upkeep, research and development, harvesting, processing, packing, transportation, depreciation) as well as mill cost (processing, repair and maintenance, overhead and depreciation). This plan was established by considering economical parameters/assumptions such as inflation, US Dollar and Indonesian Rupiah (IDR) rate, CPO price, and FFB price. The management plan achievement is reviewed annually during the management review. Last management review was performed in February 2012, report sighted.

Criterion 3.1 Indicator Minor 1
The 5 year period of replanting plan was established and sighted during this audit (2011-2015). It was noted that replanting planned to approximately 5% of oil palm every year to maintain the continuity supply to the Mill. The replanting plan 2012 also includes the conversion of rubber plantation to oil palm (Division 4, Block 80, 102 Ha). Realization of replanting plan was reported and reviewed annually. The realization of replanting plan 2011 was sighted and in general well realized.

Minor non-conformance against criteria 3.1:
- The management plan 2011-2012 did not include the planning for the use of FFB from third party. In fact, currently around 40-50% of FFB to the mill were supplied by the third party.

PRINCIPLES 4: USE OF APPROPRIATE BEST PRACTICES BY GROWERS AND MILLERS

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

Criterion 4.1 Indicator Major 1
The organisation has developed Standard Operating Procedures for Oil Palm Plantation in
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SOC/PSM/7.10. The SOPs consist of procedures for several processes including land clearing, nursery, preparation before replanting, fertilizing, drainage system, integrated pest management, maintenance of immature and mature upkeep and harvesting. Other than were also other procedures, e.g. SOC-KKS/IK/00 for planting of oil palm, SOC-KB/IK/07 for road maintenance, SOC-KB/IK/01 for fertilising, SOC/PSM/7.10.17 for water management, SOC-KB/OK/02 for pesticide spraying.

Criterion 4.1 Indicator Major 2
Documented procedure for mill operational is available on SOC-POM/PSM/7.08 (FFB receiving), SOC-POM/PSM/7.09 (processing of CPO and PK) and SOC-POM/PSM/7.06 (delivery). Work instructions for supporting Mill activities were also sighted: SOC-POM/IK/01 to SOC-POM/IK/16 for all of its operations from receiving of FFB through production and processing and dispatch of the CPO and PK. The procedure also describes quality control check, sampling methods including its reporting from reception of FFB up to dispatch of CPO and PK. Work Instructions in the local language has been developed and are posted at work stations in the mill. The company has well implemented internal monitoring processes that check and report on the implementation of the Management Guidelines. These include independent checks of the mill by the corporate internal audit.

Criterion 4.1 Indicator Minor 1
Estate operation performance is checked and monitored regularly by Principal Director, Group Manager and Agricultural Department. The last checking of Group Manager was performed on 16 and 18 April 2012. The Estate is ISO 14001:2004 and OHSAS 18001:2007 certified, regular environmental and occupational health and safety management system has been taken. Last audit by certification body was performed in June 2012.

Mill operation performance is checked and monitored regularly by Internal Audit Group II (the representative of Head Office Medan). This audit is performed twice a year. The last audit was carried out in July 2012. The mill is ISO 9001:2008 certified, a regular quality management system audit have been taken. Last internal audit was performed on 17 July 2012. Findings has been addressed and verified. Review to 2012 records found that un-ripe FFB was more than the target and FFA CPO was over than internal standard. The others quality specification (dirt, moisture, oil losses and kernel losses) were achieved.

Criterion 4.1 Indicator Minor 2
Estate activities are programmed in annual program. Activities program are such as pest and diseases census, fertilising, spraying, cleaning of trench and road maintenance. Estate Manager and Assistant check and monitor the activities at site regularly. Site observation was performed during audit to some activities: fertilising, spraying, compost application, harvesting. Activities have been performed at defined interval. Records of activities were sighted, e.g. “Foreman Book”, “Daily Attendance and Overtime Sheet”, “General Workgroup Task Data Collection Sheet”. The record covered activities type, number of worker, quantity of agro chemical use, quantity of activities output and area of activities.

FFB processed by Bangun Bandar Mill is received from own Estate (four divisions) and out growers (Kelompok Tani Yakin). The third party is not included in the scope of certification. All of the FFBs are processed in same facility (Bangun Bandar Mill). See the capacity on scope certification above.

The mill maintains records of monitoring reports, such as shift log sheets with records of operating conditions at each of the mill work stations. A review operation daily report (May – September 2012) and site observation found that in general the documented procedures described above has been consistently implemented and monitored. CPO and PK are delivered to local buyer as well as to Refinery & Fractionation Factory (FRF) and Palm Kernel Oil Factory (PKOF) Tanah Gambus. A review to January 2012 delivery records found that it has been conducted according to defined arrangement.
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A brief tour to processing facility was made during audit to review a number of work station: receiving and grading, sterilizing, threshing, pressing, clarifying, nut and kernel and dispatch. Interview with employees working in those work stations showed that procedures were implemented. Processes were monitored at defined arrangement and records of processes log sheet was sighted including: FFB receiving and grading, sterilizing, threshing, pressing and digesting, clarifying, nut and kernel, boiler, quality control (in process, CPO and PK).

Preventive maintenance of processing machine and equipment was done according to weekly and monthly preventive maintenance program. Preventive maintenance realization was documented including its check items.

**Previous minor non-conformance against 4.1 which has not been closed out or progress:**
- Thermometer for sounding has not been calibrated. **Progress:** Remained the same.

**Minor non-conformance against 4.1:**
- Checking and monitoring of Estate operation was performed more than once in a year by Principal Director, Agriculture Department or Group Manager. However result of checking and monitoring and its follow up was not consistently recorded.
- Daily report of press station has not been logged at the time audit (14.00). The production has been started at 11.00.
- It was found that pressure gauge on screw press #2 was in shut position, whilst the procedure IK SOC-POM/IK/05 requires that the pressure of screw press should be set to 50 bar.
- The use of hot water in Digester was not properly recorded. Reviewed records; January – September 2012.
- Not enough evident that preventive maintenance of transportation and process installation equipment “Program Pemeliharaan Alat Transportasi & Instalasi Pengolahan” has been implemented as required by procedure SOC/PSM/6.03 point 5.1.1.

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

**Criterion 4.2 Indicator Minor 1**

Soil and leaf sampling is analysed regularly to determine the nutritional status of soil, to assist and to be guided in the preparation of annual fertilising programme recommendation. Procedure of soil analysis SOC/PSM/7.10-15 dated 1 March 2011 mentioned that soil is analysed every 5 years. Procedure of leaf sampling SOC/PSM/7.10-16 dated 1 March 2011 mentioned that leaf is analysed annually two months after the first application. Method of sample taken and preparation of analysis was described in the procedure. Last soil and leaf sampling analysis was conducted by the external laboratory. Soil analysis was conducted by Param Agricultural Soil Surveys (M) SDN.BHD and leaf sampling analysis was conducted by CIRAD (Centre de coopération internationale en recherche agronomique pour le développement). Last report of soil analysis was issued in February 2007 and last report of leaf analysis was issued in May 2011. It was noted that soil analysis has not been conducted in 2012 as required by procedure that soil is analysed every 5 years. The cause was the internal laboratory to analyse the soil is being built and has not been finished yet. The internal laboratory is started being operated in early 2013.

Visual leaf monitoring was also conducted by consultant from CIRAD (Centre de coopération internationale en recherche agronomique pour le développement). Last visual analysis was conducted in June 2012. Result of visual analysis was sighted. Report included observation result and its recommendation for improvement.

Visual soil monitoring was also conducted by Param Agricultural Soil Surveys (M) SDN.BHD.
Criterion 4.2 Indicator Minor 2
Manuring programme was developed by Agriculture Department in Socfin Medan Head Office assisted by CIRAD as consultant for all Division of Estate based on result of soil and leaf sampling analysis. PT. Socfin Indonesia does have own research institution. Manuring programme covers area and time of application and type and dosage of fertiliser. Manuring is performed manually. Result of manuring was well recorded including date of application. It was noted that all of manuring activity in the first semester has been applied. For the block which is replanted in 2013 was not fertilised. Manuring activity was described in SOC-KB/IK/01.

Legume cover crops (LCC) are grown to protect soil from erosion, improve soil fertility and control weed. The LCC grown is Mucuna brachteata. LCC is maintained through manual maintenance (cleaning from weed), manuring and agro chemical spraying. Rock phosphate is used as fertiliser to grow LCC. LCC growth is monitored regularly. Manuring program for LCC was sighted including the realisation.

All of empty fruit bunches (EFB) and most of Palm Oil Mill Effluent is treated in composting process. The process was operated in January 2012. Compost was started being applied in Division I and II in March 2012. Record of compost dosage applied was recorded. Area of which compost applied was monitored.

Land application of POME was not applied in the Estate. Most of POME was treated in composting process and the other was treated in WWTP.

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

Criterion 4.3 Indicator Minor 1
Map of soil for Bangun Bandar Estate were available and documented in “Soil of Bangun Bandar Oil Palm Estate” issued by Param Agricultural Soil Surveys (M) SDN.BHD in June 2004. Map of soil mentioned that there were no fragile soils, there was only 3.5% of area is poorly drainage and 2.50 ha is peat soil. Bangun Bandar Estate has slopes > 45% around 91.41 ha.

Criterion 4.3 Indicator Minor 2
Most of areas with slope > 45% were planted by rubber. The others were planted by palm. It was observed that areas with slope > 45% and planted by palm were converted area from rubber trees to oil palms in replanting 2012. In block 102, the southern part of the Bangun Bandar Concession area, rubber trees have recently been replaced with oil palms. Slopes of > 45% have been cleared and planted with oil palm, but as no specific policy or procedure for slopes were present, and no preventive actions have been taken, severe erosion and sedimentation have taken place. Existing AMDAL does not mention replanting as an operational activity and no additional assessment has been carried out for this particular purpose. The damage to the sandy-clay soil in the replanted area was not mentioned in the existing AMDAL. Major non-conformance against criterion 5.1 and 6.1 was issued.

Work instruction SOC-KKS/IK/05 dated 1 December 2011 describing preparation for planting including planting on slopes area has been developed by organisation. Slope area recommended by organisation for planting is < 30° or 66.67%. System for planting on slopes area is provided through terracing, levelling of terrace, and determining of planting space. However the technique determined in the procedure could not minimise the erosion and sedimentation as mentioned above.

Criterion 4.3 Indicator Minor 3
Procedure of road maintenance is described in SOC-KB/IK/07. Estate has established annually programme of manual road maintenance for government road, primary road, and secondary road. Besides according to annual program, road maintenance activity was also conducted according to road condition. Mechanical road maintenance was also conducted however mechanic road
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maintenance program has not been made. Record of manual and mechanical road maintenance realisation was sighted included block of plantation maintained and distance of road maintained.

Criterion 4.3 Indicator Minor 4
The peat land area of ca 2.5 ha in block 68 is being well managed. The subsidence of the peat is being minimised under an effective and documented water management programme.

A water dam has been constructed to effectively maintain water level at 40-50 cm in the peat area. The water level is being monitored at a measuring point at the water outlet. No Piezo Meters have been applied, as the policy of the company states that Piezo Meters are only applied in areas which have a depth of > 3 meters and an area size of > 50 hectares. During the surveillance audit, the water level was at 39 cm. Monitoring Data monitoring was seen for the months March to October 2012, and the lowest water level was at 50 cm from the peat surface.

Criterion 4.3 Indicator Minor 5
Sandy clay soil was found in Bangun Bandar Estate. Top soil used for covering planting hole in sandy clay soil area was not sandy clay soil. The top soil was taken from the other mineral soil area.

Minor non-conformance against 4.3:
- Manual road maintenance program has been made. However mechanic road maintenance program has not been made although realisation of mechanic road maintenance was sighted.

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

Criterion 4.4 Indicator Major 1
Bangun Bandar Estate was traversed by Martebing and Belutu River. Policy of riparian buffer zone management at or before replanting was provided in procedure SOC/PSM/9.07 dated 15 August 2012. Procedure mentioned that riparian buffer zone is planted with beneficial plants and plants (woody trees) that produce flowers and fruit for bird food, manured with NPK and applied with EFB.

The riparian buffer of the Martebing River is well managed; civil-technical and natural methods such as the planting of reeds are being used to slow down and even completely stop aberration in several sample areas along this river, and a general management plan is in place to manage the threats of aberration and erosion along the river. Pollution prevented by means of a > 25 meters buffer zone where the application of agrochemicals is prohibited. This buffer zone is enriched with beneficial plants such as *Cassia cobanensis*, and natural vegetation. The present pollution of the river is caused by upstream activities of third parties outside the concession area. Irrigation canal of river has being built by government before entering the concession area where buffer zone was damage and caused erosion and abrasion along the Martebing River.

Criterion 4.4 Indicator Minor 1
There are two water supplies for Bangun Bandar Mill: river water and ground water which currently still held valid permit from relevant authorities. All rivers were categorized as HCV 1.1 and HCV 4.1. This was discussed in criterion 5.2.

The water supply, distribution and consumption were described in water management document, SOC/DP.4.22-01. River water is consumed for boiler feed-water. Daily supply to boiler was recorded based on flow meter reading. Ground Water was consumed for processing, cleaning and housing. Flow meter of ground water has just been installed in July 2012 and since then water consumption was recorded based on flow meter reading. Previously water consumption was currently monitored through estimation based on ratio of processed FFB.

Surface water quality is monitored annually. Surface water quality was analysed both for upstream...
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and downstream. Monitoring result of surface water quality of Martebing River was review for 2011 against Government Regulation #82/2001 class II. Quality of river water was inline with Government Regulation #82/2001 class II.

Criterion 4.4 Indicator Minor 2
POME is monitored monthly as required by permit of waste water disposal from Bupati Serdang Bedagai #660/460/LH/2010. The results of POME monitoring were reviewed including measurement of BOD for period May 2011 to September 2012. The Environment Ministry Decree #Kep-51/MENLH/10/1995 annexure B-IV required that BOD of POME discharged is less than 150 mg/litre. The result of POME quality during this period was under 150 mg/litre.

Criterion 4.4 Indicator Minor 3
Mill water use per ton of FFB was not monitored. Flow meter for mill water has just been installed in July 2012.

Previous minor non-conformance against 4.1 which has not been closed out or progress:
- Monthly monitoring data of Mill water consumption per ton of FFB was not accurate (January 2010 to April 2011), e.g. water used for Mill was actually from ground water, but data reported was from river water. Progress: Flow meter for mill water has just been installed in July 2012 and mill water use per ton of FFB has not been monitored.

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

Criterion 4.5 Indicator Major 1
Procedure for IPM to control pests, diseases and invasive introduced species has been established in SOC/PSM/7.10-13 for IPM of Caterpillar and Bagworm Attack, SOC/PSM/7.10-11 for IPM of Oryctes rhinoceros, circular letter #Tan/Keb.KS/Bi/88/2005 dated 6 May 2005 for IPM of rodent. These procedures include setting out of technique to be implemented, chemical to be used, locations to be applied, and time frame for implementation. Program for IPM is established annually. IPM programme includes pest and diseases detection, census and controlling, use of pesticide and herbicide.

Criterion 4.5 Indicator Minor 1
The implementation of IPM is monitored. Census of caterpillar is conducted regularly to determine its controlling. Controlling is performed based on level of attack. There are three levels of attack: low, medium and high. Result of census was recorded including area of census, type of caterpillar, quantity of caterpillar and level of attack. Use, dosage and concentration of agro chemical was also recorded when controlling of caterpillar was applied by agro chemical spraying. So far there were no medium and high attacks of caterpillar.

One of controlling of Oryctes rhinoceros is through picking of Oryctes rhinoceros and its larva. The Oryctes rhinoceros and its larva was conducted at the decayed parts of such palms, the palms naturally fallen and the palms still standing but presenting rotten tissues at the bottom. The controlling was conducted in immature upkeep and land clearing area. Quantity of Oryctes rhinoceros and its larva was recorded. According to circular letter from Agricultural Department and General Manager #TN/KK/Bi/045/12 on 23 February 2012, census of Oryctes rhinoceros is not required being performed regularly only incidental. Control of Oryctes rhinoceros using chemical is conducted regularly based on determined program.

Beneficial plant (Cassia cobanensis, Turnera subulata and Antigonon leptopus) upkeep was performed by cleaning from weeds and inserted if there are dead beneficial plants. Results of these activities were well recorded.
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worker on 26 March 2012 and 27 September 2012. List of participant attendance was sighted. Training covered IPM technique and implementation.

Criterion 4.5 Indicator Minor 1
Pesticide toxicity units (a.i. / LD 50 / FFB tonnage) have not been monitored to active ingredient. Active ingredient was not counted during counting of pesticide toxicity units.

Minor non-conformance against criterion 4.5:
- Training with regards to IPM has not been delivered to two workers in Division II who perform IPM.
- Counting of monitoring of pesticide toxicity units was not correct. Active ingredient of each pesticide was not counted.

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

Criterion 4.6 Indicator Major 1
Agrochemicals used by Bangun Bandar Estate has been registered and licensed by Agriculture Department, e.g. Round up 486 SL – license RI 01030120001569 expired on 18 March 2016, Gramoxone 276 SL – license RI 010301197436 expired on 18 March 2016, Ally 20 WDG – license RI 837/4-2009/T expired on 30 April 2014, Dacomin 865 SL – license RI 2062/4-2009/T expired on 30 April 2014, Decis 25 EC – license RI 387/11-2007/T expired on 13 December 2012. It was noted that there were no agrochemicals being used which are not on this register during this audit. Agrochemicals use and their register number refer to Pesticide Commission Book “Buku Komisi Pestisida” year 2011.

Criterion 4.6 Indicator Major 2
Agrochemicals used have been recorded including active ingredient used, area treated, amount applied per ha, use of selective product and number of applications. Several record of pesticide used was sighted, e.g. application schedule, list of pesticide use in oil palm estate, work achievement and pesticide use, stock card of agrochemicals. The record covered date of application, quantity of pesticide use and name of sprayers. The records were sighted in Division office. It was noted that dosage applied was according to budget.

Criterion 4.6 Indicator Major 3
Spraying record “Work achievement and pesticide use” of weed spraying using agrochemicals was sighted. It was noted that agrochemicals (round up) use were approved and registered agrochemical. Dosage of pesticides use, target weed was inline with circular letter #TN/SE/KS/Bi/020/2007. It was noted that agrochemicals used were inline with target pest, weed or disease, determined dosage, and applied by qualified person. PPE used during spraying of pesticides are boots, apron, safety glass, respiratory mask and hand gloves.

Agrochemicals have been applied by qualified persons who have received usage of limited pesticide training. Training was delivered by supplier on 28 September 2010 and by North Sumatera Health Department and Pesticide Commission on 4 April 2011. Training record was sighted for all sprayers. Training covered handling of concentrate chemical/agrochemical and spraying method including pesticide hazard.

Agrochemicals are stored in the determined area separated from fertiliser and other chemicals. Agrochemicals storage is provided in each Division. Agrochemicals storage is locked areas with limited access. The storage is ventilated through cross flow ventilation. MSDS and hazard symbol
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label are provided nearby of agrochemicals. Emergency shower and eyewash are also provided to anticipate in case of an emergency of chemical handling. PPE for handling of chemicals are provided including boots, apron, safety glass, respiratory mask and hand gloves. The possible spill is managed. Secondary containment is provided around the chemical storage area. Spill kit was also provided in the area. EHS patrol was regularly performed to monitor possible spill.

Prior to be used in the field, agrochemical was diluted in Division Office. There is a designated area of mixing which was completed with roof, secondary containment and information of agrochemical hazard. The area is also used for cleaning the agrochemical containers and fertiliser sacks. Notice is displayed in the area treated with highly toxic pesticides, e.g. pesticides warehouse and facility to mix agrochemical.

Criterion 4.6 Indicator Major 4
Handling of empty agrochemical containers was described in procedure SOC/DP/4.10-01. All empty agrochemical containers were triple rinsed, destroyed and disposed in the designated area and separated with organic and inorganic waste landfill. Records of chemical containers quantity disposed were evident. Empty agrochemical containers are disposed monthly. The other empty agrochemical containers can be reused during spraying.

Criterion 4.6 Indicator Minor 1
Paraquat is still used in Bangun Bandar Estate. The organisation has set internal target for paraquat use. Data of paraquat used has been provided since 2010. It was observed that paraquat use was under the target in 2010 and 2011. Target of paraquat use is decreased in 2012 compared with target 2011.

Criterion 4.6 Indicator Minor 2
The medical check for employees exposed to agrochemical was performed one a year. The medical check up reports 2010, 2011 and 2012 were sighted and verified. The provisions for medical check up were described in the procedure SOP/PSM/4.19

Criterion 4.6 Indicator Minor 3
Pesticide female workers are prohibited to do their job during pregnancy as stated in company policy while no mother with breast feeding period was identified during the audit. In that case, those workers are relocated to another job station with low risk level.

Minor non-conformance against criterion 4.6:
- Bimaron 80 wp and Karmec was used by organisation. The agro chemical has had license from Department of Agriculture however the agro chemical has not been registered in the list of pesticide used by organisation.
- Although use of paraquat was reduced however there was no documented program to reduce paraquat.

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

Criterion 4.7 Indicator Major 1
Occupational health and safety policy has been established by the management (General Manager and Principle Director). The policy was displayed at strategic locations of Estate and Mill and communicated to employees including contractor workers. The occupational health and safety program 2011/2012 has also been established among other consist of training activity, safety committee meeting, medical check up, etc.

One boiler was operated, the latest inspection and test by third party was conducted in May 2012. Currently, a construction project for installation of new boiler was being conducted.
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Three sterilizers were operated and all have been inspected and tested by third party. Steam vessel, air compressor, generator set, electrical installation, heavy equipment, lightning arrestor already have been inspected by local authority, the permits were evidence. Boiler operation was monitored its parameters including pressure, temperature and water level, these parameters were recorded. Boiler was completed with automatic water feeding to prevent over heat and explosion in case of less water level. Records of internal inspection and maintenance to the equipment were sighted e.g. electrical inspection, compressor inspection and welding equipment and heavy equipment. There was also safety patrol/inspection activity conducted monthly to identify any unsafe acts and conditions; findings were followed up as appropriate; based on verified reports June and July 2012.

The procedure for critical activities was established. The procedure was covering OHS control for working in confined space (e.g. cleaning of storage tank), working at height and welding. Work permit system was established but not well implemented, see non-conformance below. Lock out tag out (LOTO) procedure has also been established and implemented especially intended for risk control of maintenance activities.

Moving parts of machine/equipment generally has been covered, however see finding below, although it has been immediately rectified. Safety sign was provided to make workers aware on this hazard and risk. In general, electrical installation was improving from previous SAI Global audit even though some substandard electrical installation still found, but immediately corrected. Electrical hazard symbol was provided at electrical panel.

Housekeeping at Mill and Estate (office estate, storage, and workshop) in general was improving from previous visit. Access for workers to workplace in general also good e.g. stair was provided with hand rail and platform at height was provided with border to prevent fall risk. Vertical stair in general has been provided with cover as well, e.g. chimney vertical stairs at Mill and water torn vertical stair at Estate.

Noise level has been measured by third party and used as justification for using ear plug/muff (mill, generator set area). It was noted that noise level at Mill and generator set area was generally higher than TLV. Safety sign for using PPE was provided at these areas. It was noted here that workers appear have a good discipline in wearing this PPE.

The procedure for management of PPE has been established. The PPE for each activity has been established, e.g. working at Mill, working at generator set, welder, working at laboratory, harvester, sprayer, fertilizer storage, chemical storage, etc. Observation during this audit generally concluded that PPE has been well provided and implemented. Workers were interview during this audit and generally they were understood the risk of their work and the purpose of using PPE.

Criterion 4.7 Indicator Major 2
The safety committee (P2K3) has been established and had approval from local authority dated 27 January 2011. The chairman of safety committee is Estate Manager. The secretary of safety committee is an OHS expert as required by local regulation; OHS expert has responsibilities and authorities as OHS Officer. The members of safety committees are representing each area or function within Estate and Mill. Monthly safety committee meeting was held to review the OHS programme and performance. Records were sighted for May, June, July, August 2012. Reports were quarterly submitted to local authority as required by local regulation.

Criterion 4.7 Indicator Minor 1
Accident insurance was provided to workers and this is also including for daily base workers, under the scheme “Jamsostek” as required by local regulation. Samples of workers for Mill and Estate were taken during this audit and found satisfactory-all sample taken have been provided with accident insurance. The contractor workers were also provided with “Jamsostek” as mentioned in the contract agreement between company and contractors.
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The provisions for medical check up were described in the procedure SOP/PSM/4.19. It was noted that during 2011, medical check up was performed to around 70 employees of Mill and Estate, only for employees exposed to agrochemicals. Major non conformance was issued against criterion 2.1 indicator major 1.

Criterion 4.7 Indicator Minor 3
OHS risk assessment procedure was established and implemented for Mill and Estate activities. Hierarchy of control was considered for planning of risk control. According to the procedure, at least OHS risk assessment document must be reviewed once a year. The latest review of OHS risk assessment has been performed in October 2012. Some activities were examined in regard risk assessment including for boiler operation, sterilizer operation, generator set operation, cleaning of CPO storage tank, chemical mixing, fertilizer warehouse, herbicide and pesticide sprayer, harvesting, road maintenance, waste water treatment, etc.

Criterion 4.7 Indicator Minor 4
Training record related to OHS were sighted and verified during this audit, e.g. boiler certificate and licence for boiler operator, licence for operator of generator set, licence of heavy equipment operator, pesticide training for sprayers, "hyperkes" training for medical doctor and paramedics, and basic OHS training performed internally. Minor non-conformance in regard training for welder and electrician was issued against criterion 4.8.

Criterion 4.7 Indicator Minor 5
Emergency preparedness and response procedure has been established, SOC/PSM/4.08. The emergency conditions have been identified including general fire, land fire, explosion, chemical spillage, riot, and flood and earth quake. The team to handle emergency conditions has been established consists of fire fighting team, hydrant team, medical team/first aid, evacuation team, external relation, etc. Portable fire extinguishers have been sufficiently provided at Mill and Estate, fix hydrant was provided at Mill, mobile water tank was provided at Estate, first aid kits were provided sufficiently at each location of Mill and Estate. Regular inspection and maintenance of this emergency equipment were sighted. The schedule for simulation of emergency preparedness and response plan was sighted. It was noted that simulations have been performed in March 2012 for fire, April 2012 for compressor explosion and May 2012 for riot.

Criterion 4.7 Indicator Minor 6
Emergency shower and eyewash in general has been provided at chemical warehouse, fertilizer warehouse and chemical mixing area both at Mill and Estate. The content of emergency kits and the function of emergency shower/eyewash was regularly checked, checklist was sighted. Mill and Estate was supported with one clinic centre and first aid room at each division office. The group leader (mandor) was provided with first aid kit. They were trained with first aid handling.

Criterion 4.7 Indicator Minor 7
First aid kits were sufficiently provided at Mill and Estates including each group leader (mandor) at estate. Sufficient training in regard first aid treatment has been provided by company doctor to assistant at Estate and technician at Mill. During the audit, assistant was able demonstrating the use of first aid kit.

Criterion 4.7 Indicator Minor 8
Accident number was reported on monthly basis. Quarterly accident statistic was also reported to local authority. Accident was followed up with treatment of the victim and accident investigation.

Major non-conformance against criterion 4.7
- The cleaning of tanks was performed in 2012, no evidence that the procedure of confined space entry implemented (work permit system, checking of air adequacy). This non-conformance has been issued from previous audit.

Major non-conformance closed with minor non-conformance:
- Simulation of tank cleaning according to confined space procedure was conducted on 7
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December 2012. Work permit was issued and checking of air adequacy was conducted during the simulation. Result of simulation has been evaluated.

- Gas detector has been provided and use of gas detector is interchangeably with the other Mills within PT. Socfin Indonesia. Schedule of gas detector use has been established.

Minor non-conformance against criterion 4.7:
- Realisation of tank cleaning will be checked during next surveillance audit.

Minor non-conformance against criterion 4.7
- Found substandard condition and act e.g.:
  - Motor cycles utilized for transportation by workers were not completed with mirror and the drivers not wearing safety helmet.
  - Non proper electrical installation at workshop where electrical hazard may expose to worker.
  - The moving part (wheel, chain) at decanter and welding machine at workshop were not guarded.
- Two hydrant outlets at mill was not provided with handle to open the valve and nozzle. The hose found leakage.

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

Criterion 4.8 Indicator Major 1
The competency requirements for each function/position were described in the document “Personnel Qualification” which includes education, experience and training. The system to identify the training needs was established at the form “Evaluation of personnel qualification”, however this was not performed consistently, and see major non-conformance below. Even thought that the training needs were not identified using the established system but the training programme 2012 has been established and generally well realized, e.g. lock out tag out training, overhead crane operator, etc.

Criterion 4.8 Indicator Major 2
Evidence of training for key persons were verified and sighted, including for boiler operator, overhead crane operator, heavy equipment operators, sprayer, and chemical mixing operator, assistant of estates, pesticide and herbicide training, etc. The system to record personal training was established at the “List of individual training record”.

Criterion 4.8 Indicator Major 3
Occasionally, Mill and Estate were hiring contractor, e.g. for civil and mechanical contractor. The requirements for experienced or trained contractor were included in the contract agreement. Safety patrol was utilized to monitor the work of contractor including the competence of contractor workers. E.g. during this audit, a contractor “PT. Atmindo” was being hired at the Mill to install new boiler. PT. Atmindo is a specialist for boiler and pressure vessel design and fabrication.

Minor non-conformance against criterion 4.8:
- The form “Evaluation of personnel qualification” was not well implemented and therefore it was difficult to justify whether the training programme established based on the training need identification.
- Evidences for qualification of welder and electrician could not been found.

PRINCIPLES 5: ENVIRONMENTAL RESPONSIBILITY AND CONSERVATION OF NATURAL RESOURCES AND BIODIVERSITY
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Criterion 5.1 Aspect of plantation and mill management, including replanting, that have environmental impacts are identified, and plant to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.

Criterion 5.1 Indicator Major 1
Documents of RKL and RPL #660/084/Tarukim-SB/2005 for Bangun Bandar Mill and Estate were approved by Head of Serdang Bedagai District Environmental Agency on June 20, 2005. The revised RKL and RPL were available at Bangun Bandar Mill and Estate. The document did not cover environmental and social impact assessment of replanting activity. Major non-conformance was issued.

Bangun Bandar Mill and Estate implemented procedure for identifying environmental aspect and evaluating its impact based on Environmental Management System ISO 14001:2004, SOC/PSM/4.04. The result of environmental aspect and impact identification and evaluation was documented within Identification of Environmental Aspect, SOC/Form/4.04-01. As required by the procedure, the information of environmental is reviewed and updated regularly. Last review and update of environmental aspect and impact register for Bangun Bandar Mill and Estate was performed on October 1, 2012.

Bangun Bandar Mill and Estate has ensured that all activities with significant environmental impacts were managed. Control measure were defined and implemented for ensuring that negative environmental impact were prevented or mitigated. There were two types of control measures defined: engineering control and administrative control. Detail of control measure applied for each activity was described in Significant Environmental Aspect Management, SOC/Form/4.13-02, which was last updated on March 01, 2012. The implementation of those control measures are monitored during monthly environmental patrol and also round of internal audits.

Criterion 5.1 Indicator Major 2
Implementation of RKL RPL is reported regularly. Several report was sighted, e.g. report in September 2011, December 2011, period January to March 2012 and June 2012. The reports were submitted to Serdang Bedagai District Environmental Agency completed with receipt note for several reports.

Criterion 5.1 Indicator Minor 1
Initial Environmental Impact Assessment documents (ANDAL, RKL and RPL) which were approved by Department of Agriculture of Republic of Indonesia on May 24, 1994 for Bangun Bandar Mill and Estate were available. The document was revised and approved by Head of Serdang Bedagai District Environmental Agency on June 20, 2005 - Bangun Bandar Estate RKL RPL #660/084/Tarukim-SB/2005.

For internal environmental aspect and evaluated its impact document, as required by the procedure SOC/PSM/4.04, the information of environmental aspect and impact was reviewed and updated at least once a year. Last review and update of environmental aspect and impact register was performed in October 2012.

Major non-conformance against criterion 5.1:
- ANDAL did not cover environmental and social impact assessment of replanting activity including replanting on slope above 40%. Vademecum Kelapa Sawit PT Socfin Indonesia 2003 did not describe planting on slope above 40%. Work instruction (SOC-KKS/IK/05; 01 December 2011) only described that recommended slope for planting is \( \leq 30^\circ \) (=66%). However method for planting on slope described in work instruction was not enough to prevent erosion and significant sedimentation. There was conversion from rubber plant to Oil Palm in Block 102 (Tanjung Maria). Soil surface was damage which caused erosion and significant sedimentation. This area is sandy soil with slope >40%.

Major non-conformance closed:
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- SOC-KKS/IK/05 was revised on 1 December 2012 to amend replanting on slope >40% to prevent erosion.
- Environmental and social aspects to conversion from rubber to oil palm have been assessed including how manage the impacts and their monitoring plans.
- Restoration and prevention of erosion in block 102 has been conducted by planting the vertiver and cover crops, making “rorak” to hamper the torrent.
- Revising of RKL RPL is still in process including amending replanting activity.

Minor non-conformance against criterion 5.1:

- Record of regular report on environmental management (RKL RPL implementation) could not be shown during audit for reporting in September 2011 and June 2012.

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

Criterion 5.2 Indicator Major 1
Identification of any protected, rare, threatened or endangered species and HCV habitat has been performed by Forestry Department of Bogor Agricultural Institute (IPB) for PT. Socfin Indonesia Bangun Bandar Estate. The HCV assessment performed in September to October 2009.

HCV 1.1, HCV 1.2, HCV 4.1 and HCV 6 were identified. HCV 1.1 and HCV 4.1 are located in riparian buffer zone of the Belutu River and Martebing River (38.32 Ha). Two species of birds endangered based on red list of IUCN were identified, e.g. Alcedo euryzona and Pycnonotus zeylanicus. Public cemetery was identified as HCV 6.

Criterion 5.2 Indicator Major 2
The organisation established procedure SOC/PSM/9.07 to manage HCV area. The HCV management and monitoring plan has been prepared. The HCV management and monitoring plan described measures taken for each HCV and its monitoring. HCV management areas maps were established.

Criterion 5.2 Indicator Major 3
The riparian buffer of the Martebing River (HCV 1.1. and 4.1) is well managed; civil-technical and natural methods such as the planting of reeds are being used to slow down and even completely stop aberration in several sample areas along this river, and a general management plan is in place to manage the threats of aberration and erosion along the river. Pollution prevented by means of a > 25 meters buffer zone where the application of agrochemicals is prohibited. This buffer zone is enriched with beneficial plants such as Cassia cobanensis, and natural vegetation. The present pollution of the river is caused by upstream activities of third parties outside the concession area.

The Public cemetery which was identified as HCV 6 was well maintained, and weekly monitored.

Criterion 5.2 Indicator Minor 1
Posters and sign boards concerning HCV areas and protected species are available in the necessary places. All staff and employees are informed about HCV areas and ERT species. Public Consultation and dissemination of information to the employees and local communities has been carried out.

Criterion 5.2 Indicator Minor 2
Bangun Bandar Estate has appointed employee to ensure the implementation of management and monitoring plan.
Criterion 5.3 Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner.

**Criterion 5.3 Indicator Major 1**
Identification of waste and pollution sources from Bangun Bandar Mill and Estate activities was evident. The source of pollution and type of waste was documented within Identification of Environmental Aspect, SOC/Form/4.04-01.

**Criterion 5.3 Indicator Major 2**
Procedure waste handling was established and implemented, SOC/PSM/4.11. The procedure required waste to be segregated from point of generation. In addition Mill and Estate also required to established Waste Register, SOC/Form/4.11-01, which described wastes generated from each activity/location, its classification (organic, inorganic or hazardous), and its control measure.

EFB and POME was treated in composting process. Solid from decanter were used for fertiliser in Bangun Bandar Estate. Fiber from Bangun Bandar Mill was used for boiler feed. Shell was sent to Tanah Gambus Mill to be used for boiler feed in Tanah Gambus Mill. It was observed that organic and inorganic waste was segregated at point of source. Mill and Estate including housing has provided different colour of waste bin for each type of waste. Organic and inorganic wastes from Mill and Estate including housing were disposed to landfill in the Estate area.

**Criterion 5.3 Indicator Minor 1**
Hazardous wastes were collected, stored and disposed inline with Procedure SOC/PSM/4.11. Temporary storage of hazardous waste was available to collect hazardous waste prior to be disposed to licensed vendor. Temporary storage of hazardous waste still held valid permit from Serdang Bedagai District Environment Agency #18.32/660/430/2012 in October 2012. Disposal of hazardous waste were performed in coordination with Technical Department in Medan Head Office. Disposal of hazardous waste was completed with manifest. Manifest of disposal were sighted for 2011 and 2012 period.

Empty agrochemical containers from Estate activities were cleaned using a triple rinse method. Empty agrochemical cans and bottles were disposed to landfill and separated from organic and inorganic. Empty agrochemical jerrycans were reused for chemical solution during spraying. Fertiliser sacks were cleaned prior to be reused for piece of FFB layer during harvesting. All Divisions in Bangun Bandar Estate have been completed with area to clean hazardous chemical containers and fertiliser sacks. Liquid waste from cleaning was reused for chemical dilution during spraying.

**Criterion 5.3 Indicator Minor 1**
The hazardous wastes balance was made for each type of hazardous waste: waste oil, waste battery, used fuel and oil filters, and medical waste. Quantity of empty agrochemical cans and bottles disposed was recorded. Quantity of empty agrochemical jerrycans cleaned and fertiliser sacks cleaned was recorded.

**Minor non-conformance against criterion 5.3:**
- Conveyor to transfer boiler ash from dust collector to container was leak. Boiler ash was scattered and can cause air pollution.
- Mixing of chemical solution was performed nearby trench and did not use dip tray. Spill of chemical pollution was potential to pollute trench.

**Criterion 5.4 Efficiency of energy use and use of renewable energy is maximised.**
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Criterion 5.4 Indicator Minor 1
Fiber was used as boiler feed. Volume of fiber used for boiler feed is estimated monthly. Record sighted for 2011 and 2012. The quantity fiber generated from the Mill was estimated about 12.5% of FFB processed. Total energy generated by steam turbine generator for Bangun Bandar Mill was recorded daily and evaluated monthly as total energy (kWHR) per ton of CPO produced. Total energy generated by steam turbine generator was also recorded as total energy (kCal) per ton CPO.

Criterion 5.4 Indicator Minor 2
Fossil fuel used for Mill and Estate activities were recorded. Fossil fuel was used for heavy equipments, emergency diesel generator and FFB transportation. Total fuel consumption is summarised monthly as litre of diesel fuel per ton of FFB processed. Record sighted for 2011 and January to September 2012.

Minor non-conformance against criterion 5.4:
- Fossil fuels use for operation was monitored and recorded. However its efficiency was not monitored and analysed.

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

Criterion 5.5 Indicator Major 1
Replanting was performed in block 80 and 102 Division IV and block 42, 52, 53 and 54 Division I and block 12 Division III. Replanting in block 80 and 102 Division IV was converted from rubber trees to oil palm. No fire used for preparing land for replanting.

Criterion 5.5 Indicator Major 2
The organisation has policy of zero burning documented in Ethics Policy SOC/Dp/4.01-64 clause 11, procedure of land preparation and circular letter #PD-GM/KS/Bi/470/10. Replanting was conducted in 2012. Realisation of preparing land for replanting activities was well documented and reported including activities of chipping, ripping, cleaning ditch, making ditch and total area prepared. Zero burning activity was monitored during HSE inspection.

Criterion 5.5 Indicator Major 3
Emergency preparedness and response procedures for handling land fire was included in the procedure SOC/PSM/4.08 The team to handle emergency conditions has been established consists of fire fighting team, medical team, evacuation team, external relation, etc. The simulation of land fire handling has been performed in March 2012, reports were sighted.

Criterion 5.5 Indicator Minor 1
The equipment for land fire handling has been provided, this including portable fire extinguisher, mobile water truck and other mechanical equipment for localizing the fire. This equipment was justified sufficient based on the simulation as mentioned above.

Minor non-conformance against 5.5:
- Although in practice zero burning was implemented during preparing land and there was zero burning policy from top management, contract agreement for preparing land between the organisation and contractor did not cover requirement of zero burning.

Criterion 5.6 Plans to reduce pollution and emissions, including greenhouse gasses, are developed, implemented and monitored.
Criterion 5.6 Indicator Major 1
Identification of pollution and emission sources at Bangun Bandar Mill activities was evident. The source of pollution and type of waste was documented within Identification of Environmental Aspect, SOC/Form/4.04-01. The information of pollution and emission sources at Bangun Bandar Mill was reviewed and updated on October 01, 2012 including boiler emission, methane from Palm Oil Mill Emission, diesel electricity generator and vehicles and heavy equipments.

Criterion 5.6 Indicator Major 2
Monitoring of pollution and emission quality of sources identified were performed inline with Environmental Monitoring Plan. In addition, annual monitoring and measuring plan was established. Monitoring and measurement results for 2nd semester of 2011, 1st semester of 2012 were sighted for boiler emission against Environment Ministry Decree #07/2007, diesel electricity generator against Environment Ministry Decree #Kep13/Menlh/3/95, vehicle and heavy equipment emission against Environment Ministry Decree #05/2006, odour emission against Environment Ministry Decree #50/Menlh/11/96, ambient noise against Environment Ministry Decree #48/Menlh/11/96, also ambient air quality against Government Regulation #41/1999.

Criterion 5.6 Indicator Minor 1
Efforts and strategies employed to reduce pollution and emissions were sighted, e.g.:
- Boiler ash from dust collector of boiler was collected through closed conveyor to prevent air pollution from ash and then boiler ash was treated in composting process,
- Composting process is operated in earlier of 2012. All EFB was processed in composting mixed with 30-40% total of POME and boiler ash. The organization expected that there will be no waste water discharge from Bangun Bandar Mill and methane emission from waste water treatment ponds is eliminated.
- Segregation of organic and non organic waste.

Criterion 5.6 Indicator Minor 2
Bangun Bandar Mill waste water was processed through a series of waste water treatment ponds: two anaerobic ponds, one facultative pond and one aerobic pond. The operation of waste water treatment ponds is described in work guidance SOC/DP/4.11-01. Process parameter monitoring and maintenance of the ponds were sighted. Quality of waste water effluent is monitored monthly in line with the provisions of the Decree of the Minister of Environment #51/1995 by external laboratory. The results of monitoring of waste water effluent were reviewed including measurement of BOD for May 2011 to September 2012. The result of discharge effluent conforms to the limits for parameters of the Decree of the Minister of Environment #51/1995. Several conditions of WWT operation are monitored periodically, e.g. checking of circulation pump and aerator condition, cleaning in last pond, pH, temperature, etc.

Minor non-conformance against 5.6:
- Procedure required that several conditions of WWT operation are monitored periodically. However last monitoring to WWT operation was conducted in May 2012, e.g. checking of circulation pump and aerator condition, cleaning in last pond, pH, temperature, etc.

PRINCIPLES 6: RESPONSIBLE CONSIDERATION OF EMPLOYEES AND INDIVIDUALS AND COMMUNITIES AFFECTED BY GROWERS AND MILLS

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

Criterion 6.1 Indicator Major 1
Social Impact Assessment (SIA) was conducted by the organisation and documented. Assessment was conducted through involvement of few stakeholders such as villagers representatives, NGOs,
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local authority, subcontractor, etc through interview, visit, meeting and formal/informal communication. During audit some interview was conducted with leaders’ community. The second assessment was conducted and recorded during January 2011. Scope of assessment covered villages where external stakeholder lives.

Criterion 6.1 Indicator Minor 1
Action plan to implement and monitor social impact with community has been determined. Positive impacts (i.e. increased income of the village economy, ease of road access) were maintained with organisation and necessary action was planned by the organization. And some of negative impacts (i.e. ash and smell from the mill) were followed up with corrective action plan. According to public interview, they explained that the organisation has done some positive actions in regard with SIA result. Evidence of participatory action from local communities was also sighted in related SIA documentation including photos. However action plans have not been monitored as noted below.

Criterion 6.1 Indicator Minor 2
There was a change in the operation scope (replanting on some areas) that require new social impact assessment. Revision to the environmental management document regarding replanting on some areas that encompasses social impact assessment has not been performed. Major non-conformance was issued in criterion 5.1.

Criterion 6.1 Indicator Minor 3
Implementation of RKL RPL is reported regularly. Several report was sighted, e.g. report in September 2011, December 2011, period January to March 2012 and June 2012. The reports were submitted to Serdang Bedagai District Environmental Agency completed with receipt note for several reports.

Minor nonconformity against criterion 6.1
- The monitoring report of social impact action plan was not provided to describe follow up status of following plan: road repair, use of plantation resources by surrounding villagers (shall be monitored once every month), maintenance of public facilities. Monitoring was not also performed on replanting areas in 2012 (e.g. division I: block 48,52,53,54, division II: block 12 and conversion from rubber planting on division IV: block 80 & 102).
- The frequency of social impact monitoring has not been clearly defined in a procedure of “social impact assessment”.

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

Criterion 6.2 Indicator Major 1
Procedure for communication and consultation with public was determined in the SOC/PSM/9.01. Stage of communication and consultation with public was described in the procedure and it was communicated to stake holder. This procedure was established in consultation with local communities and related stakeholders which is also communicated during RSPO awareness. Result of communication and consultation was recorded in the ‘log book’. Communication and consultation has considered differential access to information for male/ female, workers, villagers representative both old and new villagers including ethnics.

Criterion 6.2 Indicator Minor 1
Stakeholder list (updated in 2012) was made and mentioned interested parties. Stakeholder list covered head of villages, head of district, etc.

Criterion 6.2 Indicator Minor 2
Community aspirations were kept and recorded by the Head of Administration, e.g. road maintenance, donation, scholarship, use of company clinic, provision of heavy equipment for construction purpose. Records and interview result indicated that aspiration from community was
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followed up by the organisation.

In general, interview result indicated that the communication between local society and Estate was evident where some agreements were made to improve social relationship.

**Criterion 6.2 Indicator Minor 3**

Head of administration was responsible to coordinate communication and consultation.

**Minor nonconformity against criterion 6.2**

- There are not enough evidence (records) to ensure that stakeholders (as recipient) has received some financial and equipment supports as proposed to the mill. E.g. provision of heavy equipments to Dolok Sagala village (9/5/2012), delivery of “trichoderma” to Sumatera Bioscience (7/5/2012).

**Opportunity for improvements:**

- Consider to identify Martebing village in the plantation map (peta kerja), as this village was registered in stakeholder list.
- Consider to distinguish “desa” (village) and “dusun” (part of village) in existing plantation map where currently all ‘dusun’ were also named as “village”. Moreover, the current map shows more than 6 villages as the stakeholder list does only mention 6 villages only (excluding villages as mentioned in the map such as: Sinasih, Pamah, Sarang Puah, Ujung Silau, Bandar maria, etc). Consider to re-map all villages and ‘dusun” and ensured that RSPO awareness and CSR program be applied to all represented villages.

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

**Criterion 6.3 Indicator Major 1**

Procedure for complaints and grievances was determined and agreed by related parties (head of villages). And procedure was made without compulsion from other interest parties. The procedure was described in the documented procedure SOC/PSM/9.05-9.06.

**Criterion 6.3 Indicator Minor 1**

There was a land conflict in the part of Dolok Sagala Village, however the supreme court has refused the claim from community since the company has proper legal documents and rights based on HGU (refer to decree letter from supreme court no. 37/K/TUN/2012, March 7, 2012)

**Criterion 6.3 Indicator Minor 2**

Compensation and calculation identification pertinent for loss legal or customary rights was determined in the procedure – SOC/SPM/9.05. It was noted that there was no acquire any new land.

**Minor nonconformity against criterion 6.3**

- The awareness briefing of procedure ‘social issues handling’ has been done in 2010 without involving representative from Kerapu Village.

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

**Criterion 6.4 Indicator Major 1**

Compensation and calculation identification pertinent for loss legal or customary rights was
Audit Report
determined in the procedure. This procedure has made based on consultation and review by associated stakeholders.

Criterion 6.4 Indicator Minor 1, 2 and 3
It was noted that there was no ongoing progress of new land acquisition during interview with sampled villager’s representative, all previous land acquisition was solved in proper way as told by them. It was noted that there was no recent acquired new land.

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

Criterion 6.5 Indicator Major 1
Documentation of employees’ pay rates was made by the organization. Workers were classified into daily worker (BHL – Buruh Harian Lepas), and permanent worker (KHT – Karyawan Harian Tetap & employees). Evidence that the workers have received wage according regulation could be shown. Minimum wages payment refers to latest Northern Sumatera Governor’s Decree Letter no. 188.44/988/KPTS/2011. The minimum wages for year 2012 was 1,210,000 IDR.

Criterion 6.5 Indicator Major 2
Payments for workers were determined according daily absence. Daily absence for workers was recorded and controlled by the Foreman. It was evident that the wage was paid according working hours and daily absence. According to interview result with worker, it was assumed that wage received by the workers was complied with the determined regulations. Beside of wages, worker also receives ‘rice’ with determined price at monthly basis.

The company and workers have arranged mutual working agreements as described in PKB (Perjanjian Kerja Bersama - Joint Working Agreement) (document (created in 2010) which is expected to be updated every 2 years. Rights and obligation between two parties seems to be implemented accordingly.

Criterion 6.5 Indicator Minor 1
Public facilities were provided by the organisation and covered residential facilities, day care, education, etc. Workers who live in housing complex use deep wells on their nearby houses through piping system which is inspected annually by external laboratory. Housing was provided for all permanent workers. Housing for workers and medical facilities (clinics) were provided by the organisation with basic facilities.

Criterion 6.5 Indicator Minor 2
Some of contractors were used by the organisation such as land clearing and civil work. Working agreement with contractor could be shown that also require all contractors shall abide national labour laws.

All employees and subcontractor have been registered with Social Security, and turnover data are reported periodically to the Department of Labour.

Minor nonconformity against criterion 6.5
- The deep well water analysis was done in 2011 and concluded that water is not appropriate for drink due to high number of E-coli bacteria found during analysis. However several people in housing complex has used this water for drink consumption (after boiled) as informed during interview while no formal notification/recommendation from the company about the analysis result.

Opportunity for improvements:
- PKB manual might be distributed to respective employees e.g. in a pocket book.
Criterion 6.6 The employer respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.

**Criterion 6.6 Indicator Major 1**
A published statement in local languages recognizing freedom of association was stated in “ethical policies” and approved by the top management. Memorandum stated that the organisation respect to comply with regulation pertinent to freedom of association. Also PKB stated that freedom of association can be conducted by the worker through Labour Union.

**Criterion 6.6 Indicator Minor 1**
SP (Serikat Pekerja – Independent Worker Union) was established for Mill and Estate. Worker representative was elected independently among workers. 3 monthly meeting was also held to discuss any issues as necessary and recorded in minutes of meeting. Latest PKB was made in 2010 and agreed between workers, organisation and local authorities.

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

**Criterion 6.7 Indicator Major 1**
Organisation has policy for minimum age for worker and mentioned in “Ethical policies”. List of worker and related document was verified and there is no worker under 18 years old.

**Criterion 6.7 Indicator Minor 1**
List of worker and related document was verified and there was no worker under 18 years old. According to observation result and interview in Mill and Estate, there was no worker under 18 years old.

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

**Criterion 6.8 Indicator Major 1**
Policy for against discrimination was determined by the organisation. All discriminations are prohibited for all area in Mill and Estate. “Ethical policies” also mentioned ban of discrimination for all worker in the organisation.

**Criterion 6.8 Indicator Minor 1**
Worker list of Mill and Estate mentioned that all workers came from different back grounds (race, religion, gender). During interview with workers, no discrimination was identified based on religion, ethnic, gender.

Opportunity for improvements:
- Regular meeting of gender committee might be performed consistently. The meetings were scheduled on May, September and November 2012, while the last meeting was only held in May 2012.
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Criterion 6.9 A policy to prevent sexual harassment and all other forms of violence against women and to protect their reproductive rights is developed and applied.

Criterion 6.9 Indicator Major 1 and 2
Policy for sexual harassment and violence and to protect women reproduction rights was determined in the “Ethical policies”.

Criterion 6.9 Indicator Minor 1 and 2
Gender committee was established by the organisation. The committee has representatives from all areas of work which is supposed to have a meeting thrice in this year. The committee consider matters such as; trainings on women’s rights, counselling for women affected by violence, child care facilities to be provided by the growers and millers, women to be allowed to breastfeed up to nine months before resuming chemical spraying or usage tasks, and women to be given specific break times to enable effective breastfeeding.

Criterion 6.9 Indicator Minor 3
Complaint handling procedure for sexual harassment was determined. All complaints can be issued verbal and or written and informed to all administrator, gender committee and Mill/Estate Manager. A sexual harassment case was found in 2012 and resolved already by Head of Mill and Estate and gender committee.

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

Criterion 6.10 Indicator Major 1 and 2
There is one out grower supply FFB to Bangun Bandar Mill. Price mechanism of FFB is determined by HO and reviewed in monthly basis (the last revision was 13 October 2012, #TL/KK/BE/330/2012). The company updates the information on the FFB pricing formula that includes details of transport, milling and shipping costs, each month and provides it to smallholders.

Criterion 6.10 Indicator Minor 1
Annual contract are made between FFB suppliers and mill, describing FFB specification required, contract period, determination of FFB pricing, and term of payment. The current contract described on MOU (#4200013162 03/01/2012). Information of FFB set was available to the FFB suppliers and the commitment was stated in the procedure. The selection and evaluation of supplier/vendor was based on capability of supplier and vendor to supply required inputs and or services. Specification of inputs and or services required was communicated to the supplier/vendor through tender document or request for quotation.

Criterion 6.10 Indicator Minor 2
A review to the current FFB purchase records (February 2012 to current) shows that the price set was consistently used as recorded in the record of FFB receiving. The payment of FFB received were planned and executed in timely manner in line with term of payment agreed within the contract.

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

Criterion 6.11 Indicator Minor 1
Records of organisation contribution to regional development were evident, among other levied in region, agreement contract, and social assistance list. Some of activities were conducted by the
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local contractors such as building houses, road maintenance (road hardening). Public comments are welcome for CSR program and their requesting included in annually CSR program.

Opportunity for improvement:
- Summary of CSR program might be provided in periodic basis i.e. 6 monthly or annually.

PRINCIPLES 7: RESPONSIBLE DEVELOPMENT OF NEW PLANTINGS

A procedure regarding responsible development of new plantings is in place (Document SOC/PSM/9.04). Bangun Bandar is a very old plantation, and therefore only replanting of Oil Palm and conversion from the companies’ Rubber Plantation into Oil Palm (within the same concession / licence area) is practiced here. No Primary Forest of HCV area has been present since long time, as this plantation was established during the Dutch period in the beginning of the 20th century. Since then, only implantable swamps consisting of bushes and shrubs, and riparian zones planted with oil palms remained, and these have all been identified as HCV areas. No other HCV areas or forests were present here between November 2005 and November 2007.

PRINCIPLES 8: COMMITMENT TO CONTINUOUS IMPROVEMENT IN KEY AREAS OF ACTIVITY

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

Criterion 8.1 Indicator Major 1
The commitment for continual improvement was shown through innovation system involving all levels within the Mill and Estate organization. Evidences of application of the innovation project were sighted for the mill.

Several improvements have been performed, e.g.:
- Water from decantation tank is reused for dilution water in station press. Previously water was disposed to WWTP.
- Boiler ash from dust collector of boiler was collected through closed conveyor to prevent air pollution from dust and then boiler ash was treated in composting process.
- Composting process is operated in earlier of 2012. All EFB was processed in composting mixed with 30-40% total of POME and boiler ash.

The Mill and Estate is certified to ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 continually set management objective and target which were supported by quality, environment and safety management program. Regular management review meeting was held to evaluate the adequacy and effectiveness of the management system.

Regular evaluation of plantation and mill operation was performed through several levels of audits. The coverage of the audit including production planning, production, power generation and utilization, consumable, process control, quality control – including waste water treatment, maintenance, occupational health and safety, FFB incoming and inspection, and laboratory. The above audit reports indicated that any gaps against standard operation procedure of plantation and operation were noted. Corrective action plan was issued and implemented to demonstrate effort for compliance as well as continual improvement.

Criterion 8.1 Indicator Minor 1
RSPO internal audit has been conducted in March 2012 combine with ISO internal audit. Audit was done for the Mill and Estate. Internal audit report was reviewed, and internal audit findings were
Audit Report

followed up by the Mill and Estate. A list of findings and its corrective action plan was used for monitoring their status.

Action plan matrix is established for findings issued during SAI Global RSPO certification audit. Corrective action plan has been established and implemented. The effectiveness of the corrective action taken has been verified.

**Minor non-conformance against criterion 8.1:**
- Although in practice there were some improvements, however most of them were not documented.

**Mill Supply Chain Certification Requirements**

Mill of Bangun Bandar received FFB from its own Estates and from the third party supply base. All of the FFBs are processed under the same facilities; therefore the supply chain model that can be applied is Mass Balance (MB) model. Records for period January – December 2011 and January – September 2012 were reviewed. Below are the detail estimation of CPO and PK produced (certified and non-certified) for 2011 and 2012 and the deliveries 2011 and 2012.

**Table 9: Bangun Bandar Mill Production and Delivery of CPO and Kernel 2011 and 2012**

<table>
<thead>
<tr>
<th>Month</th>
<th>Initial Stock (MT)</th>
<th>Production (MT)</th>
<th>Ending Stock (MT)</th>
<th>Delivery (MT)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CPO</td>
<td>PK</td>
<td>CPO</td>
<td>PK</td>
</tr>
<tr>
<td>December 2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certified</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>146.93</td>
<td>53.14</td>
<td>864.71</td>
<td>156.86</td>
</tr>
<tr>
<td>February</td>
<td>146.99</td>
<td>34.94</td>
<td>913.78</td>
<td>175.05</td>
</tr>
<tr>
<td>March</td>
<td>366.60</td>
<td>42.14</td>
<td>1,173.80</td>
<td>223.23</td>
</tr>
<tr>
<td>April</td>
<td>512.19</td>
<td>55.67</td>
<td>1,127.39</td>
<td>214.52</td>
</tr>
<tr>
<td>May</td>
<td>182.94</td>
<td>99.73</td>
<td>1,265.62</td>
<td>241.26</td>
</tr>
<tr>
<td>June</td>
<td>391.73</td>
<td>91.60</td>
<td>1,105.27</td>
<td>234.18</td>
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<tr>
<td>July</td>
<td>471.08</td>
<td>27.91</td>
<td>1,145.14</td>
<td>230.54</td>
</tr>
<tr>
<td>August</td>
<td>441.80</td>
<td>70.42</td>
<td>1,049.08</td>
<td>216.90</td>
</tr>
<tr>
<td>September</td>
<td>338.22</td>
<td>127.69</td>
<td>1,157.76</td>
<td>225.21</td>
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<tr>
<td>October</td>
<td>440.77</td>
<td>73.92</td>
<td>1,028.89</td>
<td>205.32</td>
</tr>
<tr>
<td>November</td>
<td>529.86</td>
<td>45.80</td>
<td>977.97</td>
<td>192.33</td>
</tr>
<tr>
<td>December</td>
<td>229.88</td>
<td>99.73</td>
<td>1,012.35</td>
<td>210.45</td>
</tr>
<tr>
<td>Total</td>
<td>4,198.98</td>
<td>762.67</td>
<td>12,821.73</td>
<td>2,525.85</td>
</tr>
<tr>
<td>Non-certified</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>227.46</td>
<td>53.31</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>February</td>
<td>236.43</td>
<td>58.52</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>March</td>
<td>439.36</td>
<td>109.49</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>April</td>
<td>769.57</td>
<td>193.95</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>May</td>
<td>947.19</td>
<td>237.05</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>June</td>
<td>953.91</td>
<td>267.57</td>
<td>19,651.37</td>
<td>277.98</td>
</tr>
<tr>
<td>July</td>
<td>1,030.57</td>
<td>273.88</td>
<td>870.96</td>
<td>242.34</td>
</tr>
<tr>
<td>August</td>
<td>995.57</td>
<td>272.42</td>
<td>1,192.37</td>
<td>258.10</td>
</tr>
<tr>
<td>September</td>
<td>926.44</td>
<td>232.75</td>
<td>864.60</td>
<td>308.22</td>
</tr>
<tr>
<td>October</td>
<td>924.02</td>
<td>240.69</td>
<td>947.63</td>
<td>236.32</td>
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<tr>
<td>November</td>
<td>894.94</td>
<td>231.28</td>
<td>738.57</td>
<td>169.33</td>
</tr>
<tr>
<td>December</td>
<td>738.57</td>
<td>204.42</td>
<td>631.93</td>
<td>169.33</td>
</tr>
<tr>
<td>Total</td>
<td>9,084.01</td>
<td>2,375.32</td>
<td>7,282.77</td>
<td>1,821.38</td>
</tr>
</tbody>
</table>
### Tabel 10: Budget of Production of FFB, CPO and PK 2012

<table>
<thead>
<tr>
<th>Month</th>
<th>Total FFB intake (ton)</th>
<th>Total CPO (ton)</th>
<th>Total PK (ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>3,925.01</td>
<td>894.35</td>
<td>171.66</td>
</tr>
<tr>
<td>February</td>
<td>3,844.34</td>
<td>879.81</td>
<td>165.20</td>
</tr>
<tr>
<td>March</td>
<td>4,529.09</td>
<td>1,038.38</td>
<td>198.34</td>
</tr>
<tr>
<td>April</td>
<td>4,351.16</td>
<td>994.17</td>
<td>203.88</td>
</tr>
<tr>
<td>May</td>
<td>4,891.79</td>
<td>1,118.09</td>
<td>216.01</td>
</tr>
<tr>
<td>June</td>
<td>5,056.55</td>
<td>1,157.83</td>
<td>213.44</td>
</tr>
<tr>
<td>July</td>
<td>5,449.42</td>
<td>1,258.13</td>
<td>245.60</td>
</tr>
<tr>
<td>August</td>
<td>4,886.10</td>
<td>1,132.73</td>
<td>227.78</td>
</tr>
<tr>
<td>September</td>
<td>4,860.63</td>
<td>1,131.10</td>
<td>222.44</td>
</tr>
<tr>
<td>October</td>
<td>5,184.09</td>
<td>1,211.10</td>
<td>247.68</td>
</tr>
<tr>
<td>November</td>
<td>4,786.37</td>
<td>1,118.42</td>
<td>222.59</td>
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<tr>
<td>December</td>
<td>4,694.17</td>
<td>1,100.45</td>
<td>213.68</td>
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<tr>
<td>Total</td>
<td>56,458.71</td>
<td>13,034.56</td>
<td>2,548.29</td>
</tr>
</tbody>
</table>

Source: Socfin Indonesia, November 2012

1. Documented Procedures

Bangun Bandar Mill has established and documented written procedure incorporated to the implementation of RSPO SCCS in Procedure SOC/PSM/9/09 (Supply Chain Certification System Palm Oil Mill) is integrated with the Quality Management System ISO 9001:2008. The procedure describes the implementation of all the elements of RSPO SCCS. Receiving FFB, including the
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grading up to CPO and Kernel dispatch are described in the procedure. The procedures were look up dated (1 August 2012) and covering the implementation of all elements in RSPO SCCS requirements. The person having overall responsibility for and authority over the implementation of RSPO SCCS has been assigned (Mill Administration) and he demonstrated awareness of the facilities procedures for the implementation of this standard.

2. Purchasing and Goods In
Bangun Bandar Mill has a clear system for recording FFB received from certifiable supply base and non certifiable supply base. It was verified that receiving of FFB was traceable to the supply base unit. Weighing slip and receiving report issued clearly stated weight off FFB receive and its source. Weighbridge has been calibrated. A review to the current records (January – September 2012) found that they were well maintained and retrievable. The mechanism for handling non-conforming material/documents include inform to certification body if there is overproduction is described in SOC/PSM/9/09 point 5.6. This mechanism should also be used to take appropriate steps when there is a projection of overproduction.

3. Record Keeping
A review to the records and related documentation of the implementation of the SCCS found that accurate, complete and up to date records and report have been maintained by Bangun Bandar Mill. The records and reports are easily accessible both in hard copy and soft copy. Retention time for these records and reports has been determined (5 years). Balance among all FFB, CPO and PK receipts, produced and delivered is conducted in daily basis and recapitulation is done once a month. The record is well maintained. The mechanism for delivering product only from positive stock was in place and the sales records reviewed (see below) compare against stock report demonstrated that the site only delivered RSPO certified product from positive stock. Product name (CPO or PK) and supply chain model (MB) were notified in sales records. During on site observation was found that the kernel is crushed in the facility. No outsource process for this activity.

4. Sales and Goods Out
Bangun Bandar Mill’s CPO is delivered to Refinery and Fractionation Factory (FRF) and PK is delivered to Palm Kernel Oil Factory (PKOF). FRF and PKOF are located in Tanah Gambus. Written procedure has been established, describing the process of delivery and its recording. A review to delivery records January 2012 on ward found that result of the delivery (CPO and PK) was well recorded and maintained. Delivery records found that information of the customer, quantity delivered and product description were included.

5. Training
Qualification of personnel who responsible in managing & implementing Supply Chain requirement has been defined and documented, including training requirements necessary for Supply Chain. Training for Supply Chain requirements have been delivered to personnel in Bangun Bandar Mill on 10 July 2012. The training records were made including training material, training attendance and individual training record. Individual training record, for personnel in relation to implement of Supply Chain requirements were sighted, e.g. Technician and administration.

6. Claims
No claim has been made.
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3.3 Recommendation

The recommendation from this audit is continuous as a producer of RSPO Certified Sustainable Palm and Palm Kernel when corrective action is taken and verified.

Audit recommendations are always subject to ratification by RSPO.

This report was prepared by: Ria Gloria, Sigit Yulianto, Bayu Abirowo and Irawan Bawono

3.4 Environmental and Social Risk for this scope of certification for planning of the surveillance audit

- Environmental risk: environmental impact assessment of replanting activity, management of riparian buffer zone
- Social risk: social impact assessment of replanting activity, monitoring report of social impact action plan
Audit Report

3.5 Acknowledgement of Internal Responsibility and Formal Sign-off of Assessment Findings

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

Signed for and on behalf of PT. Socfin Indonesia

[Signature]
Mr. Hasan Bisri
Management Representative
Date: 3 January 2013

Signed for and on behalf of PT. SAI Global Indonesia

[Signature]
Mr. Joko Prayitno
Certification Manager
Date: 3 January 2013
<table>
<thead>
<tr>
<th>Day</th>
<th>Auditor</th>
<th>Audit meetings plus functions/ processes/ areas/ *shifts audited:</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.10.2012</td>
<td>Day 1 - Bangun Bandar Mill</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ria, Sigit, Bayu, Irawan</td>
<td>Opening meeting</td>
</tr>
<tr>
<td></td>
<td>Ria, Eko</td>
<td>Bangun Bandar Mill Document review and site visit:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Principle 2: Criterion 2.1 (evaluation of compliance with Environmental regulation)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Principle 4: Criterion 4.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Principle 5: Criteria 5.1, 5.3, 5.4, 5.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Verification of corrective action for previous issues</td>
</tr>
<tr>
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<td>Sigit</td>
<td>Bangun Bandar Mill Document review and site visit:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Principle 2: Criterion 2.1 (evaluation of compliance with OHS regulation)</td>
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<td>Principle 4: Criteria 4.7, 4.8</td>
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<td>Principle 8: Criterion 8.1 (monitoring and continual improvement plan OHS)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Verification of corrective action for previous issues</td>
</tr>
<tr>
<td></td>
<td>Irawan</td>
<td>Bangun Bandar Mill Document review and site visit:</td>
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<tr>
<td></td>
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<td>Principle 1: Criterion 1.1</td>
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<td>Principle 4: Criterion 4.1</td>
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<td></td>
<td></td>
<td>Principle 8: Criterion 8.1 (monitoring and continual improvement plan Mill)</td>
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<td>SCCS</td>
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<td></td>
<td>Verification of corrective action for previous issues</td>
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<td></td>
<td>Bayu</td>
<td>Bangun Bandar Mill Document review:</td>
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<tr>
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<td>Mapping and verification of stakeholder for Mill and all Estates and select the stakeholder involved in consultation during this surveillance audit</td>
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<td></td>
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<td>Principle 1: Criterion 1.1, 1.2</td>
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<td></td>
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<td>Principle 2: Criterion 2.1 (evaluation of compliance with Social regulation)</td>
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<td></td>
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<td>Principle 6: Criteria 6.1, 6.2, 6.3, 6.5, 6.6, 6.7, 6.8, 6.9, 6.11</td>
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<td></td>
<td></td>
<td>Principle 8: Criterion 8.1 (monitoring and continual improvement plan social)</td>
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<td></td>
<td></td>
<td>Verification of corrective action for previous issues</td>
</tr>
<tr>
<td>16.10.2012</td>
<td>Day 2 - Bangun Bandar Mill</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ria, Eko</td>
<td>Bangun Bandar Estate Document review and site visit:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Principle 2: Criterion 2.1 (evaluation of compliance with Estate regulation)</td>
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<tr>
<td></td>
<td></td>
<td>Principle 4: Criteria 4.1, 4.2, 4.3, 4.4, 4.5, 4.6</td>
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<td></td>
<td></td>
<td>Principle 5: Criteria 5.1, 5.3, 5.4, 5.5</td>
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<td>Principle 7</td>
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<td></td>
<td></td>
<td>Principle 8: Criterion 8.1 (monitoring and continual improvement plan Estate)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Verification of corrective action for previous issues</td>
</tr>
</tbody>
</table>
## Audit Report

| Sigit       | Bangun Bandar Estate  
|            | Document review and site visit:  
|            | Principle 2: Criterion 2.1 (evaluation of compliance with OHS regulation)  
|            | Principle 4: Criteria 4.6 (4.6.2 minor), 4.7, 4.8  
|            | Principle 5: Criterion 5.5 (5.5.3 major and 5.5.1 minor)  
|            | Verification of corrective action for previous issues  
| Irawan     | Bangun Bandar Mill  
|            | SCCS  
| Irawan     | Bangun Bandar Estate  
|            | Principle 2: Criterion 2.2, 2.3 (Site visit patok dilakukan oleh Pak Resit)  
| Resit      | Bangun Bandar Estate  
|            | Document review and site visit:  
|            | Principle 2: Criterion 2.2 (hanya site visit patok)  
|            | Principle 5: Criterion 5.2  
|            | Verification of corrective action for previous issues  
| Bayu       | Bangun Bandar Estate  
|            | Document review:  
|            | Principle 1: Criterion 1.1, 1.2 (Social document and record)  
|            | Principle 2: Criterion 2.1 (evaluation of compliance with Social regulation)  
|            | Principle 4: Criterion 4.6 (4.6.3 minor)  
|            | Principle 6: Criterion 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 6.11  
|            | Verification of corrective action for previous issues  
| Bayu       | Interview with labour union: SP and Komisi Perempuan  
|            | Interview with employees of Estate  
| Bayu       | Interview with local community: Tokoh masyarakat, Tokoh Agama and Tokoh Pemuda  
| Ria, Sigit,    | Closing meeting  
| Bayu, Resit, |  
| Irawan, Eko |  

**19.10.2012**  

**Day 3 - Medan Head Office**

| Ria, Eko | Secretariat:  
| Time bound plan  
| Partial certification requirements  
|  
| Ria, Eko | Closing meeting  

All applicable requirements of relevant standards are covered during the audit of the 'Functions/Processes/Areas. * Enter shift details only where applicable.
## AUDIT REPORT

Appendix “B” – Previous Nonconformities, Corrective Actions and Status

### Minor Non-conformances - RSPO

<table>
<thead>
<tr>
<th>No</th>
<th>RSPO Criterion</th>
<th>Details</th>
<th>Corrective Action</th>
<th>PIC</th>
<th>Completion Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2.1</td>
<td>No flow meter installed for measuring river water abstraction, and flow meter used for measuring consumption of ground water has not been functioned since September 2010. It was informed that local authority has approved the estimation of river water consumption by using ratio of total FFB processed monthly. However no documented statement from the local authorities regarding this matter, although that calculation of the retribution and retribution payments were sighted.</td>
<td>Flow meter for measuring river water abstraction will be installed and flow meter used for measuring consumption of ground water will be repaired.</td>
<td>Technical</td>
<td>July 2011</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Compliance with law and regulations, e.g. ground water abstractions permit, river management against Government Regulation #35/1991 and limited pesticide use baded on Ministry of Agriculture Decree #7/permentan/sr.140/2/2007.</td>
<td>Mill, Estate, ISO Secretariat</td>
<td>July 2011</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The result of evaluation of compliance with regulation Act No. 3/1992 in regards employee social benefit was reported complied to. In fact not all requirements</td>
<td>Compliance with regulation Act No. 3/1992 will be re-evaluated. The gaps will be completed with action plan.</td>
<td>Estate, ISO Secretariat</td>
<td>July 2011</td>
<td>Closed</td>
</tr>
<tr>
<td>Issue</td>
<td>2.1</td>
<td>It was observed during site observation that the recording of sterilization was not conducted as actual condition. The steam sterilizer #2 was down however it was not recorded on Rototherm report.</td>
<td>Technical</td>
<td>May 2011</td>
<td>Closed</td>
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<td>Record of Rototherm chart will be improved. Identity and date will be provided in the chart.</td>
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<tr>
<td></td>
<td>Working Instruction for “Sounding” has not been established.</td>
<td>Establish work instruction for “Sounding”</td>
<td>Mill/ISO Secretariat</td>
<td>August 2011</td>
<td>Closed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sounding reporting was not conducted in appropriate manner. Only one sounding record is reported on the daily report.</td>
<td>Revise recording of sounding</td>
<td>Mill</td>
<td>August 2011</td>
<td>Closed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Thermometer used for sounding has not been calibrated.</td>
<td>Thermometer used for sounding will be calibrated.</td>
<td>Technical</td>
<td>May 2011</td>
<td>Not closed</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Water analysis is done with not appropriate equipment. There was no scale on the pipe used for titration of water alkalinity.</td>
<td>Analysis of water treatment will be completed with burette.</td>
<td>Technical</td>
<td>August 2011</td>
<td>Closed</td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>The peat area was not identified as HCV area as it has been developed for a longer period of time already, and the area was not mentioned in the HCV report. No best management practices for peat conservation are applied for the area. No piezo metes have been applied.</td>
<td>Soil at all blocks will be analysed at the next period. Criteria and location of sampling will be mentioned in the report.</td>
<td>Agriculture Department</td>
<td>2012</td>
<td>Closed</td>
<td></td>
</tr>
<tr>
<td>4.3</td>
<td>The peat area was not identified as HCV area as it has been developed for a longer period of time already, and the area was not mentioned in the HCV report. No best management practices for peat conservation are applied for the area. No piezo metes have been applied.</td>
<td>Peat area in block 68 will be included in HCV assessment report and will be managed according to procedure of peat soil management including application of piezo meter.</td>
<td>Estate/ISO Secretariat</td>
<td>September 2011</td>
<td>Closed</td>
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### Audit Report

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<thead>
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<tbody>
<tr>
<td>5</td>
<td>4.4</td>
<td>Quality of Martebing and Belutu Water River is being analysed by Laboratory of North Sumatera District Environmental Agency. Water sample was sent to the Laboratory on 13 April 2011. Result of analysis has not been finished yet by the Laboratory.</td>
<td>Analysis result of quality of Martebing and Belutu River has been finished.</td>
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<tr>
<td></td>
<td></td>
<td>No evidence of measurement of daily ground water abstraction as well as river water, as required by procedure water management SOC/PSM/4.22. Currently flow meter exists and functioned only for Boiler feed-water. The flow meter exists for measuring ground water consumption has not been functioned since end of September 2010.</td>
<td>Ground water abstraction as well as river water will be measured as required by procedure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Monthly monitoring data of Mill water consumption per ton of FFB was not accurate (January 2010 to April 2011), e.g. water used for Mill was actually from ground water, but data reported was from river water.</td>
<td>Water consumption per ton of FFB will be measured in accurate.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>BOD of effluent is required to be monitored monthly. However result of BOD monitoring of waste water treatment ponds effluent in March 2010 and December 2010 could not be found during audit.</td>
<td>BOD of effluent is monitored consistently monthly.</td>
</tr>
<tr>
<td>6</td>
<td>4.5</td>
<td>There was no monitoring extent of IPM</td>
<td>Extent of IPM implementation</td>
</tr>
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<tr>
<td>Implementation regarding growth and length of beneficial plants.</td>
<td>Regarding growth and length of beneficial plants will be monitored.</td>
<td></td>
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</tr>
<tr>
<td>Training of IPM implementation has been conducted to one of four assistant and foremen. It was noted that the assistant was moved to other Estate. The three other assistants have not been trained regarding IPM implementation.</td>
<td>All assistants will be trained regarding IPM.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>There was no monitoring of pesticide toxicity units (a.i. active ingredient / LD50 per tonne of FFB or per hectare).</td>
<td>Pesticide toxicity units will be monitored.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 4.6</td>
<td>Agro chemical solution carried out to site was not completed with information of hazard nature of agro chemical.</td>
<td></td>
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</tr>
<tr>
<td>Decis 25 EC with active ingredient Delta metrin was used within organisation. The agro chemical has had license from Department of Agriculture however the agro chemical has not been registered in the list of pesticide used within organisation.</td>
<td>Decis 25 EC will be registered in the list of pesticide used within organisation.</td>
<td></td>
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<tr>
<td>8 4.7</td>
<td>The first aid kit was not available at harvesting activity (Foreman Mr. Junadi) and at the pile construction of composting project by contractor.</td>
<td></td>
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</tr>
<tr>
<td>It was found non-permanent employees working for loading FFB to truck without worn PPE considering the risk.</td>
<td>Check to all workers regarding the completeness of PPE and complete if necessary.</td>
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</tr>
<tr>
<td>Work instruction for harvesting did not mention requirement on OHS, e.g. the requirement for using complete PPE.</td>
<td>Revise work instruction for harvesting with the requirement on OHS, e.g. the requirement for using</td>
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**Audit Report**
<table>
<thead>
<tr>
<th>Issue</th>
<th>Description</th>
<th>Corrected Action</th>
<th>Responsible</th>
<th>Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The vertical stair to access water torn was not provided with cover for fall prevention.</td>
<td>Provide vertical stair with cover to fall prevention.</td>
<td>Technical</td>
<td>August 2011</td>
<td>Closed</td>
</tr>
<tr>
<td>2</td>
<td>The housekeeping of pump house for waste water treatment was very poor.</td>
<td>Pump house has been cleaned. Clean the pump house regularly.</td>
<td>Technical</td>
<td>May 2011</td>
<td>Closed</td>
</tr>
<tr>
<td>3</td>
<td>Found several poor conditions of electricity, e.g. at pump house of WWTP, most electrical panel with electrical hazard were accessible by un-authorized persons.</td>
<td>• Inspect electricity condition. Repair if necessary&lt;br&gt;• Lock all electricity panels and only authorised person who can open</td>
<td>Technical</td>
<td>August 2011</td>
<td>Closed</td>
</tr>
<tr>
<td>4</td>
<td>Noise hazard at mill was not well controlled, e.g. most workers did not wear hearing protection.</td>
<td>• Inventory completeness of ear muff according to number of workers and complete if necessary.&lt;br&gt;• Improve awareness to all workers regarding the importance of ear muff use.&lt;br&gt;• Warn to worker who not use ear muff.</td>
<td>Technical</td>
<td>August 2011</td>
<td>Closed</td>
</tr>
<tr>
<td>5</td>
<td>In the area of workshop, found oil jerry can without any identification of content and hazard symbol.</td>
<td>Complete oil jerry can with identification of content and hazard symbol.</td>
<td>Mill</td>
<td>May 2011</td>
<td>Closed</td>
</tr>
<tr>
<td>6</td>
<td>Last inspection and test of hoisting crane was on 2008. Inspection and test must be conducted every 1 year.</td>
<td>Inspect and test hoisting crane this year.</td>
<td>Mill</td>
<td>May 2011</td>
<td>Closed</td>
</tr>
<tr>
<td>7</td>
<td>The cleaning CPO tank just been recently performed in April 2011. However, the confined space entry guideline including safe work permit was not implemented.</td>
<td>Clean the CPO tank according to confined space procedure.</td>
<td>Mill</td>
<td>2012</td>
<td>Closed</td>
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<tr>
<td>9</td>
<td>4.8</td>
<td>The existing training requirements stated in personnel qualification does not consist of training related to HCV and social issues.</td>
<td>Include training related to HCV and social issues to qualification personnel.</td>
<td>General Department</td>
<td>August 2011</td>
</tr>
<tr>
<td>10</td>
<td>5.2</td>
<td>Monitoring of nuisance to HCV area was conducted once in February 2011. Monitoring plan mentioned that monitoring of nuisance to HCV area is conducted monthly.</td>
<td>Monitor the nuisance to HCV area monthly.</td>
<td>Assistant</td>
<td>June 2011</td>
</tr>
<tr>
<td>11</td>
<td>5.3</td>
<td>Several inconsistencies of waste management were identified (Estate): • Warning sign board regarding prohibition of waste burning was not provided in the final disposal area of organic and inorganic waste. • During audit fibre waste was burned at site in block 48.</td>
<td>Complete warning sign board regarding prohibition of waste burning in the final disposal area of organic and inorganic waste. Complete warning sign board regarding prohibition of waste burning and inform that fibre is flammable.</td>
<td>Assistant</td>
<td>June 2011</td>
</tr>
</tbody>
</table>
### Audit Report

<table>
<thead>
<tr>
<th>Issue</th>
<th>Description</th>
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<tbody>
<tr>
<td>1.</td>
<td>Organic and non organic wastes were mixed in the final disposal area of organic and non organic waste. Briefing regarding segregation of organic and non organic wastes is not conducted monthly as required.</td>
</tr>
</tbody>
</table>

Some inconsistencies of waste management and hazardous material management were identified (Mill):

- It was found trace of waste burned at composting project area.
- Vehicle/heavy equipment wash bay was not completed with silt and oil trap.
- Although boiler chemicals provided with bund wall, some container of chemicals were stored out of bund area.
- Inconsistent use of hazardous waste symbol was found in front of general workshop – contaminated rags bin was not completed with hazardous waste symbol.
- Waste battery was disposed in February 2011 through PT Bekasi Environmental Service to CV Yudhi Raja Mandiri, however both vendors have no licenses to collect waste battery.
- No evidence that vehicle used for transporting waste oil and waste battery from Bangun Bandar on February, 21 2011, BK8227ND, as documented in the disposal manifests ZE005003 and YR000074

Briefing to contractor of composting project regarding prohibition of burning.
- Complete vehicle/heavy equipment wash bay with silt and oil trap.
- Provide secondary containment for all boiler chemicals.
- Provide hazard symbol in hazardous substance and waste storage.
- Provide license of waste battery collector, PT Bekasi Environmental Service dan CV Yudhi Raja Mandiri. Change the collector if the above collector cannot show the license.
- Extent the license of hazardous waste transportation.
- Record hazardous waste balance for hazardous waste stored and used, not only waste disposed to the third party

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
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<tbody>
<tr>
<td>May 2011</td>
<td>Mill</td>
</tr>
<tr>
<td>June 2011</td>
<td>Technological Department</td>
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<tr>
<td>May 2011</td>
<td>Closed</td>
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<tr>
<td>May 2011</td>
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<td>May 2011</td>
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<td>September 2011</td>
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<td>September 2011</td>
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<td>June 2011</td>
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<td>Closed</td>
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<td>Audit Report</td>
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<tr>
<td>has valid permit for hazardous waste transporting.</td>
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<tr>
<td>- Hazardous waste balance reported in February 2011 was not complete, only covered waste disposed to third party, but not covered hazardous waste stored and used.</td>
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</tbody>
</table>

| Monitoring of quantity and use of boiler burner residue and clay sludge using “economic waste record SOC/Form/4.11-04” was not performed as required by procedure of waste management SOC/PSM/4.11. |
| Record quantity and use of boiler burner residue and clay sludge in “economic waste record SOC/Form/4.11-04” as required by procedure of waste management SOC/PSM/4.11. |
| Mill | July 2011 | Closed |

| Volume organic and inorganic waste disposed to landfill using “non-economic waste record SOC/Form/4.11-0” was not performed individually for each type of waste as required by procedure of waste management SOC/PSM/4.11. |
| Separate recording of volume of organic and inorganic waste disposed to landfill. |
| Mill | July 2011 | Closed |

| 12 5.5 | Although emergency responses to land burning has been tested/drilled at site however scenario of land burning drill did not refer to procedure of emergency response to land burning. Moreover evaluation of drill against procedure was not accurate. |
| Evaluate the procedure therefore the procedure can implement in Estate. |
| Estate | August 2011 | Closed |

| Facilities to respond land burning have been provided at each division however availability and condition of the facilities have not been monitored. |
| Inspect condition of all facilities to respond land burning. |
| Assistant | June 2011 | Closed |

| 13 5.6 | Guidance for operation of waste water treatment ponds SOC/DP/4.11-01 requires |
| DP SOC/DP/4.11-01 has been revised to amend frequency of |
| ISO Secretariat | May 2011 | Closed |
monitoring of pH and temperature of anaerobic pond discharge every week, however there was no evidence that this parameter were monitored within SOC/Form/4.11-05.

| 14  | 6.5 | Some facilities at the clinic located in division #3 needs to be improved: |
|     |     | - Nurses and or officer not presence every day at clinic. |
|     |     | - Some of materials which not relevant with clinic were stored under bed. |
|     |     | - Bed for take a rest women workers was not provided. |

| 14  | 6.5 | Improve condition of clinic in Division #3: |
|     |     | - Provide nurses and or officer every day at clinic. |
|     |     | - Clean clinic from some of materials which not relevant with clinic. |
|     |     | - Provide bed for take a rest women worker. |

| 14  | 6.5 | Working agreement with contractors did not require that the contractors abide by labour laws, e.g. land clearing – CV Surya Baru and civil work – CV. Cikini Raya. |

| 14  | 6.5 | Contract agreement with contractors has mentioned requirements of labour laws. |
|     |     | Assistant |
|     |     | August 2011 |
|     |     | Closed |

| 15  | 6.6 | Meeting with Labour Union was conducted, however it was not recorded. |

| 15  | 6.6 | Record result of meeting with Labour Union. |
|     |     | Administration |
|     |     | May 2011 |
|     |     | Closed |

Non-conformances - SCCS

<table>
<thead>
<tr>
<th>No</th>
<th>SCCS Requirements</th>
<th>Details</th>
<th>Corrective Action</th>
<th>PIC</th>
<th>Completion Date</th>
<th>Status</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Documented procedure related to SCCS has been established (“Mechanism of Recording and Monitoring of Sustainable Palm Oil (SPO) Balance in POM PT Socfindo”); however it has not been registered and controlled as required.</td>
<td>Control the document “Mechanism of Recording and Monitoring of Sustainable Palm Oil (SPO) Balance in POM PT Socfindo”.</td>
<td>ISO Secretariat</td>
<td>August 2011</td>
<td>Closed</td>
</tr>
<tr>
<td></td>
<td>Procedure of daily reporting when Harvest System down has not been formally documented.</td>
<td>Establish procedure of daily reporting when Harvest System down.</td>
<td>ISO Secretariat</td>
<td>August 2011</td>
<td>Closed</td>
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<td>2</td>
<td>Production Daily Report from POM has not been kept in a specified arrangement.</td>
<td>Arrange production daily report from POM.</td>
<td>Mill/ISO Secretariat</td>
<td>August 2011</td>
<td>Closed</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>SCCS training has not been given for Expedition personnel and Weighbridge operator.</td>
<td>Train the SCCS to Expedition personnel and “Krani Timbang”</td>
<td>ISO Secretariat</td>
<td>July 2011</td>
<td>Closed</td>
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AUDIT REPORT

Appendix “C” – Nonconformities and Opportunity for Improvement Summary

Major non-conformities

Non-Conformance Report

CLIENT ATTENTION – IMPORTANT
Failure to provide action plans as arranged with SAI Global and/or to implement correction and corrective action within the nominated time frames may lead to a recommendation that your certification be suspended.

Note to Auditors: Use one page per ‘deficiency’. For extra pages use to select all (ctrl+A) put cursor at the bottom of the last page and select copy (ctrl+C).

Activity #: 358472  |  Client: PT. Socfin Indonesia Bangun Bandar Mill and its supply base  |  App/Cert: RSPO20008
RSPO Principle: RSPO Certification System  |  Site: Bangun Bandar Mill
RSPO Criteria and Indicator(s): 4.2.4
NCR#: 2012-01  |  Category: Major

Section 1 - Details of non-conforming situation:
Documents reviewed for partial certification requirements did not cover all uncertified management units, e.g. HCV assessment report and SIA report for Lae Butar, Seunagan and Seumanyam Mill, evaluation result of compliance with regulations for Negeri Lama, Sungai, Lae Butar, Seunagan and Seumanyam Mill and Estate. SAI Global concluded that partial certification requirements have not been fulfilled yet.

Audit Team Leader
Name: Ria Gloria  |  Date: 19 October 2012

Organization’s acknowledgement of receipt of NCR
Name: Hasan Bisri  |  Date: 19 October 2012

Section 2 - Organization’s Proposed Action Plan including Root Cause Analysis, Correction and Corrective Action with completion date(s) (Attach separate sheet if required)

Root Cause Analysis (how/why did this happen?):
Uncertified unit management is evaluated gradually. HCV and Social assessment to Negeri Lama, Mata Pao, Sungai Liput and Aek Loba Estate has been performed however for Lae Butar, Seunagan and Seumanyam Estate was scheduled in early of 2013.

Correction with completion dates (what will be the immediate fix?):
Assess land clearing and conflict to Lae Butar, Seunagan and Seumanyam Estate
Assess potential of labor dispute in Lae Butar, Seunagan and Seumanyam Estate
Evaluate compliance with regulation in Negeri Lama, Aek Loba, Mata Pao, Sungai Liput, Lae Butar, Seunagan and Seumanyam Estate
Completion Date: 15 December 2012

Corrective Action with completion dates (what action will be taken to prevent recurrence?):
Conduct HCV assessment by approved HCV assessor and social impact assessment in Lae Butar, Seunagan and Seumanyam Estate in 2013
Evaluate compliance with regulation every six months in each Estate as required by procedure

SAI Global Verification Method and date due:
Document and record review
Due Date: 18 December 2012

Organization Representative
Name: Hasan Bisri  |  Date: 21 November 2012

SAI Global review and acceptance of Corrective Action Plan
Name: Ria Gloria  |  Date: 22 November 2012

Section 3 - Details of SAI Global verification of organization’s implementation of action plan:
## AUDIT REPORT

Assessment to land clearing, land conflict and potential to labour dispute has been conducted to Lae Butar, Seunagan and Seumanyam Estate in 16 November 2012 by Management Representative. Result of assessment mentioned that:

- There was no new planting since January 2010 so there was no replacement of primary forest or any area identified as containing High Conservation Values (HCVs) or required to maintain or enhance HCVs in accordance with RSPO criterion 7.3.
- There was no land conflict.
- There was no labour dispute.
- Negeri Lama, Lae Butar, Seumanyam and Seunagan Mill are complied with regulation.

### NCR 2012-01 closed

<table>
<thead>
<tr>
<th>Section 4- NCR closed out by SAI Global on (date): 18 December 2012</th>
<th>SAI Global Team Leader Name: Ria Gloria</th>
</tr>
</thead>
</table>
## Non-Conformance Report

### CLIENT ATTENTION – IMPORTANT

Failure to provide action plans as arranged with SAI Global and/or to implement correction and corrective action within the nominated time frames may lead to a recommendation that your certification be suspended.

**Note to Auditors:** Use one page per ‘deficiency’. For extra pages use to select all (ctrl+A) put cursor at the bottom of the last page and select copy (ctrl+C).

### Section 1- Details of non-conforming situation:

The evaluation of compliance against OHS regulation in regard “Permenaker No. 02/Men/1980” was justified complied, in fact, not. The procedure SOP/PSM/4.19 has been revised and mentioning that the frequency for medical check up is every 5 years for office and administration staff less than 45 years of old, every 3 years for employee more than 45 years of old, every one year for employee directly exposed to hazard. This policy in regard medical check up is not in compliance with the requirements as stated in the above mentioned regulation in regard the regular medical check up (every one year) and special medical check up.

### Section 2- Organization’s Proposed Action Plan including Root Cause Analysis, Correction and Corrective Action with completion date(s) (Attach separate sheet if required))

#### Root Cause Analysis (how/why did this happen?):

Revision of procedure SOP/PSM/4.19 regarding frequency for medical check up based on consideration of risk and cost.

#### Correction with completion dates (what will be the immediate fix?):

Revise procedure SOP/PSM/4.19 to amend frequency for medical check up according to regulation Permenaker No. 02/Men/1980.

Completion Date: 15 December 2012

#### Corrective Action with completion dates (what action will be taken to prevent recurrence?):

Establish program of medical check up

Completion Date: 15 December 2012

### SAI Global Verification Method and date due:

Document and record review

Due Date: 18 December 2012

### Section 3- Details of SAI Global verification of organization’s implementation of action plan:

<table>
<thead>
<tr>
<th>Audit Team Leader</th>
<th>Name</th>
<th>Date:</th>
<th>Organization’s acknowledgement of receipt of NCR</th>
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<th>Date:</th>
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<tr>
<td></td>
<td>Ria Gloria</td>
<td>19 October 2012</td>
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<td>Hasan Bisri</td>
<td>19 October 2012</td>
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<tr>
<th>Organization Representative</th>
<th>Name</th>
<th>Date:</th>
<th>SAI Global review and acceptance of Corrective Action Plan</th>
<th>Name</th>
<th>Date:</th>
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<tbody>
<tr>
<td></td>
<td>Hasan Bisri</td>
<td>21 November 2012</td>
<td></td>
<td>Ria Gloria</td>
<td>22 November 2012</td>
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</tbody>
</table>
Procedure SOP/PSM/4.19 was revised on 1 December 2012 to amend that medical check up is performed annually as required by Permenaker #02/Men/1980. Evaluation result of compliance with Permenaker #02/Men/1980 was revised to mention that Permenaker #02/Men/1980 has not been complied. Medical check up is planned to be conducted in November 2013. Program of medical check up 2013 has been established.

**NCR 2012-02 closed with minor non-conformance:**
- Annual medical check up program for 2013 was already made, however realisation of medical check up in 2013 will be checked during next surveillance audit.

| Section 4- NCR closed out by SAI Global on (date): 18 December 2012 | SAI Global Team Leader Name: Ria Gloria |
CLIENT ATTENTION – IMPORTANT

Failure to provide action plans as arranged with SAI Global and/or to implement correction and corrective action within the nominated time frames may lead to a recommendation that your certification be suspended.

Note to Auditors: Use one page per ‘deficiency’. For extra pages use to select all (ctrl+A) put cursor at the bottom of the last page and select copy (ctrl+C).

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<th>Activity #:</th>
<th>358472</th>
<th>Client: PT. Socfin Indonesia Bangun Bandar Mill and its supply base</th>
<th>App/Cert: RSPO20008</th>
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**RSPO Principle:** 4. Use of Appropriate Best Practices by Growers and Millers  
**Site:** Bangun Bandar Estate  
**RSPO Criteria and Indicator(s):** 4.7

**NCR#:** 2012-03  
**Category:** Major

Section 1 - Details of non-conforming situation:

The cleaning of tanks was performed in 2012, no evidence that the procedure of confined space entry implemented (work permit system, checking of air adequacy). This non-conformance has been issued from previous audit.

**Audit Team Leader**

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<th>Name</th>
<th>Date: 19 October 2012</th>
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<th>Date: 19 October 2012</th>
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**Organization’s Proposed Action Plan including Root Cause Analysis, Correction and Corrective Action with completion date(s) (Attach separate sheet if required)**

**Root Cause Analysis (how/why did this happen?):**  
Lack of understanding of confined space procedure

**Correction with completion dates (what will be the immediate fix?):**  
Perform simulation of tank cleaning according to confined space procedure  
Provide gas detector  
Completion Date: 15 December 2012

**Corrective Action with completion dates (what action will be taken to prevent recurrence?):**  
Communicate confined space procedure to related personnel  
Completion Date: 15 December 2012

**SAI Global Verification Method and date due:**  
Document and record review  
Due Date: 18 December 2012

**Organization Representative**

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<th>Name</th>
<th>Date: 21 November 2012</th>
<th>Name</th>
<th>Date: 22 November 2012</th>
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</table>

**SAI Global review and acceptance of Corrective Action Plan**

Section 3- Details of SAI Global verification of organization's implementation of action plan:

Simulation of tank cleaning according to confined space procedure was conducted on 7 December 2012. Work permit was issued and checking of air adequacy was conducted during the simulation. Result of simulation has been evaluated.  
Gas detector has been provided and use of gas detector is interchangeably with the other Mills within PT. Socfin Indonesia.  
Schedule of gas detector use has been established.

**NCR 2012-03 closed with minor non-conformance:**  
- Realisation of tank cleaning will be checked during next surveillance audit.

Section 4- NCR closed out by SAI Global on (date): 18 December 2012

SAI Global Team Leader Name: Ria Gloria
AUDIT REPORT

Non-Conformance Report

CLIENT ATTENTION – IMPORTANT

Failure to provide action plans as arranged with SAI Global and/or to implement correction and corrective action within the nominated time frames may lead to a recommendation that your certification be suspended.

Note to Auditors: Use one page per ‘deficiency’. For extra pages use to select all (ctrl+A) put curser at the bottom of the last page and select copy (ctrl+C).

Activity #: 358472
Client: PT. Socfin Indonesia Bangun Bandar Mill and its supply base
App/Cert: RSPO20008

RSPO Principle:
5. Environmental Responsibility and Conservation of Natural Resources and Biodiversity
6. Responsible Consideration of Employees and Individuals and Communities Affected by Growers and Mills

Site: Bangun Bandar Mill

RSPO Criteria and Indicator(s):
5.1 and 6.1

NCR#: 2012-04
Category: Major

Section 1- Details of non-conforming situation:

ANDAL did not cover environmental and social impact assessment of replanting activity including replanting on slope above 40%. Vademecum Kelapa Sawit PT Socfin Indonesia 2003 did not describe planting on slope above 40%. Work instruction (SOC-KKS/IK/05; 01 Desember 2011) only described that recommended slope for planting is ≤30° (=66%). However method for planting on slope described in work instruction was not enough to prevent erosion and significant sedimentation. There was conversion from rubber plant to Oil Palm in Block 102 (Tanjung Maria). Soil surface was damage which caused erosion and significant sedimentation. This area is sandy soil with slope >40%.

Audit Team Leader
Name: Ria Gloria
Date: 19 October 2012

Organization’s acknowledgement of receipt of NCR
Name: Hasan Bisri
Date: 19 October 2012

Section 2- Organization’s Proposed Action Plan including Root Cause Analysis, Correction and Corrective Action with completion date(s) (Attach separate sheet if required)

Root Cause Analysis (how/why did this happen?):
Method of replanting in IK SOC-KKS/IK/05 did not clearly describe replanting on slope > 40% due condition in each Estate was different.

Correction with completion dates (what will be the immediate fix?):
Revise IK SOC-KKS/IK/05 to describe more detail regarding replanting on slope >40% to prevent erosion
Assess environmental and social impact to conversion from rubber to oil palm in block 102
Restoration and prevention of erosion in block 102
Revise RKL RPL document including assessment of environmental and social impact from replanting

Completion Date: 15 December 2012

Corrective Action with completion dates (what action will be taken to prevent recurrence?):
Monitor erosion flow regularly

Completion Date: 15 December 2012

SAI Global Verification Method and date due:
Document and record review

Due Date: 18 December 2012

Organization Representative
Name: Hasan Bisri
Date: 21 November 2012

SAI Global review and acceptance of Corrective Action Plan
Name: Ria Gloria
Date: 22 November 2012

Section 3- Details of SAI Global verification of organization’s implementation of action plan:
### AUDIT REPORT

<table>
<thead>
<tr>
<th>SOC-KKS/IK/05 was revised on 1 December 2012 to amend replanting on slope &gt;40% to prevent erosion. Environmental and social aspects to conversion from rubber to oil palm have been assessed including how manage the impacts and their monitoring plans. Restoration and prevention of erosion in block 102 has been conducted by planting the vertiver and cover crops, making “rorak” to hamper the torrent. Revising of RKL RPL is still in process including amending replanting activity.</th>
</tr>
</thead>
</table>

**NCR 2012-04 closed**

| Section 4- NCR closed out by SAI Global on (date): | 18 December 2012 | SAI Global Team Leader Name: Ria Gloria |
## AUDIT REPORT

Minor non-conformities of RSPO Principe and Criteria, Indonesian National Interpretation

<table>
<thead>
<tr>
<th>No</th>
<th>RSPO Criterion</th>
<th>Details</th>
<th>Corrective Action</th>
<th>PIC</th>
<th>Completion Date</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>2.1</td>
<td>Compliance with regulation Ministry Decree 233/2003 has not been assessed and mentioned in the latest compliance report (October 2012). This regulation says about working on holidays with specific job.</td>
<td>Perform identification and evaluation of compliance with Ministry Decree 233/2003</td>
<td>ISO Secretariat</td>
<td>December 2012</td>
</tr>
<tr>
<td>2</td>
<td>2.1</td>
<td>The overtime logs have not been signed by respective employee. Overtime shall be voluntary and signed in a documented record (refer to Ministry Decree 102/2004)</td>
<td>Determine mechanism of overtime which overtime is negotiated by employee and organization</td>
<td>Estate</td>
<td>October 2012</td>
</tr>
</tbody>
</table>
| 3  | 2.2            | It was found that peg #51 on block 101 was not maintained in proper. Inspection and maintenance report for the peg #51 on block 101 was OK. | • Checking peg #51 during EHS patrol according to actual condition  
• Maintain peg by following up result of EHS patrol | Division | October 2012 |
| 4  | 3.1            | The management plan 2011-2012 did not include the planning for the use of FFB from third party. In fact, currently around 40-50% of FFB to the mill were supplied by the third party. | Revise management plan document by add using FFB from the third part | Management Representative | December 2012 |
| 5  | 4.1            | Checking and monitoring of Estate operation was performed more than once in a year by Principal Director, Agriculture Department or Group Manager. However result of checking and monitoring and its follow up was not consistently recorded. | • Document site visit result from Agriculture Department  
• Follow up result of site visit from Agriculture Department and make progress report | Estate | Nov 2012 |
| 6  | 4.1            | Thermometer for sounding has not been calibrated. *Progress: Remained the same.* | • Calibrate thermometer used for sounding  
• Calibrate the equipment according to determined schedule | Mill | Nov 2102 |
<p>| 7  | 4.1            | Daily report of press station has not been logged at the time audit (14.00). The production has been started at 11.00. | Record daily report of press station inline with operational hour (start – end) consistently | Mill | October 2012 |
| 8  | 4.1            | It was found that pressure gauge on screw press #2 was in shut position, whilst the procedure IK SOC-POM/IK/05 requires that the pressure of screw | Ensure that operational of screw press inline with determined work instruction | Mill | October 2012 |</p>
<table>
<thead>
<tr>
<th></th>
<th>9</th>
<th>4.1</th>
<th>• The use of hot water in Digester was not properly recorded. Reviewed records; January – September 2012.</th>
<th>Record of hot water consumption in Digenster consistently</th>
<th>Mill</th>
<th>October 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>4.1</td>
<td>• Not enough evident that preventive maintenance of transportation and process installation equipment “Program Pemeliharaan Alat Transportasi &amp; Instalasi Pengolahan” has been implemented as required by procedure SOC/PSM/6.03 point 5.1.1.</td>
<td>Maintain all process installation and transportation and record the result</td>
<td>Mill</td>
<td>October 2012</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>4.3</td>
<td>• Manual road maintenance program has been made. However mechanic road maintenance program has not been made although realisation of mechanic road maintenance was sighted.</td>
<td>Define program of mechanical road maintenance in 2012 and 2013</td>
<td>Estate</td>
<td>October 2012</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>4.4</td>
<td>• Monthly monitoring data of Mill water consumption per ton of FFB was not accurate (January 2010 to April 2011), e.g. water used for Mill was actually from ground water, but data reported was from river water. Progress: Flow meter for mill water has just been installed in July 2012 and mill water use per ton of FFB has not been monitored.</td>
<td>Record mill water use per ton of FFB since July 2012</td>
<td>Mill</td>
<td>December 2012</td>
<td></td>
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</tbody>
</table>
| 13 | 4.5 | • Training with regards to IPM has not been delivered to two workers in Division II who perform IPM. | • Identify employee who has not get IPM training  
• Conduct training of IPM to unattended employee | Estate | December 2012 |
| 14 | 4.5 | • Counting of monitoring of pesticide toxicity units was not correct. Toxicity unit of each pesticide was not counted. | Change method of counting of monitoring of pesticide toxicity and recounting for 2012 | Assistant | December 2012 |
| 15 | 4.6 | • Bimaron 80 wp and Karmec was used by organisation. The agro chemical has had license from Department of Agriculture however the agro chemical has not been registered in the list of pesticide used by organisation. | Add Bimaron 80 WP and Karmec to list of pesticide use | Assistant | October 2012 |
| 16 | 4.6 | • Although use of paraquat was reduced however there was no documented program to reduce paraquat. | List the plan and realization of paraquat use in 2011 and 2012 | Assistant | December 2012 |
| 17 | 4.7 | • Found substandard condition and act e.g.:  
• Motor cycles utilized for transportation by workers were not completed with mirror and the drivers not wearing safety helmet.  
• Non proper electrical installation at workshop | • Communicate to employee to equip motor cycles with mirror and use wearing safety helmet  
• Repair electricity installation in workshop  
• Install guard cover at moving part in | Estate/Mill | Nov 2012 |
<p>| | | | | |</p>
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<tbody>
<tr>
<td>18</td>
<td>4.7</td>
<td>Two hydrant outlets at mill was not provided with handle to open the valve and nozzle. The hose found leakage.</td>
<td>Mill</td>
<td>Nov 2012</td>
</tr>
<tr>
<td>19</td>
<td>4.8</td>
<td>The form “Evaluation of personnel qualification” was not well implemented and therefore it was difficult to justify whether the training programme established based on the training need identification.</td>
<td>Agriculture Department</td>
<td>Nov 2012</td>
</tr>
<tr>
<td>20</td>
<td>4.8</td>
<td>Evidences for qualification of welder and electrician could not be found.</td>
<td>Mill/ General Department</td>
<td>April 2013</td>
</tr>
<tr>
<td>21</td>
<td>5.1</td>
<td>Record of regular report on environmental management (RKL RPL implementation) could not be shown during audit for reporting in September 2011 and June 2012.</td>
<td>Head of Administration/ Document control</td>
<td>October 2012</td>
</tr>
<tr>
<td>22</td>
<td>5.3</td>
<td>Conveyor to transfer boiler ash from dust collector to container was leak. Boiler ash was scattered and can cause air pollution.</td>
<td>Repair leakage conveyor</td>
<td>Mill</td>
</tr>
<tr>
<td>23</td>
<td>5.3</td>
<td>Mixing of chemical solution was performed nearby trench and did not use dip tray. Spill of chemical pollution was potential to pollute trench.</td>
<td>Communicate to sprayer team not to mix the chemical solution nearby the trench. Provide dip tray to mix chemical solution at site.</td>
<td>Division</td>
</tr>
<tr>
<td>24</td>
<td>5.4</td>
<td>Fossil fuels use for operation was monitored and recorded. However its efficiency (energy/ton CPO) was not monitored and analysed.</td>
<td>Make monitoring and analysis of fuel consumption year 2011 and 2012</td>
<td>Mill</td>
</tr>
<tr>
<td>25</td>
<td>5.5</td>
<td>Although in practice zero burning was implemented during preparing land and there was zero burning policy from top management, contract agreement for preparing land between the organisation and contractor did not cover requirement of zero burning.</td>
<td>Ensure that contract agreement with land preparation contractor include requirement of zero burning</td>
<td>Agriculture Department</td>
</tr>
<tr>
<td>26</td>
<td>5.6</td>
<td>Procedure required that several conditions of WWT operation is monitored periodically. However last monitoring to WWT operation was conducted in May 2012, e.g. checking of circulation pump and aerator condition, cleaning in last pond, pH, temperature, etc.</td>
<td>Record monitoring of waste water pond condition according to SOC/Form/4.11-05 per Oct 2012</td>
<td>Mill</td>
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<tr>
<td>27</td>
<td><strong>6.1</strong></td>
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<td>• The monitoring report of social impact action plan was not provided to describe follow up status of following plan: road repair, use of plantation resources by surrounding villagers (shall be monitored once every month), maintenance of public facilities. Monitoring was not also performed on replanting areas in 2012 (e.g. division I: block 48,52,53,54, division II: block 12 and conversion from rubber planting on division IV: block 80 &amp; 102). Report the monitoring of follow up to social impact management inline with SIA, e.g. road maintenance, natural resources usage, general facility maintenance, monitoring to replanting activity in 2012.</td>
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<td>ISO Secretariat</td>
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<td>December 2012</td>
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<tr>
<td>28</td>
<td><strong>6.1</strong></td>
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<td>• The frequency of social impact monitoring has not been clearly defined in a procedure of &quot;social impact assessment&quot;. Define frequency of monitoring of social impact in procedure</td>
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<td>December 2012</td>
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<tr>
<td>29</td>
<td><strong>6.2</strong></td>
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<td></td>
<td>• There are not enough evidence (records) to ensure that stakeholders (as recipient) has received some financial and equipment supports as proposed to the mill. E.g. provision of heavy equipments to Dolok Sagala village (9/5/2012), delivery of &quot;trichoderma&quot; to Sumatera Bioscience (7/5/2012). Report donation to community by signing off with stakeholder and organization and completed with picture</td>
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<td></td>
<td>Head of Administration</td>
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<td></td>
<td>Nov 2012</td>
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<tr>
<td>30</td>
<td><strong>6.3</strong></td>
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<td></td>
<td>• The awareness briefing of procedure ‘social issues handling’ has been done in 2010 without involving representative from Kerapu Village. Communicate method to handle social complaint to Head of Village or community leader of Kerapu Village</td>
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<td>Estate</td>
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<td>December 2012</td>
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<tr>
<td>31</td>
<td><strong>6.5</strong></td>
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<td>• The deep well water analysis was done in 2011 and concluded that water is not appropriate for drink due to high number of E-coli bacteria found during analysis. However several people in housing complex has used this water for drink consumption (after boiled) as informed during interview while no formal notification/ recommendation from the company about the analysis result. • Communicate to well owner regarding analysis result of his well • Find the other alternative of water for well owner • Take sample in the same area with different owner as comparison</td>
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<td>Estate</td>
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<td>December 2012</td>
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<tr>
<td>32</td>
<td><strong>8.1</strong></td>
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<td></td>
<td>• Although in practice there were some improvements, however most of them were not documented. Make report of improvement realization year 2012</td>
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<td>ISO Secretariat</td>
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AUDIT REPORT

Opportunities for improvement – RSPO

Criterion 1.1
- Although 5 mandatory ethical policies have been informed to workers, a documented evidence of such awareness might be recorded. E.g. protection of sexual harassment, minimum age for worker, the right to join trade union, prohibition of discrimination, protection of reproduction right for female workers.
- Consider performing RSPO awareness every time there was a new or change of subcontractor. E.g. subcontractors of facilities repair, land clearing, etc.

Criterion 6.2
- Consider to identify Martebing village in the plantation map (peta kerja), as this village was registered in stakeholder list.
- Consider to distinguish “desa” (village) and “dusun” (part of village) in existing plantation map where currently all ‘dusun’ were also named as “village”. Moreover, the current map shows more than 6 villages as the stakeholder list does only mention 6 villages only (excluding villages as mentioned in the map such as: Sinasih, Pamah, Sarang Puah, Ujung Silau, Bandar maria, etc). Consider to re-map all villages and ‘dusun” and ensured that RSPO awareness and CSR program be applied to all represented villages.

Criterion 6.5
- PKB manual might be distributed to respective employees e.g. in a pocket book.

Criterion 6.8
- Regular meeting of gender committee might be performed consistently. The meetings were scheduled on May, September and November 2012, while the last meeting was only held in May 2012.

Criterion 6.11
- Regular meeting of gender committee might be performed consistently. The meetings were scheduled on May, September and November 2012, while the last meeting was only held in May 2012.

Opportunities for improvement – Mill Supply Chain Requirements

None
AUDIT REPORT

Appendix “D” – Stakeholder’s issues and comment

Date and Time: 15-16 October 2012 at 14.00 pm – 17.00 pm
Location: Bangun Bandar Mill & Estate
Interviewee: SP leader, Gender committee leader and member, workshop technician, production/processing operator, pesticide sprayers, BHL worker, society leader of Martebing Village, society leader of Aras Panjang village

Workers
- Status of workers was determined in the employment contract, and also mentions wage and working hours for workers.
- Calculation of wage and overtime was determined by management in accordance with national regulation
- Salary was paid in every 5th beginning of the month.
- Loan was given every date 19th every month (50% of basic salary) and deducted at the same amount in every date 5th every month.
- Started work at 7.00 am to 02.00 pm.
- Organisation provided training for Occupational Health and Safety, personnel protective equipments were provided by organisation
- Above personnel said there are no complaints to organisation related to wage and labour regulations
- Housing and electricity provided by the organisation, while clean water is supplied from deep wells mostly on nearby houses through piping system.

SP Leader (worker representative)
- SP leader was appointed through referendum among workers and witnessed by management without any interference.
- The last PKB was established in 2010 and currently being reviewed to address any improvements.
- Funding is collectively obtained from every member at 11,000 IDR/month.
- Meeting is held as necessary to review any labour concerns and suggestions.

Gender Committee
- Gender committee is leaded by representative elected by female workers, established in April 2011.
- Meetings were held regularly to refresh ethical policy in term of sexual harassment and protection of reproduction rights.
- No issues reported since last year.

Society leaders
- There was a land conflict in the part of Dolok Sagala Village, however the supreme court has refused the claim from community since the organisation has proper legal documents and rights based on HGU (refer to decree letter from supreme court no. 37/K/TUN/2012, March 7, 2012)
- Villagers have confirmed that organisation has done some positive CSR activities on their surroundings such as funding for social activities, road repair, provision of heavy equipment for construction purpose, etc.
- Some of local resident have equal opportunities to work in the Mill/ Estate.
- The organisation has sold low price products (cooking oil) to the villages.
AUDIT REPORT

Appendix “E” – Definition of, and action required with respect to audit findings:

**Major Nonconformities** occur when system is failing to meet a relevant compulsory indicator.

**Action required:** This category of findings requires SAI Global to issue a formal NCR; to receive and approve client’s proposed correction and corrective action plans; and formally verify the effective implementation of planned corrections and corrective action. Correction and corrective action plan must be submitted to SAI Global for approval within 14 days of the audit. Follow-up action by SAI Global must ‘close out’ the NCR or reduce it to a lesser category within 90 days or less where specified. Certificate of conformance to the RSPO Criteria cannot be issued while any major nonconformity is outstanding. Major nonconformities raised during surveillance audit shall be addressed within 60 days, or the certificate will be suspended. Major nonconformities not addressed within a further 60 days will result in the certificate being withdrawn.

**Minor Nonconformities** occur when system is failing to meet other indicators.

**Action required:** This category of findings requires SAI Global to issue a formal NCR; to receive and approve client’s proposed correction and corrective action plans; and formally verify the effective implementation of planned corrections and corrective action. In this instance, a certificate may still be awarded providing the root cause of the problem is identified and an acceptable plan is put in place to achieve the outstanding requirements in an agreed time frame. Verification will be made at subsequent surveillance audits. Minor nonconformities will be raised to major if they are not addressed by the following surveillance audit.

**Opportunity for Improvement** is a documented statement, which may identify areas for improvement, but shall not make specific recommendation(s). Client may develop and implement solutions in order to add value to operations and management systems. SAI Global is not required to follow-up on this category of audit finding.
Major Nonconformities occur when system is failing to implement and/or maintain requirements of Supply Chain Certification System.

Action required: This category of findings requires SAI Global to issue a formal NCR; to receive and approve client’s proposed correction and corrective action plans; and formally verify the effective implementation of planned corrections and corrective action.

When non-conformances rose after the certification, RSPO shall be informed of these non-conformances within 7 days since non-conformance rose. A maximum of one month is given to the certified client to satisfactorily address the non-conformances. The effectiveness of the action taken for the non-conformances shall be assessed before closing out the non-conformances. Should the non-conformances not be addressed within the one month maximum time frame, a suspension or withdrawal of the certificate and a full re-audit may be necessary.

Where objective evidence indicates that there has been a demonstrable breakdown in the supply chain caused by the certified client’s action or inactions, and that palm oil product that has been or is about to be shipped is falsely identified as RSPO certified product immediate action needs to be taken by SAI Global, and the RSPO Supply Chain certification shall be suspended until such time that it has been addressed. The RSPO shall be notified within 24 hours of this occurrence and further impacts on relevant supply chain certifications.

Area of concern issued when there is an area of the system for which the client is required to investigate potential non-conformity.

Action required: SAI Global may require client to formulate preventive action plan for approval prior to next planned audit/certification decision or alternatively may follow up client’s preventive action at the next planned audit. Lack of client attention to such issues implies that a preventive action system is not working effectively.

Opportunity for Improvement is a documented statement, which may identify areas for improvement, but shall not make specific recommendation(s). Client may develop and implement solutions in order to add value to operations and management systems. SAI Global is not required to follow-up on this category of audit finding.