Audit Report

Surveillance Audit for

PT. SMART Tbk. Batu Ampar Mill and Its Supply Bases

RSPO20006

RSPO Membership number: 100.190.500000

Audited Address:

Batu Ampar Mill:
Kecamatan Kelumpang Hilir, Kabupaten Kotabaru, South Kalimantan, Indonesia

Its Supply Bases:
Batu Ampar Estate
Kecamatan Kelumpang Hilir, Kabupaten Kotabaru, South Kalimantan, Indonesia
Batu Mulia Estate
Kecamatan Kelumpang Hilir, Kabupaten Kotabaru, South Kalimantan, Indonesia
Sungai Panci Estate
Kecamatan Kelumpang Hilir, Kabupaten Kotabaru, South Kalimantan, Indonesia
Sungai Panci Plasma
Kecamatan Kelumpang Hilir, Kabupaten Kotabaru, South Kalimantan, Indonesia

Date of audit: 12/06/2013
Audit Report

Table of contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Overview</td>
<td>3</td>
</tr>
<tr>
<td>Abbreviations Used</td>
<td>3</td>
</tr>
<tr>
<td>1.0 SCOPE OF THE CERTIFICATION ASSESSMENT</td>
<td></td>
</tr>
<tr>
<td>1.1 Introduction</td>
<td>5</td>
</tr>
<tr>
<td>1.2 Audit Objective</td>
<td>5</td>
</tr>
<tr>
<td>1.3 Scope of Certification</td>
<td>5</td>
</tr>
<tr>
<td>1.4 Location of Mill and Estates</td>
<td>6</td>
</tr>
<tr>
<td>1.5 Description of Supply Base</td>
<td>8</td>
</tr>
<tr>
<td>1.6 Date of Plantings</td>
<td>8</td>
</tr>
<tr>
<td>1.7 Other Certificates Held</td>
<td>9</td>
</tr>
<tr>
<td>1.8 Organisational Information/Contact Person</td>
<td>9</td>
</tr>
<tr>
<td>1.9 Time Bound Plan for Other Management Units</td>
<td>9</td>
</tr>
<tr>
<td>1.10 Area of Plantation</td>
<td>11</td>
</tr>
<tr>
<td>1.11 Approximate Tonnages Offered for Certification (CPO and PK)</td>
<td>12</td>
</tr>
<tr>
<td>1.12 Partial Certification Requirements</td>
<td>12</td>
</tr>
<tr>
<td>1.13 Date of Issue of Certificate</td>
<td>13</td>
</tr>
<tr>
<td>2.0 AUDIT PROCESS</td>
<td></td>
</tr>
<tr>
<td>2.1 Certification Body</td>
<td>13</td>
</tr>
<tr>
<td>2.2 Audit Methodology</td>
<td>14</td>
</tr>
<tr>
<td>2.3 Qualification of the Lead Auditor and Audit Team Members</td>
<td>14</td>
</tr>
<tr>
<td>2.4 Stakeholder Consultation</td>
<td>15</td>
</tr>
<tr>
<td>2.5 Date of Next Surveillance Visit</td>
<td>17</td>
</tr>
<tr>
<td>3.0 AUDIT FINDINGS</td>
<td></td>
</tr>
<tr>
<td>3.1 Action taken on previous audit issues</td>
<td>17</td>
</tr>
<tr>
<td>3.2 Claim and use of certification mark and or logo</td>
<td>17</td>
</tr>
<tr>
<td>3.3 Summary of findings</td>
<td>17</td>
</tr>
<tr>
<td>3.4 Recommendation</td>
<td>49</td>
</tr>
<tr>
<td>3.5 Environmental and social risk for this scope of certification for planning of the surveillance audit</td>
<td>50</td>
</tr>
<tr>
<td>3.6 Acknowledgement of Internal Responsibility and Formal Sign-off of Assessment Findings</td>
<td>51</td>
</tr>
</tbody>
</table>

List of Tables

<table>
<thead>
<tr>
<th>Table</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mill and Estates GPS Locations</td>
</tr>
<tr>
<td>2</td>
<td>Organisation FFB Production</td>
</tr>
<tr>
<td>3</td>
<td>Age Profiles of Planted Palms</td>
</tr>
<tr>
<td>4</td>
<td>Other Certificates Held by Mill and Estates</td>
</tr>
<tr>
<td>5</td>
<td>RSPO Certification Time Bound Plan</td>
</tr>
<tr>
<td>6</td>
<td>Estates and Area Planted</td>
</tr>
<tr>
<td>7</td>
<td>Plantation Hectare Statement</td>
</tr>
<tr>
<td>8</td>
<td>List of internal and external stakeholder</td>
</tr>
<tr>
<td>9</td>
<td>Certified FFB received, CSPO and certified PK produced, CSPO and certified PK sold (under GreenPalm and UTZ system) 2012</td>
</tr>
<tr>
<td>10</td>
<td>Certified FFB received, CSPO and certified PK produced, CSPO and certified PK sold (under GreenPalm and UTZ system) until May 2013</td>
</tr>
<tr>
<td>11</td>
<td>Certified FFB received, CSPO and certified PK produced estimation June to December 2013</td>
</tr>
</tbody>
</table>

List of Figures

<table>
<thead>
<tr>
<th>Figure</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Map of Mill and Estates Location</td>
</tr>
</tbody>
</table>
Executive Overview

SAI Global has audited PT. SMART Tbk. Batu Ampar Mill and Its Supply Bases operations comprising one mill, four oil palm estates, support services and infrastructure. PT. SMART Tbk. 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. The recommendation from this audit is that continuation of certification for PT. SMART Tbk. Batu Ampar Mill and Its Supply Bases as a producer of RSPO Certified Sustainable Palm Oil and Palm Kernel is issued.

Abbreviations Used

AAA Agronomy Advisory Audit
ANDAL Environmental Impact Analysis (Analisis Dampak Lingkungan)
BAME Batu Ampar Estate
BAMM Batu Ampar Mill
BHL Daily basis paid workers (Buruh Harian Lepas)
BKM Log book of group leader activity (Buku Kegiatan Mandor)
BMLE Batu Mulia Estate
BLH Local Agency of Environmental (Badan Lingkungan Hidup)
BOD Biological Oxygen Demand
BPN National Land Agency (Badan Pertanahan Nasional)
CEO Chief Executive Officer
COD Chemical Oxygen Demand
CPO Crude Palm Oil
CSR Corporate Social Responsibility
D&L Document and Legal
DELH Document of Environmental Evaluation (Dokumen Evaluasi Lingkungan Hidup)
EFB Empty fruit bunches
FFB Fresh Fruit Bunch
GAR Golden Agri-Resources Limited
GPS Global Positioning
HCV High Conservation Value
HGU Land Use Title (Hak Guna Usaha)
HPH Forest Authority Concession (Hak Penguasaan Hutan)
IMT PT. Ivo Mas Tunggal
IPB Bogor Agricultural University (Institut Pertanian Bogor)
IPM Integrated Pest Management
ISO International Standards Organisation
KUD Village Unit Cooperatives (Koperasi Unit Desa)
LD Lethal Dosage
## Audit Report

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOTO</td>
<td>Lock out tag out</td>
</tr>
<tr>
<td>MAA</td>
<td>Mill Advisory Audit</td>
</tr>
<tr>
<td>MCAR</td>
<td>Management Committee Agronomy and Research</td>
</tr>
<tr>
<td>MSDS</td>
<td>Material Safety Data Sheet</td>
</tr>
<tr>
<td>MT</td>
<td>Metric Ton</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>OIA</td>
<td>Operation Internal Audit</td>
</tr>
<tr>
<td>P2K3</td>
<td>Safety Committee</td>
</tr>
<tr>
<td>PK</td>
<td>Palm Kernel</td>
</tr>
<tr>
<td>PKB</td>
<td>Mutual Working Agreement (<em>Perjanjian Kerja Bersama</em>)</td>
</tr>
<tr>
<td>PKWT</td>
<td>Contracted worker (<em>Pekerja Waktu Tertentu</em>)</td>
</tr>
<tr>
<td>POM</td>
<td>Palm Oil Mill</td>
</tr>
<tr>
<td>POME</td>
<td>Palm Oil Mill Effluent</td>
</tr>
<tr>
<td>PPE</td>
<td>Personal Protective Equipment</td>
</tr>
<tr>
<td>RABQSA</td>
<td>Quality Society of Australia</td>
</tr>
<tr>
<td>RKL</td>
<td>Environmental Management Plan (<em>Rencana Pengelolaan Lingkungan</em>)</td>
</tr>
<tr>
<td>RPL</td>
<td>Environmental Monitoring Plan (<em>Rencana Pemantauan Lingkungan</em>)</td>
</tr>
<tr>
<td>RSPO</td>
<td>Roundtable on Sustainable Palm Oil</td>
</tr>
<tr>
<td>SA</td>
<td>Social Accountability</td>
</tr>
<tr>
<td>SCCS</td>
<td>Supply Chain Certification System</td>
</tr>
<tr>
<td>SHM</td>
<td>Land Own Title (<em>Surat Hak Milik</em>)</td>
</tr>
<tr>
<td>SIA</td>
<td>Social Impact Assessment</td>
</tr>
<tr>
<td>SKPM</td>
<td>Sungaii Kupang Mill</td>
</tr>
<tr>
<td>SKU</td>
<td>Permanent worker (<em>Syarat Kerja Utama</em>)</td>
</tr>
<tr>
<td>SMD</td>
<td>Senior Managing Director</td>
</tr>
<tr>
<td>SMARTRI</td>
<td>SMART Research Institute</td>
</tr>
<tr>
<td>SOP</td>
<td>Standard Operation Procedure</td>
</tr>
<tr>
<td>SPM</td>
<td>Independent Worker Union (<em>Serikat Pekerja Mandiri</em>)</td>
</tr>
<tr>
<td>SPNA</td>
<td>Sungai Panci Plasma</td>
</tr>
<tr>
<td>SPNE</td>
<td>Sungai Panci Estate</td>
</tr>
<tr>
<td>TLV</td>
<td>Threshold Limit Value</td>
</tr>
<tr>
<td>VPA</td>
<td>Vice President of Agronomy</td>
</tr>
</tbody>
</table>
Audit Report

1.0 SCOPE OF THE CERTIFICATION ASSESSMENT

1.1 Introduction


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. SMART Tbk. Batu Ampar 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

Surveillance audit:

The purpose of this audit was to determine continuing compliance of your organization’s management system with the audit criteria; and it’s effectiveness in achieving continual improvement and system objectives.

Modul E

Also to verify the volume of certified and uncertified FFB entering the mill and volume sales of RSPO certified producers

1.3 Scope of certification

The scope of certification is the CPO and PK production from one (1) Palm Oil Mill and FFB supply bases comprising three (3) Estates owned by PT. SMART Tbk., PT. Tapian Nadenggan and PT. Sinar Kencana Inti Perkasa and one (1) “Gajah Mada” Cooperative as full managed plasma (managed by PT. Sinar Kencana Inti Perkasa).

Batu Ampar Mill PT. SMART Tbk.
Audit Report

Location: Kecamatan Kelumpang Hilir, Kabupaten Kotabaru, South Kalimantan, Indonesia
GPS Location: 116°01'19" E 3°11'53"N
Annual production: CPO/year: 55,480 ton and PK/year: 13,432 ton

Batu Ampar Estate PT. Tapian Nadenggan (PT. SMART Subsidiary)
Location: Kecamatan Kelumpang Hilir, Kabupaten Kotabaru, South Kalimantan, Indonesia
GPS Location: 116°01'28" E 3°14'07" N
Annual FFB Production: 93,452.00 ton
Total Area: 4,571.35 Ha
Planted Area: 4,019.66 Ha

Batu Mulia Estate PT. SMART Tbk.
Location: Kecamatan Kelumpang Hilir, Kabupaten Kotabaru, South Kalimantan, Indonesia
GPS Location: 116°06'17" E 3°11'55" N
Annual FFB Production: 53,161.00 ton
Total Area: 2,929.04 Ha
Planted Area: 2,683.19 Ha

Sungai Panci Estate PT. Sinar Kencana Inti Perkasa
Location: Kecamatan Kelumpang Hilir, Kabupaten Kotabaru, South Kalimantan, Indonesia
GPS Location: 116°01'32" E 3°09'16" N
Annual FFB Production: 51,527.00 ton
Total Area: 3,973.24 Ha
Planted Area: 3,719.82 Ha

Sungai Panci Plasma PT. Sinar Kencana Inti Perkasa
Location: Kecamatan Kelumpang Hilir, Kabupaten Kotabaru, South Kalimantan, Indonesia
GPS Location: 115°59'55" E 3°09'44" N
Annual FFB Production: 35,460.00 ton
Total Area: 3,822.17 Ha
Planted Area: 3,259.29 Ha

1.4 Location of mill and estates

PT. SMART Tbk. mill and estates are located in South Kalimantan 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>BAMM (Batu Ampar Mill)</td>
<td>116°01'19&quot;</td>
<td>3°11'53&quot;</td>
</tr>
<tr>
<td>BAME (Batu Ampar Estate)</td>
<td>116°01'28&quot;</td>
<td>3°14'07&quot;</td>
</tr>
<tr>
<td>BMLE (Batu Mulia Estate)</td>
<td>116°06'17&quot;</td>
<td>3°11'55&quot;</td>
</tr>
<tr>
<td>SPNE (Sinar Panci Estate)</td>
<td>116°01'32&quot;</td>
<td>3°09'16&quot;</td>
</tr>
<tr>
<td>SPNA (Sinar Panci Plasma)</td>
<td>115°59'55&quot;</td>
<td>3°09'44&quot;</td>
</tr>
</tbody>
</table>
Audit Report

1.5 Description of supply base

The FFB is sourced from three (3) Estate owned by PT. SMART Tbk., PT. Tapian Nadenggan and PT. Sinar Kencana Inti Perkasa, one (1) “Gajah Mada” Cooperative as full managed plasma (managed by PT. Sinar Kencana Inti Perkasa) which are audited during this audit. The FFB is also sourced from the third party which excluded from certification. The areas and FFB production of the plantations are shown on Table 2.

Table 2: FFB Production of the supply base

<table>
<thead>
<tr>
<th>ESTATE</th>
<th>TOTAL AREA (HA)</th>
<th>PLANTED AREA (HA)</th>
<th>FFB (TON/YEAR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAME</td>
<td>4,571.35</td>
<td>4,019.66</td>
<td>93,452.00</td>
</tr>
<tr>
<td>BMLE</td>
<td>2,929.04</td>
<td>2,683.19</td>
<td>53,161.00</td>
</tr>
<tr>
<td>SPNE</td>
<td>3,973.24</td>
<td>3,719.82</td>
<td>51,527.00</td>
</tr>
<tr>
<td>SPNA</td>
<td>3,822.17</td>
<td>3,259.29</td>
<td>35,460.00</td>
</tr>
</tbody>
</table>

Source: Data from PT. SMART Tbk. in June 2013

1.6 Date of plantings

Table 3: Age Profiles of Planted Palms

<table>
<thead>
<tr>
<th>YEAR</th>
<th>BAME (HA)</th>
<th>BMLE (HA)</th>
<th>SPNE (HA)</th>
<th>SPNA (HA)</th>
<th>SUM (HA)</th>
<th>% OF PLANTED AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>499.39</td>
<td></td>
<td></td>
<td>499.39</td>
<td>998.78</td>
<td>3.65</td>
</tr>
<tr>
<td>1992</td>
<td>297.59</td>
<td>1,671.46</td>
<td></td>
<td>1,969.05</td>
<td>29.61</td>
<td>14.39</td>
</tr>
<tr>
<td>1993</td>
<td>1,721.56</td>
<td>1,585.42</td>
<td>738.28</td>
<td>4,045.26</td>
<td>29.57</td>
<td>14.39</td>
</tr>
<tr>
<td>1994</td>
<td>501.84</td>
<td>57.60</td>
<td>559.44</td>
<td>559.44</td>
<td>5.04</td>
<td>3.08</td>
</tr>
<tr>
<td>Total Old Mature &gt;18 years</td>
<td>1,721.56</td>
<td>2,384.85</td>
<td>2,966.73</td>
<td>7,073.14</td>
<td>51.70</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>163.07</td>
<td></td>
<td></td>
<td>163.07</td>
<td>326.14</td>
<td>1.19</td>
</tr>
<tr>
<td>1997</td>
<td>538.30</td>
<td>742.52</td>
<td></td>
<td>1,280.82</td>
<td>9.36</td>
<td>9.36</td>
</tr>
<tr>
<td>1998</td>
<td>94.83</td>
<td>214.79</td>
<td>1,368.59</td>
<td>1,678.21</td>
<td>12.27</td>
<td>12.27</td>
</tr>
<tr>
<td>1999</td>
<td>522.78</td>
<td></td>
<td></td>
<td>522.78</td>
<td>3.82</td>
<td>3.82</td>
</tr>
<tr>
<td>2000</td>
<td>89.57</td>
<td>599.64</td>
<td>689.21</td>
<td>1,134.13</td>
<td>8.38</td>
<td>8.38</td>
</tr>
<tr>
<td>2001</td>
<td>463.06</td>
<td>463.06</td>
<td></td>
<td>926.12</td>
<td>6.53</td>
<td>6.53</td>
</tr>
<tr>
<td>2005</td>
<td>1,002.95</td>
<td>45.70</td>
<td>85.48</td>
<td>1,134.13</td>
<td>8.29</td>
<td>8.29</td>
</tr>
<tr>
<td>2006</td>
<td>420.86</td>
<td></td>
<td></td>
<td>420.86</td>
<td>3.08</td>
<td>3.08</td>
</tr>
<tr>
<td>Total Prime Mature (7-18 years)</td>
<td>2,041.42</td>
<td>298.34</td>
<td>753.09</td>
<td>3,259.29</td>
<td>6,352.14</td>
<td>46.42</td>
</tr>
<tr>
<td>2007</td>
<td>256.68</td>
<td></td>
<td></td>
<td>256.68</td>
<td>1.88</td>
<td>1.88</td>
</tr>
<tr>
<td>Total Young</td>
<td>256.68</td>
<td>256.68</td>
<td>256.68</td>
<td>256.68</td>
<td>256.68</td>
<td>1.88</td>
</tr>
</tbody>
</table>
### 1.7 Other certificates held

**Table 4: Certificates Held by Mill and Estates**

<table>
<thead>
<tr>
<th>MILL/ESTATE</th>
<th>OTHER CERTIFICATION HELD</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAME</td>
<td>Nil</td>
</tr>
<tr>
<td>BMLE</td>
<td>Nil</td>
</tr>
<tr>
<td>SPNE</td>
<td>Nil</td>
</tr>
<tr>
<td>SPNA</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Source: Data from PT. SMART Tbk. in June 2013

### 1.8 Organizational information/contact person

**PT. SMART Tbk**  
Sinar Mas Land, Tower 2, 4th floor  
Jl. MH. Thamrin No. 51 Kav. 22, Jakarta 10350  
Phone : (+62-21) 3181388  
Fax : (62-21) 3181389  
CP: Mr. Ismu Zulfikar  
Head of Environmental Department  
Email: ismu-zulfikar@smart-tbk.com

### 1.9 Time bound plan for other management units

PT. SMART Tbk is committed to RSPO certification of all its Management Units located in North Sumatera, Jambi, Bangka, South Kalimantan, Central Kalimantan, and East Kalimantan. Time bound plan has been developed to achieve the RSPO certification for all its Management Units by 2015. The time bound plan is realistic and challenging. The plan is detailed on Table 5. The time bound plan was updated on 31 January 2013. Several Management Units was delayed to obtain
Audit Report

RSPO certification due to RSPO Grievance Panel Process, certification audit of ISPO as requirement mandatory of Indonesian Government and ISCC. Joint statement by GAR, SMART, IMT and RSPO Grievance Panel issued 28 October 28, 2010 mentioned that until 31 March 2011, RSPO will postpone approval of SMART and IMT certification. Several Management Units planned obtaining RSPO certificate year 2013 has been audited for Stage-1 audit and several of them have not been audited yet. SAI Global accepted the reason of the delay.

Table 5: RSPO Certification Time Bound Plan

<table>
<thead>
<tr>
<th>NO</th>
<th>NAME OF MILL</th>
<th>SUPPLY BASE</th>
<th>COMPANY OF MILL</th>
<th>LOCATION</th>
<th>ORI RSPO TIME BOUND 2009</th>
<th>REVISED RSPO TIME BOUND 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Batu Ampar Mill</td>
<td>Batu Ampar Estate</td>
<td>PT. SMART Tbk.</td>
<td>South Kalimantan</td>
<td>2010</td>
<td>2012</td>
</tr>
<tr>
<td>2</td>
<td>Tanah Laut Mill</td>
<td>Tanah Laut Estate</td>
<td>PT. SMART Tbk.</td>
<td>South Kalimantan</td>
<td>2010</td>
<td>2012</td>
</tr>
<tr>
<td>3</td>
<td>Langga Payung Mill</td>
<td>Langga Payung Estate</td>
<td>PT. Tapian Nadenggan</td>
<td>North Sumatera</td>
<td>2010</td>
<td>2012</td>
</tr>
<tr>
<td>4</td>
<td>Hanau Mill</td>
<td>Hanau Estate</td>
<td>PT. Tapian Nadenggan</td>
<td>Central Kalimantan</td>
<td>2010</td>
<td>2012</td>
</tr>
<tr>
<td>5</td>
<td>Leidong West Mill</td>
<td>Leidong West Utara Estate</td>
<td>PT. Leidong West Indonesia</td>
<td>Bangka</td>
<td>2010</td>
<td>2015</td>
</tr>
<tr>
<td>6</td>
<td>Semilar Mill</td>
<td>Semilar Estate</td>
<td>PT. Tapian Nadenggan</td>
<td>Central Kalimantan</td>
<td>2010</td>
<td>2012</td>
</tr>
<tr>
<td>7</td>
<td>Jak Luay Mill</td>
<td>Pantun Mas Estate</td>
<td>PT. Tapian Nadenggan</td>
<td>East Kalimantan</td>
<td>2012</td>
<td>2014</td>
</tr>
<tr>
<td>8</td>
<td>Gunung Kombeng Mill/Muara Wahau Mill</td>
<td>Gunung Kombeng Estate</td>
<td>PT. Kresna Duta Agroindo</td>
<td>East Kalimantan</td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>9</td>
<td>Jelatang Mill</td>
<td>Batang Merangin Estate</td>
<td>PT. Kresna Duta Agroindo</td>
<td>Jambi</td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>10</td>
<td>Pelakar Mill</td>
<td>Pelakar Estate</td>
<td>PT. Kresna Duta Agroindo</td>
<td>Jambi</td>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>11</td>
<td>Langling Mill</td>
<td>Bangko Inti Estate</td>
<td>PT. Kresna Duta</td>
<td>Jambi</td>
<td>2012</td>
<td>2013</td>
</tr>
</tbody>
</table>
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>BAME</td>
<td>4,019.66</td>
<td>0</td>
</tr>
<tr>
<td>BMLE</td>
<td>2,683.19</td>
<td>0</td>
</tr>
<tr>
<td>SPNE</td>
<td>3,719.82</td>
<td>0</td>
</tr>
<tr>
<td>SPNA</td>
<td>3,259.29</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Data from PT. SMART Tbk. in April 2012

Table 7: Plantation Hectare Statement

<table>
<thead>
<tr>
<th>AREA</th>
<th>HECTARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mature area</td>
<td>13,681.96</td>
</tr>
<tr>
<td>Immature area</td>
<td>0</td>
</tr>
<tr>
<td>Total area planted</td>
<td>13,681.96</td>
</tr>
<tr>
<td>Emplacement and Mill</td>
<td>95.38</td>
</tr>
<tr>
<td>Nursery</td>
<td>0</td>
</tr>
<tr>
<td>Effluent, Isolation Drain</td>
<td>323.35</td>
</tr>
<tr>
<td>HCV</td>
<td>836.02</td>
</tr>
<tr>
<td>Road</td>
<td>537.05</td>
</tr>
<tr>
<td>Runway</td>
<td>3.69</td>
</tr>
<tr>
<td>Other area</td>
<td>582.62</td>
</tr>
<tr>
<td>Total leased area</td>
<td>15,295.80</td>
</tr>
</tbody>
</table>

Source: Data from PT. SMART Tbk. in April 2012
1.11 Approximate tonnages offered for certification (CPO and PK)

The approximate tonnages certified are: CPO/year: 55,480.00 ton, PK/year: 13,432.00 ton

1.12 Partial Certification Requirements

In general there were no new issues regarding partial certification requirements in management units which have not been certified since last SAI Global audit. One issue regarding report “Mitigation Plan and Mitigation Action on Oil Palm Plantation in Peat Lands of Central and West Kalimantan” is still in process for RSPO approval. Meeting with RSPO and growers including PT. SMART Tbk. called “RSPO Biodiversity HCV Working Group” is conducted on 17-19 June 2013 to discuss the issue.

The other issues were remained the same:
The British Standards Institution (BSI) has been engaged to verify the SOP and implementation against the National Interpretation of RSPO Principles and Criteria for Sustainable Palm Oil Production, Republic of Indonesia, May 2008 across all of SMART operation, i.e. PT. SMART Tbk. in South Kalimantan (15-16 June 2012), PT. Leidong West Indonesia in Bangka (3-6 May 2011), PT. Tapian Nadenggan in Central and East Kalimantan (19-23 December 2011), PT. Kresna Duta Agroindo in East Kalimantan and Jambi (8-12 August 2011 and 19-21 July 2011) and PT. Satya Kisma Usaha in Jambi (28 March – 1 April 2011). The verification was conducted in 2011. The assessment team were among other: Technical Expert of Ecology and Wildlife Management, Technical Expert of Social Aspects and Technical Expert of Environmental Management System. SOP and documents verified were among others: AMDAL (Environmental and Social Impact Analysis), report of RKL RPL implementation, SOP of HCV Assessment, SOP of Peat Conservation, SOP of Community Engagement, SOP of New Planting Procedure. Some of the verification reports were issued in February and March 2012. According to verification report:

- No replacement of primary forest or any area identified as containing HCVs or required to maintain or enhance HCVs in accordance with RSPO criterion 7.3. There were new planting in several areas and new planting procedure has been implemented.
- Land disputes were found in PT. Tapian Nadenggan and PT. Kresna Duta Agroindo. These cases have been followed up and closed out.
- No labour dispute.
- Minor nonconformities were found in legal compliance, e.g. environmental monitoring was not conducted inline with RKL RPL document in PT. Tapian Nadenggan and PT. Kresna Duta Agroindo. Action plan has been established and action taken is verified during internal audit.

Action plan to all nonconformities has been established and communicated to each organisation. Nonconformities have been corrected and its correction was verified during Environment Department visit to each Unit Management.

Tanjung Pura University (UNTAN), Faculty of Agriculture, West Kalimantan and Palangka Raya University, Faculty of Agriculture, has been engaged to conduct the social research. The research study was conducted in 2011 to 8 organisations across of GAR and SMART operation. Report of research study was finished on June 28, 2011. The report concluded that:

- Criterion 2.3: Land acquisition did not diminish the legal rights or customary rights of other users without their free, prior and informed consent. However, the negotiation process was not well recorded in writing.
- Criterion 7.3: Land preparation for plantation development was not carried out in primary forest but in secondary forest, degraded land, shrub land, former logging sites or forest concessions, land previously cleared by natural fire and land left by shifting cultivators.
- Criterion 7.5: New plantings were conducted with prior approval from the local people.
Criterion 7.6: Identification and evaluation of land ownership based on legal and traditional land rights were already conducted. Compensation payment was discussed in negotiations between the organization and traditional land owners witnessed by local government representatives. The presence of the organization in the rural area creates positive impacts on surrounding areas, such as creating new jobs for the local community, increasing the local community’s income, increasing the circulation of cash in the rural market and stimulating the growth of businesses.

CSR: The organization had conducted various activities with their CSR projects in the sectors of infrastructure, health, education, disaster relief and local economy empowerment. The report of research study is published in GAR website.

GAR and PT. SMART Tbk. established Social and Community Engagement Policy on November 10, 2011. The policy was established to ensure that operations of palm oil can improve the living of the communities in its operational area. The policy covers commitment from FPIC to indigenous and local communities, responsible for complaints handling, to attain a responsible resolution of any conflicts, an open and constructive role of local, national and international stakeholders, empowerment of the community development program, respect for human rights, recognize, respect and strengthen worker’s rights, comply with all relevant laws and regulations and principles and criteria of international recognise certification. The organisation committed to use multi-stakeholder approach in developing and in the implementation of Social and Community Engagement Policy.

Besides that, Environmental Department of Head Office performs internal audit to all Management Units regularly. Action plan to all nonconformities has been established by each Management Units and corrective action taken was verified by Environmental Department of Head Office.

SAI Global concluded that partial certification requirements have been fulfilled.

1.13 Date of issue of certificate

Date of issue of certificate: 26 November 2012
Date of previous audit: 10 – 14 January 2012

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
Contact person : Ms. Inge Triwulandari
Technical Manager
Email : inge.triwulandari@saiglobal.com

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.
Audit Report

publications; we audit, certify and register your product, system or supply chain; we facilitate good governance and awareness of compliance, ethics and policy issues and provide training and improvement solutions to help individuals and organisations succeed.

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 10 to 12 and 21 June 2013. 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. Audit has paid special attention on some potential risks in the following areas:

- All environment aspects of P&C including reporting of environmental management, waste handling (BAMM, BMLE and SPNA)
- All social aspects of P&C including land conflict issue (if any), customary right, labour issue, organization contribution (CSR program, empowerment of local community) (BAMM, BMLE and SPNA)
- All HCV aspects of P&C including identification, management and monitoring HCV (BAMM, BMLE and SPNA)

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 P&C (2009) lead auditor training courses, RSPO 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 very broad industrial and in the palm oil sector since 2003 for several plantations and
Audit Report

mills. She has received training for good agricultural practices including integrated pest management and high conservation value (2008-2009).

Eko Purwanto – Audit Team Member

Eko Purwanto graduated with Bachelor degree of Forestry from Forest Conservation Department, Faculty of Forestry, Bogor Institute of Agriculture (IPB) in 2001. He has working experience at Palm Oil Plantation in East Kalimantan since 2003 to 2012 with the last position was Estate Manager. He has implementing good agricultural practice including integrated pest management and limited pesticides uses. He has completed lead auditor training courses for RSPO P & C (2013), ISO 9001 (2012), ISPO (2012) and RSPO SC (2012). He has also completed training course of ISO 14001 (2012), Minaut Indonesia (2011) and Introduction to HCV Toolkit HCV (2011). For the last 1 year he has been involved in quality (ISO 9001) management system audits for very broad industrial and involved in Indonesia Sustainable Palm Oil (ISPO) audit for several plantations and mills since October 2012.

Anwarsyah Harahap – Audit Team Member

Anwarsyah Harahap graduated with Bachelor of Natural Forest Resource Conservation from Bogor Agriculture Institute in 2004. He has working experience as biodiversity researcher at palm oil plantation on 2007. Since 2008 to 2013, He has work experiences in palm oil plantation on Sumatra as a team member of sustainable certification task force (such as: Biodiversity and HCV management, RSPO, ISCC, ISO 14001 and ISPO) and his last position as a sustainable and Environment Officer. He has completed ISO 9001 (2013), RSPO (2013) and ISPO (2013) lead auditor training courses.

Eri Pradhana Bharata – Audit Team Member

Eri Pradhana Bharata graduated with Bachelor of Environmental Engineering degree from Trisakti University in 2001. He has working experience as Environmental Health and Safety supervisors for many years. He has completed ISO 14001 (2011), ISO 9001 (2011) lead auditor training courses and ISPO (2012) lead auditor training courses. For the last 2 years he has been involved in quality (ISO 9001) quality management system audits for very broad industrial and ISPO audit.

Sigit Yulianto – Verifying Auditor

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).

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 workers live. External stakeholders included governments, NGO (if any in accordance with
Audit Report

stakeholder list has been arranged by the organization) and civil societies.

Letters were also sent to external stakeholders to invite for comment or Group discussion. External stakeholders were selected by considering that they have an interest in the organisation activities, directly border with organisation, area which the workers live. Election list of stakeholders for consultation are conducted based on a list of stakeholders who has been arranged by the organization. External stakeholders included governments and civil societies in according with list of stakeholder, there no NGO as a stakeholder.

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. Surrounding village of estate and mill has been chosen to represent societies. Group discussion was conducted for two sessions. First session especially for stakeholder directly affected on estate and mill around, i.e. community leaders, village heads, youth leaders and religious leader. Second session is especially for labour union, gender committee and representative worker.

One on one interview was conducted for worker and its family to verify compliance against relevant criteria and indicator related to infrastructure facility, labour, social aspect (discrimination and sexual harassment), environment and HCV.

Table 8: List of internal and external stakeholder

<table>
<thead>
<tr>
<th>STAKEHOLDERS</th>
<th>METHOD OF CONSULTATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal stakeholder</strong></td>
<td></td>
</tr>
<tr>
<td>Head of SPM</td>
<td>Group discussion</td>
</tr>
<tr>
<td>Head of Gender Committee</td>
<td>Group discussion</td>
</tr>
<tr>
<td>Representative of worker (pesticides sprayer, harvester, mechanical and process section on Mill)</td>
<td>Group discussion</td>
</tr>
<tr>
<td>Nurse and care worker</td>
<td>One on one Interview</td>
</tr>
<tr>
<td>Mosque caretaker</td>
<td>One on one Interview</td>
</tr>
<tr>
<td><strong>External Stakeholder</strong></td>
<td></td>
</tr>
<tr>
<td>Village Head, Religion Leader, Young Leader, Society Leader of around village of mill and estate</td>
<td>Group discussion</td>
</tr>
<tr>
<td>Head of KUD Gajah Mada</td>
<td>Group discussion</td>
</tr>
<tr>
<td>Social, Labour and Transmigration Agency of Kota Baru District</td>
<td>Sending an invitation letter to comment</td>
</tr>
<tr>
<td>Environmental Agency of Kota Baru District</td>
<td>Sending an invitation letter to comment</td>
</tr>
<tr>
<td>Plantation Department of Kota Baru District</td>
<td>Sending an invitation letter to comment</td>
</tr>
<tr>
<td>Camat Kelumpang Selatan</td>
<td>Sending an invitation letter to comment</td>
</tr>
<tr>
<td>Camat Kelumpang Hilir</td>
<td>Sending an invitation letter to comment</td>
</tr>
<tr>
<td>Camat Simpang Empat</td>
<td>Sending an invitation letter to comment</td>
</tr>
<tr>
<td>Police Head of Kelumpang Hilir District</td>
<td>Sending an invitation letter to comment</td>
</tr>
<tr>
<td>Police Head of Simpang Empat District</td>
<td>Sending an invitation letter to comment</td>
</tr>
</tbody>
</table>
2.5 Date of next surveillance visit

The next surveillance visit will be conducted around July 2014 three months before datum month of the certification period.

3.0 AUDIT FINDINGS

3.1 Action taken on previous audit issues

Non conformances from the previous audits have been followed up by taking corrective actions. Corrective actions have been implemented and verified. All corrective actions were considered as closed satisfactorily. There was no recurrence of NC.

3.2 Claim and use of certification mark and or logo

No claim and used of certification mark and or logo

3.3 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 - compliant
All requests from stakeholders and the response were listed and recorded on logbook “Communication and aspirations book” by mill and estates. Based on logbook information request, since last audit there were no information request from external stakeholder to SPNA and Mill. For BMLE, all requests of information were derived from Labour Department.

Criterion 1.1 Indicator Major 2 - compliant
All information requests from stakeholders have already been followed up by the Mill and Estates. And also, they were listed and recorded on logbook “Communication and aspirations”. Based on logbook information request, since last audit there was no information request from external stakeholder to SPNA and Mill. For BMLE, all requests for information were derived from Labour Department.

SPNA, BMLE and Mill, routinely sent labour report and P2K3 report to local Labour Department of Kota Baru District, Jamsostek-Social security payments to PT.Jamsostek. Mill was also routinely sending implementation report of land application, RKL and RPL report to Environmental Agency of Kota Baru District. Evidence of providing regular feedback was sighted and was well documented.

Criterion 1.1 Indicator Major 3 - compliant
Audit Report

Retention time of recording request and response information has been determined at 5 years and was already determined in SOP/SPO/SMART/LH-02 dated 1 July 2010 - Control of the document.

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 – compliant
Management documents are publicly available, such as: HGU (Land Use Title), Occupational Health and Safety Management Plan and CSR Program, HCV Assessment, Social Impact Assessment, Labour data and Environment document including AMDAL (Environmental Impact Analysis), Implementation report of land application, report of hazardous waste, implementation report of environment management plan- Rencana Kelola Lingkungan (RKL) and environment monitoring plan- Rencana Pemantauan Lingkungan (RPL), restribusi/local tax and continuous improvement plan. Organisation documents are generally available by the organisation and available to the stakeholders by request.

The documented procedure SOP/SPO/SMART/LH-01 was established, it’s mentioning the process and responsibilities and authorities in regard to responding the request on information from the public. Confidential information request such as financial data, cost and revenue was described in the procedure. Top Management in Head Office Jakarta 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.

Criterion 1.2 Indicator Major 2 - compliant
SOP/SPO/SMART/LH-02 dated 01 July 2011 described that retention time of such records including record of information requests and its responses is 5 years.

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 – compliant
The BAMM, BMLE and SPNA have evaluated their compliance with applicable laws and regulations stated in ANNEX 1 of National Interpretation of RSPO Principles and criteria for Sustainable Palm Oil Production including valid permits (hazardous waste temporary storage and land application permit), provision of required infrastructure (waste water treatment ponds, hazardous waste temporary storage), availability of MSDS, periodic environmental parameter monitoring (stationary emission, ambient emission and ambient noise, moving source emission, waste water discharge quality and surface water quality), pesticide management, system of plant cultivation, oil palm plantation, list of flora and fauna protected, management of guard area, minimum wage, labour law, occupational safety, employee social benefit, personal protective equipment, pressure vessel, and the measurement of physical and chemical factors work. Status of compliance with laws and regulations were evaluated, and evaluation of compliance result indicated that compliance status was justified with reference to the objective evidence of compliance. The records were sighted for period 2nd semester 2012 and 1st semester 2013.

Interview was conducted with the SPO Officer and related personnel at Mill and Estate to review the implementation of regulations. Evaluation of compliance result indicated that compliance status was justified with reference to the objective evidence of compliance. Example: employment agreement, social Security, training programs, employment list, CSR program and its implementation, list of employees, payroll and overtime calculations, menstruation leave, result of
Currently, The organisation is being process for register of employment agreement for a certain period (PKWT) to Labour Department. Progress of employment agreement register status and its implementation will be checked for next audit.

PROPER evaluation by Ministry of Environment has concluded that Padang Halaban Mill granted for Green award which indicated status of their environmental legal compliance for period 2011 – 2012.

It was evident that the applicable laws and regulations were implemented by the organisation.

**Criterion 2.1 Indicator Major 2 – compliant**

The Mill and Estates also has appointed personnel for identifying, reviewing, applying and evaluating compliance with applicable laws and regulations including those related to land status, occupational health and safety, environmental, labour, agricultural practice, and mill operation. It is the responsibility of SPO Officer at Mill and Estates in consultation with other departments to identify review and ensure application of those law and regulations. The list of regulatory bodies was covered in the list of stakeholder and its contact person. Evidence of efforts made to comply with changes in the regulations was sighted, i.e. regular contact to the government institution within the register, Environment Department of Head Office and follow up of new legal information. There were new regulations identified, e.g. PP 27/2012, PP 81/2012 and Per.MenLH 16/2012. The compliance of these new regulations has been evaluated. Evidence of efforts made to comply with these regulations was sighted, e.g. all environmental permits were obtained and wastes were segregated according to the regulations.

**Criterion 2.1 Indicator Minor 1 - compliant**

Valid applicable laws and regulations were registered including detail requirement applied to which Mill and Estates. Applicable legal and other requirements were registered and updated in July 2012 and January 2013.

**Criterion 2.1 Indicator Minor 2 – Minor NC**

Mechanism for ensuring compliance with all applicable local, national and ratified international laws and regulations was described in procedure SOP/SPO/SMART/LH-03. The procedure requires application of legal requirements to be verified every 6 months.

Evidence of compliance with applicable laws and regulations which concern the operation of BAMM, BMLE and SPNA has been evaluated internally as required by the procedure SOP/SPO/SMART/LH-03 dated 1 July 2010. Evaluation of compliance was documented within “Evaluation of Compliance with Laws and Regulations”. Last evaluation of compliance was performed for period 2nd semester 2012 and 1st semester 2013.

**Minor nonconformity against criterion 2.1 indicator minor 2**

**Mill and all Estates**

- Mechanism for conducting evaluation of compliance with law and regulation has not been clearly described in the SOP/SPO/SMART/LH-03, for legal and other requirements for all estate (BMLE, SPMA,) and mill (BAMM).

**Opportunity for improvement 2.1**

**Mill and all Estates**

- It could be considered to review evaluation result of compliance with regulation by not mentioning irrelevant regulation to avoid the writing mistake evaluation result of compliance.
- It could suggested to conducting and describe worker appointment mechanism available with related law and regulations since starting work as a BHL/PKWT to be SKU (permanent employee).
Audit Report

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 - compliant
This surveillance audit was conducted to BMLE and SPNA. Document and License Department of the PT. SMART, Tbk keeps the original license documents. The copies of licenses are kept by Estates. Licenses document were available at Estates audited. The HGU and pertinent license were remain same for estate audited (BMLE and SPNA). Following are legal licenses reviewed during this audit.

BMLE:
- Site permit #SK.02/PL.84/1989/AGR.43, dated 15 March 1989 +/-1 10,000 Ha, permit was given to PT. Inti Gerak Maju. Site permit No. SK.02/PL.61/7
- HGU #24, dated 28 July 2000, 2,929.037 Ha, permit was given to PT. Inti Gerak Maju. PT. Inti Gerak Maju was taken over by PT. Tapian Nadenggan in 2007, based on Notary Letter, Suhartini SH, dated 20 April 2007.
- Plantation permit previously was given to PT Inti Gerak Maju No. 464/Menhutbun-VII/2000 total 7,648.71 Ha and transferred to PT Tapian Nadenggan, dated 11 October 2011.

SPNA:
- SPNA consists of 4 villages in Kotabaru Distric (Kabupaten Kotabaru) i.e. Mandala, Sukamaju, Telagasari and Plajau Baru. First stage permit issued by Bupati Kotabaru No. 6/2001, in regard decision on location for land consolidation in Kotabaru District (penetapan lokasi pelaksanaan konsolidasi tanah di Kabupaten Kotabaru). This permit was strengthened with the permits from BPN (National Land Agency) in regard decision approval on state land for agricultural land consolidation for respective village and then finally by issuance of land own title (SHM) for each farmer. E.g.:
  - Decree of BPN head No. 30-XI-2002 dated 31 May 2002 around 800 Ha of Telaga Sari Village.
  - Decree of BPN head No. 46-XI-2002 dated 4 July 2002 around 1.100 Ha of Mandala Village.
  - Decree of BPN head No. 36-XI-2002 dated 3 July 2002 around 650 Ha of Sukamaju Village.

The land own certificates were sighted during this audit and all evidence.

Criterion 2.2 Indicator Major 2 - compliant
Signboard was available at all sites audited, indicated HGU number and operation area and land title. Legal boundaries were clearly demarcated. A review to legal boundaries maintenance records at Estates audited and survey to a number of legal boundaries demonstrated that the legal boundaries were well maintained by Estates. Regular inspection of the boundary pegs had been established to be conducted every 6 months. It was also sighted that estate supervisors monitored the boundary pegs condition and reported in their log book (Buku Kegiatan Mandor – BKM).

Criterion 2.2 Indicator Major 3 - compliant
It was confirmed from the personnel interviewed (Document and Legal Officer) that there were no land conflict at all land within BMLE and SPNA estate.

Criterion 2.2 Indicator Minor 1 –not applicable
Evidences of land acquisition before 2000 were sampled and verified during this audit; it was
sighted that land acquisition was completed with documents approved by two parties with
witnessed by local authority and/or community leader. No land acquisition after 2005.

**Criterion 2.2 Indicator Minor 2 - compliant**
A mechanism to resolve conflict which is accepted by all parties was described under criterion 6.3
and 6.4. Parties involved was described in Appendix “D” of the report, among others Village Head
of Serongga and Langadai, Society/religion/youth leaders, Head of KUD Gajah Mada.

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. – compliant?

It was confirmed from the personnel interviewed (Document and Legal Officer) that there were no
land within mill and estates are encumbered by legal or customary rights. 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 - compliant**
Management plan for period 2013-2015 was established in order to achieve long-term economic
and financial viability. This plan was in line with the certification scope i.e. covering all supply
bases. The parameters stated in the management plan includes revenue and profit, crop
projection (FFB yield trends), CPO and PK extraction rate; estimated estate cost (upkeep,
manuring, harvesting, transport, overhead and 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 is reviewed annually and revised as
appropriate; based on the achievement against the plan and other parameters may change.

**Criterion 3.1 Indicator Minor 1 - compliant**
The replanting plan for period 2010-2020 was sighted. It was noted that there was no replanting for
period 2010-2013.

**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 - compliant**
Standard Operating Procedures for Estates were developed in SOP (Standard Operating
Procedure) which revised in 1 September 2012 (SOP/SMART/MCAR/ I to XVI). The SOPs consist
of procedures for several processes including land clearing, preparation before planting, fertilising,
road maintenance, peat land management, drainage system, mature and immature upkeep,
integrated pest management and harvesting. Hardcopy of procedure are available and controlled.
Interviews with the employees indicate satisfactory level of understanding and implementation in
relation to their respective job function.

**Criterion 4.1 Indicator Major 2 - compliant**
Procedure of best practice operation of BAMM is available in document of MCMD #1-2010,
Audit Report
Standard Operational Procedure of Palm Oil Operation PT SMART Tbk revision #4 issued by Head Office. The procedure describes operation instruction from FFB receiving through production, processing and dispatch of CPO and PK. Quality control check, sampling methods including its reporting from reception of FFB up to dispatch of CPO and PK was mentioned in the procedure. Work Instructions has been developed and posted at work stations within the mill. Records of receiving FFB, sterilization, pressing, clarification and delivery (January – May 2013) and maintenance activity (2012) was found appropriate.

Criterion 4.1 Indicator Minor 1 – compliant
The organisation has well implemented internal checking and monitoring processes that check and report on the implementation of the Management Guidelines. These include independent checks of the Estates by the corporate internal audit. Mill Advisory Audit (MAA), Agronomy Audit & Advisory (AAA) and Operation Internal Audit (OIA) are performed twice a year. The last occasion for BAMM, BMLE and SPNA was done on 21 January to 8 February 2013 for first semester 2013. The report was still in progress at Jakarta Office, but auditor can see the AAA report of second semester 2012, which conducted on 24 July to 6 August 2012 for BMLE and SPNA and 7 to 11 September 2012 for BAMM. BAMM is ISO 14001:2004 certified, a regular environmental management system audit have been taken. Last internal audit was performed on 18 to 21 March 2013. Findings were addressed, follow up and documented accordingly.

Criterion 4.1 Indicator Minor 2 – Minor NC
Estates activities are carried out based on Division Work Program which generated from annual budget. Activities program are such as weeding, circle and path spraying, manuring, pest and diseases detection and census, maintenance of beneficial plant and road maintenance. Field observation was performed during audit to some activities: harvesting, spraying and manual weeding. Interview with employees working in those activities showed that procedures were implemented except for several workers in manual weeding (dongkel anak kayu). Activities have been performed at defined interval and records of activities were sighted, e.g. PKD (Pedoman Kerja Divisi – Division Work Programme) and BKM (Buku Kegiatan Mandor – Log book of group leader daily activity). PKD and BKM of several activities was reviewed, e.g. manual weeding, circle and path spraying, manuring, manual road maintenance, census of pest and diseases.

FFB that processed by BAMM is received from own Estate (BAME, BMLE, SPNE and SPNA) and out growers. The third party (out growers) is not included in the scope of certification. All of the FFBs are processed in same facility. 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 (March to May 2013) and site observation found that in general the documented procedures described above has been consistently implemented and monitored. CPO and PK are delivered to SMART “Tarjun” bulking terminal.

A brief tour to processing facility was made during audit to review work station of 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 appropriately as required by the procedure 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.

Opportunity for Improvement against criterion 4.1
- It could be considered if all spraying worker and supervisor at BMLE and SPNA to be retrained about the best technique of spraying circle and path, e.g. at flat area the sprayer must walk around counter clockwise for the tree at the left of the path and walk around
clockwise for the tree at the right of the path.

- It could be considered to make clear explanation to harvesters, so when interviewed the harvesters can explain what is harvesting vault.
- Consider making comprehensive training so that all employees implemented procedures of good agriculture practice, e.g.: FFB structure in TPH, EFB application, manual and chemical weeding and also compliance to upkeep rotation (time schedule).

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 - compliant**

Soil and leaf sampling was analysed regularly by SMARTRI to determine the nutritional status of soil, to assist and to be guided in the preparation of annual fertilising programme recommendation. Soil was analysed when the age of the plant is 3, 5, 8 years and continued with age of the plant is added by 5 years. Leaf was analysed annually. Soil and leaf sampling was taken from each division.

- BMLE: The soil analysis was in September 2010 to 513 samples. The leaf analysis was taken in January to March 2013 to 48 samples.
- SPNA: The soil analysis was not performed. The leaf analysis was taken in April 2013 to 58 sample

The soil analysis was not performed in SPNA. Based on letter from KUD Gajah Mada #035/KUD.GM/EXT/VIII/2010 on August 05, 2010, KUD Gajah Mada was not willing to follow soil analysis program because the cost of analysis was huge and SPNA area was still in one plot to SPNE therefore soil analysis result can refer to soil analysis of SPNE.

Leaf and soil visual analysis was conducted by agronomy staff to identify leaf deficiency and drainage or pyrite problem.

**Criterion 4.2 Indicator Minor 2 - compliant**

Annual fertilizer recommendation has been implemented and monitored. Fertilizer/manuring programme was developed by SMARTRI for all Division in BMLE and SPNA (area audited during this surveillance audit) based on result of soil and leaf sampling analysis. Manuring programme covers type of soil application, area and time of application, method of application and type and dosage of fertiliser. Manuring was performed manually, mechanically (using tractor and fertilizer spreader) or aerial using airplane. Aerial fertilising was performed in some area of BMLE and only for Urea, MOP and TSP. Aerial manuring was performed to mineral soil, far from housing and village and river. The memo with regards to aerial application mentions that fertilising is prohibited over a 5-palm wide buffer strip along the river and the main drain, swamp area was evident. Mapping of aerial manuring was made prior to perform. Procedure of aerial manuring was established in SOP/SMA/Pupuk pesawat on December 01, 2011. There was permit to operate airplane from Ministry of Transportation, Directorate General of Civil Aviation – Air Operator Certificate #AOC/137-001 dated 19 June 2011 and valid for three years. Result of fertilising was well recorded including areal fertilized, amount of fertilizer and date of application. It was noted that fertilising schedule of January to May 2013 has been applied.

Legume cover crops (LCC) are grown to protect soil from erosion, improve soil fertility and control weed. The LCC grown is *Mucuna bracteata*. The LCC is grown in BMLE and SPNA. Since oil palm in BMLE and SPNA are mature oil palm, then no planting or maintenance of LCC performed, however the growth of LCC can still be seen at the location.

Empty fruit bunches (EFB) were applied as supplement. EFB was applied based on the recommendation from SMARTRI in terms of quantity and location. EFB were applied in BMLE by manually and mechanical using tractor. Realisation of EFB application was well recorded and good
Audit Report

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

**Criterion 4.3 Indicator Minor 1 - compliant**
Maps of soils survey from Plantation Monitoring and Planning Division were available in scale 1:45,000 and 1:100,000 for BMLA and SPNA the maps included maps of fragile soils.
- BMLA: Planted area has slopes 0-15°. 1% of area has sulphate acid soils.
- SPNA: Planted area has slopes 0-22°. 3% of area has slopes 12-22°.

**Criterion 4.3 Indicator Minor 2 - compliant**
The procedure SOP/SMART/MCAR/I/TA-PPA “Preparation of new area planting” describes procedure for minimising and controlling erosion, and peat land management. The organisation do not recommend plantings on slopes >40% or >22°. When the slope area was planted, system for planting on slopes area is provided by considering soil and climate specific through terracing, determining of base line, levelling of terrace, and determining of planting space. To minimise and control erosion in slope area, several practices have been implemented such as terracing, growing of legume cover crops (LCC). Planting of “vetiver” grass and natural riparian plant have been performed to minimize stream and river bank erosion.

**Criterion 4.3 Indicator Minor 3 - compliant**
Procedure for road maintenance has been established. BMLA and SPNA have established road maintenance programme for main road, collection road and access road by manual and mechanical maintenance. Road maintenance includes manual, grading & compact and road hardening. Road hardening budget for 2013 has been observed including the realisation. Manual road maintenance programme was provided in Division Work Programme. Manual road maintenance was implemented based on Division Work Programme or road condition. Mechanical road maintenance uses heavy equipment – motor grader and compactor. The mechanical road maintenance programme was provided for all division. Manual and mechanical road maintenance realisation was recorded including complex area maintained, distance of road maintained, diesel fuel consumption and quantity of gravel. It was observed that the roads passed during the audit was quite good, not encountered damaged or impassable roads.

**Criterion 4.3 Indicator Minor 4 – not applicable**
There is not peat soil in BMLA and SPNA.

**Criterion 4.3 Indicator Minor 5 - compliant**
Based on Semi Detail Soil Map of all estates, BMLA has 1% of sulphate acid soil from total area planted and SPNA has 3% area with slope 12 – 22°. Fragile soils were well managed. Manuring to fragile soils was performed twice in 1st semester while manuring to mineral soil was only performed once in 1st semester.

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

**Criterion 4.4 Indicator Major 1 - compliant**
Procedure SOP/SPO/SMART/LH-05 has been established to maintain the quality and availability of water. Procedures SOP/SPO/SMART/LH-06 and SOP/SPO/SMART/LH-07 was also established for protection and management of riparian buffer zones at or before replanting. Procedure mentioned that in 50 m on the left and right side of riparian buffer zones, Estates are prohibited to apply agrochemical, used manual manuring and river bank was planted by erosion barrier crop (planting of “vetiver” grass). The organisation also has policy “Memo #002/SMD Ops/I/2009” that prohibits Estates for planting in 50 m on the left and right side of riparian buffer zones at or before replanting. Warning board also placed regarding prohibition to apply agrochemicals and fertiliser in
Audit Report

the buffer zone. Riparian buffers of small natural water courses are 50 metres wide on both sides of the rivers. Several evidence of maintaining quality and availability of water were evident, such as plan and realisation of riparian management, installation of warning boards, planting erosion prevention plan (e.g. Swietenia sp. and vetiver grass) and checking of water quality.

Program to manage wetland covered cleaning of main and collection drain and making of field drain. The program was provided in BMLE. Ditch is managed based on programme or ditch condition which is monitored regularly. Programme of ditch management using heavy equipment was established for BMLE includes cleaning of main and collection drain and making of field drain. Result of ditch management using heavy equipment was recorded. However program and realization of cleaning of main drain, collection drain and making of field drain was not clear which block area was cleaned.

Criterion 4.4 Indicator Minor 1 – Minor NC
Water management procedure is established to control water table within range of 50-70 cm below ground surface. This procedure was only implemented in BMLE. Water gates and dike which were made from sand sacks are constructed to maintain water level in main drain and collection drain. Water level is monitored by checking the level meter which was provided in main and secondary drain and piezometer which was provided in each block. Piezometer and level meter are checked weekly.

Water supply for BAMM comes from Mekarsari River which one of the creeks of Serongga River. Permit of water utilisation from Bupati Kotabaru #547/05.R/SIPA/D.PE on 30 June 2011 and valid for 3 years. Water was collected in water pond prior being treated and used for process in POM and staff housing. Flow meters were installed to monitor water usage. The volume of water usage is monitored monthly both for process and domestic usage. Water consumption data period 2012 and January to April 2013 was sighted. Water management plan has been established by BAMM including 5% reduction of treated water consumption, 5% reduction of water dilution and cleaning. The achievement of these targets is being evaluated.

Surface water quality is monitored six monthly. Surface water quality was analysed from upstream and downstream of Serongga River, intake of water pond, river at the back of BAMM housing and river nearby Tarjun bulking terminal. There are also three “monitoring wells” which are monitored six monthly to ensure that POME used in land application did not affect the quality of ground water. Monitoring result of “monitoring wells” was reviewed for 1st and 2nd semester of 2012 against Degree of Health Ministry #416/MENKES/PER/IX/1990. pH of water from “monitoring wells” was not met the standard. It was noted that pH of initial environmental condition stated in the AMDAL document was not met the standard.

Criterion 4.4 Indicator Minor 2 - compliant
POME is monitored monthly as required by permit of land application by external laboratory. The result of POME monitoring were reviewed including measurement of BOD for period 1st and 2nd semester of 2012 and January to March 2013. The Ministry of Environment #29/2003 and permit of land application required that BOD of POME flowed to land application is less than 5,000 mg/litre. The result of POME quality during this period was under 5,000 mg/litre.

Criterion 4.4 Indicator Minor 3 - compliant
Mill water use per tonne of FFB is monitored monthly. Actual mill water use was well recorded. Result of monitoring of mill water use per tonne of FFB was sighted for 2011, 2012 and 2013 until March. Result in 2012 was decreased compared with 2011.

Minor nonconformity against criterion 4.4 indicator minor 1

BAMM

SK Bupati Kota Baru #547/05.R/SIPA/DPE regarding permit of surface water abstraction mentioned that organization shall report quantity of surface water abstraction however the report could not be shown.
Audit Report

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 - compliant**
Procedures SOP/SMART/MCAR/VII/TA-HPT and SOP/SMART/MCAR/VIII/TA-PGM have been established to confirm that Integrated Pest Management (IPM) to control pests, diseases, weeds and invasive introduced species. The procedures include setting out of technique to be implemented, chemical to be used, locations to be applied, and time frame for implementation. BMLE and SPNA established Division Work Program annually for IPM in each division. IPM programme includes detection and census of pest and diseases, weeds controlling, planting and upkeep of beneficial plant, use of pesticide and herbicide. Based on Division Work Program period 2012 and 1st Semester 2013 audited (all Division in BMLE and SPNA) it was observed that all IPM program has been performed based on determined schedule. Activity audited among others spraying circle and path, circle manual, weeding manual, detection of pest (rodent, caterpillar, tirataba), etc.

Pest detection was an early warning system for pests, if the results of the detection exceeds a predetermined threshold (e.g. 20% for rodents and 5% for the caterpillars) then conducted a pests census and advanced control actions (e.g. the application of rodenticide for rodents and fogging for caterpillar). It was observed during the 2nd Semester of 2012 and the 1st Semester of 2013 there was no result in BMLE and SPNA pest detection that exceeds the threshold.

**Criterion 4.5 Indicator Minor 1 - compliant**
The implementation of IPM was monitored. Detection of caterpillar (Setora nitens, Darna trima, Metisa plana) was performed two monthly. When caterpillar was detected, census of caterpillar was performed. Census of rodent was conducted quarterly. Result of census determined further controlling. Controlling was performed when the caterpillar and rodent attack were higher than the critical point. Application of rodenticide during rodent attack was monitored by campaign baiting method. Application of other agrochemical during pests and diseases controlling was also monitored. The barn owls and boxes were monitored to check availability of owl for rodent control. Beneficial plant (Turnera subulatta, Casia cobanensis 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.

Chemical was used if attack is uncontrolled. Routine use of chemicals was programmed including area applied, dosage and rotation.

Training of IPM was performed to BMLE and SPNA employees on 11, 15 and 16 May 2013. The workers who involved in IPM technique were attended the training. List of participant attendance was sighted.

**Criterion 4.5 Indicator Minor 1 - compliant**
Pesticide toxicity units (a.i. / LD 50 / FFB tonnage) were monitored for Paraquat dichloride, Isopropilamine glyphosate, Methyl metsulfuron and Fluroksifir. The records were provided for 2010, 2011, 2012 and 1st semester 2013.

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

Criterion 4.6 Indicator Major 1 - compliant
Agrochemicals used by the organisation has been approved and registered by Agriculture Department, e.g. Rolixone 276 SL – license RI 2467/6-2011/T expired on 23 June 2016, Erkafuron 20 WG – license RI 2405/6-2011/T expired on 23 June 2016, Garlon 670 EC – license RI695/9-2012/T expired on 16 October 2017, Starare 200EC – license RI-854/7-2009/T expired on 10 August 2014, Marshal 56 – license RI 1279/1-2012/T expired on 18 February 2017, Roll up 480 SL – license RI 2133/4-2009/T expired on 30 April 2014, Kerlat – license RI 666/9-2008/T expired on 6 October 2013. It was noted that there were no agrochemicals being used which are not registered during this audit. Agrochemicals use and their register number refer to Pesticide Commission Book “Buku Komisi Pestisida” year 2012.

Criterion 4.6 Indicator Major 2 - compliant
Agrochemicals use was well recorded in “Recapitulation of agrochemical use” including active ingredients used, area treated, amount applied per ha and number of applications. The documents were also recorded dosage of agrochemical use, target species. The records were sighted in BMLE and SPNA. It was noted that dosage applied and application rotation was in accordance to budget.

Criterion 4.6 Indicator Major 3 - compliant
The audit was conducted visits to the Block F13 Division 1 BMLE and Block E8 Division 1 SPNA for manual weeding and circle & path spray. Personnel interviewed can clearly explain the type of work including work methods and goals, materials used (pesticides) including the dose and danger, personal protective equipment and first aid. Several BKM of circle weeding spray using agrochemicals was sighted. It was noted that agrochemicals (roll up, starane, rolixon and erkafuron) use were approved and registered agrochemical. Dosage of agrochemical use, target species was in line with the procedure (SOP/SMART/MCAR/ XII/TA-PTM “Pemeliharaan Tanaman Menghasilkan” and SOP/SMART/MCAR/VIII/TA-PGM “Pengendalian Gulma”). BKM recorded target species, dosage and trained spraying officer. PPE used during spraying of pesticides are boots, apron, safety glass, respiratory mask and hand gloves.

Agrochemicals have been applied by trained spraying workers who have received usage of limited pesticide training. Training was delivered by Pesticide Commission of Agriculture Department and Man Power Department Kabupaten Kotabaru, South Kalimantan Province and agrochemical supplier, on 11, 15 and 16 May 2013. Training record and certificates were sighted for all sprayers in BMLE and SPNA. Training covered handling of concentrate agrochemical and spraying method including pesticide hazard.

Criterion 4.6 Indicator Major 4 – Compliant
Handling of agrochemical containers was described in work instruction IK/SMART/LBH/01 and SMART-BMLE-SPNA/IK/19A. Agrochemical containers (for agrochemical: Rolixone, Rolimex and Erkafuron) were triple rinsed and then returned to supplier PT. Rolimex Kimia Nusamas. Based on letter from Ministry of Environment #B-5381/Dep/IV/LH/PDAL/05/2012 on 25 May 2012 to optimize agrochemical use by PT. SMART Tbk. and effort for extended producer responsibility PT. Rolimex Kimia Nusamas for refilling, every six months the organisation is required to submit, i.e.: data of location, coordinates and area for optimise agrochemical use, optimise activity and reuse of water from optimise activity at site, receipt note of agrochemical containers to supplier and measurement result of quality of water from optimise activity. The first report was sent to KLH on 7 May 2013. The other agrochemical containers were triple rinsed and then managed by licensed vendor: PT. Maju Asri Jaya Utama as transporter and PT. Wastec Internasional as processor. Hazardous waste manifests were sighted for handling of agrochemical containers in October 2012 and May 2013.

Criterion 4.6 Indicator Minor 1 - compliant
The organisation did not use agrochemicals listed by the Stockholm Convention. Paraquat was still used in BMLE and SPNA. The organisation has policy “Memo #015/ADH3-INT/BNJO/03/2010” with regard to “Using of Paraquat Active Ingredient” from VPA. The policy covers paraquat use to a minimum, reduction of paraquat for circle, harvesting path and FFB collection area. Data of
Audit Report

Paraquat used has been provided since 2009. It was observed that paraquat use in SPNA was increased in 2012 compared with 2011. Paraquat use was increased in 2011 due to the status change of several oil palm blocks from immature to mature in 2012. To reduce paraquat use, BMLE and SPNA implement S4 (Selective Spraying and or Site Specific). Agrochemical was only used in targeted weeds.

Criterion 4.6 Indicator Minor 2 - compliant

The provisions for medical check up was described in the procedure SOP/SMK3/SMART/LH-23 which covers pre employment medical check up, regular medical check up and special medical check up. Implementation of medical check up was also verified during this audit; records 27 December 2012, 5-6 May 2013, and February 2013. It was noted that medical check up has been implemented to workers who apply agrochemicals. Special medical check up for workers at estates and mill (BAMM, BMLE and SPNA) has been properly performed.

Criterion 4.6 Indicator Minor 3 – Minor NC

The Pregnancy analyze was conducted by organization to ensure that there are no pregnancy sprayers. It was carried out based on monthly menstruation leave records. However, it was observed that menstruation leave was only taken by several sprayers. Analyses method was not covered female sprayer which does no taken menstruation leave. So, they was no known whether pregnancy or not.

Minor nonconformity against Criterion 4.6 indicator minor 3

BMLE and SPNA

- Worker data on January-Mei 2013. It was observed that overall sprayer were female. Based on Circulation letter-Surat Edaran #001/SE-ADH3/BNJO/01/2010 (Pekerja wanita hamil dan menyusui serta pemeriksaan tenaga kerja), pregnancy tests should be carried out for every 4 months. However, it was not done. Currently, pregnancy analyses based on monthly menstruation leave records was conducted by organization to ensure that there are no pregnancy sprayers. However, it was observed that menstruation leave was only taken by several sprayers. Analyses method was not covered female sprayer which does no taken menstruation leave. So, they was no known whether pregnancy or not.

Opportunity for improvement 4.6

All Estates:

- The organization has measured quality of used water from cleaning of Rolixone and Roll up packaging. It could be considered to measure quality of used water from cleaning of several packaging, e.g. Erkafuron.

SPNA

- It could be considered to review quantity of used water cleaning of agrochemical. The quantity was bias, e.g. cleaning of 6 jerrycans 20 liter and 30 bottle 250 ml produced 4 liter of used water, cleaning of 6 jerrycans 20 liter and 40 bottle 250 ml produced 6 liter of used water.

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

Criterion 4.7 Indicator Major 1 – compliant

It was a good system when auditor team provided an OHS induction by Safety Officer. With this induction, auditor team was made aware on the situation of mill and estates, the risk may exist, the basic OHS rules at mill and estate and emergency preparedness and response procedure, etc. Audit was then performed both on documentations/records and site visit/observations.

Occupational health and safety policy has been established by respective Estate Managers and Mill Manager. The policy was displayed at strategic locations of estate and mill and communicated.
Audit Report

to employees including contractor workers. The occupational health and safety program 2012 - 2013 has also been established among other consist of training activity, safety committee meeting, medical check up, etc.

The boilers, sterilisers, steam vessel, air compressor, generator set, electrical installation, heavy equipment, lightning arrester have been inspected by local authority, the permits were evidence. Boiler operation 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 April and May 2013. Safety valve of air compressors at mill and estates were tested during this audit; it was noted that all safety valves were working properly and then re-setting was done and after that, they can work properly.

The procedure for critical activities was established, SOP/SMK3/SMART/LH-21. It covers the OHS control for working in confined space (e.g. cleaning of storage tank), working at height and welding. Work permit system was established and implemented for these works. It was noted that measurement of adequacy of oxygen and availability of dangerous gas were required before entering confined space and it was mentioned in the work permit; the portable gas detector was sighted during this audit. It was also noted that working at more than 2 meters from land or platform has been classified as working at height; this was mentioned in the procedure. 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, 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, see finding below. Electrical hazard symbol was provided at electrical panel.

In general, housekeeping at mill and estate (office estate, storage, and workshop) was good. Access for workers to workplace in general was good e.g. stair was provided with hand rail and platform at height was provided with border to prevent fall risk however see finding below, although it has been immediately rectified. Vertical stair has been provided with cover as well, e.g. chimney vertical stairs at mill and water torn vertical stair at estates

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. Chemical factors measurement at workplace has been measured for mill and estate.

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 understood the risk of their work and the purpose of using PPE.

Criterion 4.7 Indicator Major 2 – compliant

The safety committee (P2K3) for estates and mill has been established and had approval from local authority. The chairman of safety committee is Estate Manager or Mill 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 March, April and May 2013 for all estates and Mill. Quarterly reports were submitted to local authority as required by
Audit Report

local regulation.

**Criterion 4.7 Indicator Minor 1 – compliant**
Accident insurance was provided to workers including for daily base workers, under the scheme “Jamsostek” as required by local regulation. Samples of workers for mill and all estates 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.

**Criterion 4.7 Indicator Minor 2 – compliant**
The provisions for medical check up was described in the procedure SOP/SMK3/LH-23 which covers pre employment medical check up, regular medical check up and special medical check up. Implementation of medical check up was also verified during this audit; records December 2012, May 2012, and February 2013. It was noted that medical check up has been implemented to workers of mill and estates. This covers general medical check up test for all workers. Special medical check up for workers of mill has been performed which including audiometric test for workers exposed to noise and spirometry test for workers exposed to chemicals and dust.

**Criterion 4.7 Indicator Minor 3 – compliant**
OHS risk assessment procedure SOP/SMK3/SMART/LH-02 was established and implemented for estates and mill activities both routine and non-routine activities. Hierarchy of control was considered in the planning of risk control. According to the procedure, at least OHS risk assessment document must be reviewed once a year. OHS risk assessment records December 2012 were sighted for all estates and mill. Some activities were examined in regard to risk assessment including for boiler operation, sterilizer operation, generator set operation, loading ramp activity, cleaning of CPO storage tank, chemical mixing, fertilizer warehouse, herbicide and pesticide sprayer, harvesting, road maintenance, waste water treatment.

**Criterion 4.7 Indicator Minor 4 – compliant**
Training record and programme 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, welder certificate and basic OHS training performed internally. OHS training has been programmed and provided appear balanced with OHS hazard and risk at mill and estates.

**Criterion 4.7 Indicator Minor 5 – compliant**
Emergency preparedness and response procedure has been established, SOP/SMK3/SMART/LH-09. The emergency conditions have been identified including general fire, land fire, explosion, chemical spillage, 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 estate and mill and ambulance was provided at mill and estate. Regular inspection and maintenance of this emergency equipment were sighted. Simulation of emergency preparedness and response plan was scheduled once a year, result of simulation evaluation was sighted e.g. land fire in coordination with external fire brigade on 13 December 2012, the warning sign system for evacuation at BAMM, BMLE and SPNA was examined and found well working. Staffs and workers including visitors were following evacuation guidance.

**Criterion 4.7 Indicator Minor 6 – compliant**
Emergency shower and eyewash in general has been provided at chemical warehouse, fertilizer warehouse and chemical mixing area both at mill and estates, only some locations of emergency shower/eyewash were not appropriate, i.e. too far from the chemical. The content of emergency kits and the function of emergency shower/eyewash was regularly checked, checklist was sighted. Clinic was available at mill and each estate, provided with paramedics and one medical doctor to cover mill and estates.
Audit Report

Criterion 4.7 Indicator Minor 7 – compliant
First aid kits were sufficiently provided at mill and all estates including each assistant at estate. Sufficient training in regard to first aid treatment has been provided by company doctor to assistant at estates and mill. During the audit, assistant was able to demonstrate the use of first aid kit. It was observed first aid training for BAMM, BAME and SPNA have been conducted on May 4th 2013 with 27 participants and dr. Edmonson as a trainer.

Criterion 4.7 Indicator Minor 8 – compliant
Accident statistic was reported and reviewed on monthly basis. Quarterly accident statistic was also reported to local authority. The procedure SOP/SMK3/SMART/LH-10 has been established to report accident and to perform accident investigation. Statistic accident of mill and estates for 2012-2013 were sighted during this audit, no fatality accident was reported so far; and in general the accidents have been followed up with investigation.

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

Criterion 4.8 Indicator Major 1 – compliant
The training needs and programme has been well identified and recorded on personnel competency matrix “Matrix of personnel competency identification”. All functions were included in this training identification from mill manager, estate manager, assistant head, group leader, operator at mill, sprayer, welder, boiler operator including for contractor (civil, mechanic and transporter) and small holders. The training needs identified appear sufficient and complete, this including training related to OHS, SCCS, environmental, social, training required by regulations, training related to operation of mill and estate. Training programme 2012 and 2013 were sighted, the training programme is established based on the training needs identification. Realization of training programme 2012 and 2013 were sighted, e.g. first aid training, SCCS training, social impact assessment workshop, risk assessment.

Criterion 4.8 Indicator Major 2 – compliant
Evidence of training for person in charge were verified and sighted, including for boiler operator, sprayer, and chemical mixing operator, assistant of estates, SCCS training for loading ramp operator and for mill assistant, pesticide and herbicide training, etc. The system to record personal training was established-in this record, the training which has been completed by each person was recorded, the updating of this record are consistent for mill and all estates.

Criterion 4.8 Indicator Major 3 – compliant
Occasionally, mill and estates were hiring contractor, e.g. for civil and mechanical contractor. The requirements for experienced and trained contractor were included in the contract agreement-this is in line with the competency matrix as mentioned above. Work permit system was implemented to ensure that the contractor meets the organizational requirements including trained and experienced workers and the use of appropriate PPE, the documentation and mechanism to make sure all contractors competence and qualified could been shown.

PRINCIPLES 5: ENVIRONMENTAL RESPONSIBILITY AND CONSERVATION OF NATURAL RESOURCES AND BIODIVERSITY

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 – compliant
Initial Environmental Impact Assessment documents (ANDAL, RKL and RPL) #15/ANDAL/RKL-
Audit Report
RPL/BA/IV/1998 of PT. Inti Gerak Maju which were approved by Department of Agriculture of Republic of Indonesia on April 30, 1998 for BAMM, BAME and BMLE were available. The documents cover District of Batu Licin, South Kelumpang, Upper Kelumpang and Centre Kelumpang.

Initial Environmental Impact Assessment documents (ANDAL, RKL and RPL) #104/ANDAL/RKL-RPL/BA/VIII/1996 of PT. Sinar Kencana Inti Perkasa which were approved by Department of Agriculture of Republic of Indonesia on August 9, 1996 for SPNE were available.

SPNA activities are covered in DELH Plasma KUD Gajah Mada, PT. Sinar Kencana Inti Perkasa. DELH (Document of Environmental Evaluation) has not been approved by BLH (Local Agency of Environment) Kota Baru District or Ministry of Environment. BLH rejected to review the DELH due to time for reviewing and approval was limited (from 27 September to 2 October 2011) (based on Per.MenLH 14/2010, due date for organisation who has permit of operation but not have environmental permit was on 3 October 2011). It was noted that the organisation applied to BLH Kota Baru District since February 2011 and had approval for document development was on 27 September 2011. Requesting for approval the final document is being conducted by the organisation.

BAMM, BMLE and SPNA identified environmental aspect and evaluated its impact. The result of environmental aspect and impact identification and evaluation was documented within “List and Evaluation of Environmental Aspect”. Control measures of each environmental impact were defined and implemented to ensure that negative environmental impact were prevented and mitigated.

**Criterion 5.1 Indicator Major 2 – compliant**
Implementation of RKL RPL is reported six monthly. Report for 1st and 2nd semester of 2012 for PT. SMART Tbk. Batu Ampar Mill (reporting of BAMM, BAME and BMLE environmental monitoring and measurement) and report for 2nd, 3rd and 4th quarter of 2012 and 1st quarter 2013 for PT. Sinar Kencana Inti Perkasa (reporting of SPNE and SPNA environmental monitoring and measurement) was sighted and sent to Kota Baru District Environmental Agency and Estate Agency, South Kalimantan District Environmental Agency and Ministerial Office Environment. Receipt note was also sighted.

**Criterion 5.1 Indicator Minor 1 – compliant**
Based on letter from Bapedalda #660/480-APDL/Bapedalda on September 28, 2006, ANDAL, RKL and RPL is still valid even though the ownership of organisation was changed to PT. SMART Tbk. The letter required organisation to make submission of a statement of responsibility with regards to environmental controlling from PT. Inti Gerak Maju to PT. SMART Tbk. Handing over responsibility of environmental controlling was stated in the letter #1066/SK/LGL/TN/X/2006.

For internal environmental aspect and evaluated its impact document, as required by the procedure SOP/SPO/SMART/LH-11, 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 January 2013. There were several new environmental aspects identified, e.g. environmental aspect of replanting.

**Opportunity for improvement 5.1**
**BAMM**
- It could be considered to improve procedure of environmental aspect identification and evaluation by including mill in the scope of procedure.
Audit Report

management plans and operations

Criterion 5.2 Indicator Major 1 – compliant
An HCV area assessment has been carried out by the HCV Team of the Environment Department of PT. SMART Tbk., and consist of 6 people, three of which are RSPO approved discipline specialist, and the report is available. The report has been commented on by a reviewer, and a Peer Review has been carried out. Moreover, organization has been conducted public consultation on 5 October 2011. It had intended to get aspiration and responses from stakeholders related identification result of HCV and its management.

HCV identified on BMLE: including:
- HCV 1.1 ; Buffer zone of Natural Reserve (172, 48 ha)
- HCV 4.1 and HCV 4.3 : tidal marsh (82.72 ha)
- HCV 6 : Cemetery area in Block D-05, H-02, H-011 and Block I-12,

There was HCV 1.1 & HCV 4.1 potential in SPNA. However, grower did not agree with the determination of HCV, because it would be reduced their acreage. So, the rivers have not been identified as HCV areas, but nevertheless, the riparian zones (50m wide on both sides of the river) are being managed as HCV areas to prevent pollution and erosion. No agrochemicals are being used in this buffer zone.

Criterion 5.2 Indicator Major 2 – compliant
The management of HCV areas was presently based on the management recommendations in the HCV report and on the company’s SOP of HCV area management. HCV management areas maps were established. Organization has been review and carrying out HCV management program, effective date on 01 January 2012. HCV management programs were described objective and target of each HCV management, and its implementation indicators. HCV management program including:
- Setting of boundaries and the tagging of Natural Reserve buffer zone.
- Planting areas of prone erosion to river bank and planting native species.
- Setting of river protection signboards, including: prohibition to hunting wildlife, prohibition to illegal logging on protected area,

During audit, records of HCV management implementation were sighted. Consistence of HCV management implementation would be checked for next surveillance.

Organization was also developed and established monitoring program to ensure condition and the existence of HCVA, including:
- Routine patrol to protect HCV area from destruction activities, example: illegal logging and hunting wildlife, if any.
- Existences monitoring of HCV 1.2 and HCV 1.3 using list species method. Circular form SMD Operation #002/SE-SMD Ops/IX/2010 on September 20, 2010 was developed with regards to protected species.
- Monitoring condition and the existence of HCV boundaries.

Monitoring activities was well conducted. Its records was documented and sighted. Analyses of implementation management and monitoring HCV was conducted annually by environment department of organization. It was sighted and available for period January to December 2012.

Criterion 5.2 Indicator Major 3 – compliant
HCV management and monitoring plan described measures taken for each HCV and its monitoring. Relevant laws were taken into account for determining appropriate measure including UU #5/1990 about Natural resources conservation, PP#7/1999 about List of protected plan and wildlife, Kepres #32/1990, and PP26/2008.
Audit Report

Besides the erection of sign boards and the production of posters, Commitment to discourage any illegal or inappropriate hunting, fishing or logging activities or to develop responsible measures to resolve human wildlife conflicts has been provided.

Criterion 5.2 Indicator Minor 1 – compliant

Posters and sign boards concerning HCV areas and protected species were available in the necessary places.

All staff and employees were informed about HCV areas and ERT species. Public Consultation and dissemination of information to local communities has been carried out on 4 October 2011. Notification about HCV areas and protected species awareness to employees was conducted on 5 June 2013.

Criterion 5.2 Indicator Minor 2 – compliant

Organization has been appointed HCV Officer (SK #006/RSPO/BMLE/05/13, 1 Mei 2013) to ensure the implementation of management and monitoring plan, however HCV officer has not been obtained management and monitoring HCV training. Even so, during audit HCV Officer was sight that It has understood about HCV management and monitoring implementation.

Opportunity for Improvement for Criterion 5.2

BAME

- It highly recommended to:
  - Review of wildlife monitoring method in HCV management. There was potential that the method and time of monitoring was not accommodated migrant species (Bangau tontong) and species which its movement was affected of flowering and fruiting season. Wildlife monitoring methods was using list species where the officer does daily record protected wildlife.
  - Carrying out wildlife population monitoring on protected area, ( especial for HCV 1.3) and analyses of wildlife encountered intensity as part of HCV management effectiveness analyses that has been done.
  - Clarify program objectives and implementation status of HCV management as part of analyses of HCV management effectiveness, Especial for HCV 1.1 Buffer zone of Cagar alam. For example: Number and fixing procedure of HCV boundaries and also tagging procedure of buffer zone.

- It could be to review of the training program plan on 2013. Especially, related to awareness training of management and monitoring HCV on September 2013. Currently, organization has been appointed HCV Officer (SK #006/RSPO/BMLE/05/13, 1 Mei 2013), however HCV officer has not been obtained management and monitoring HCV training. Even so, during audit HCV Officer was sight that It has understood about HCV management and monitoring implementation.

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 – compliant

The Mill and Estates have identified and documented all wastes and sources of pollution from their activities. Result of identification was recorded in “List and Evaluation of Environmental Aspect”. The list was updated in January 2013.

Criterion 5.3 Indicator Major 2 - compliant

Procedure waste handling was established and implemented, SOP/SPO/SMART/LH-09. Waste management by reduce, reuse and disposal and zero burning was described in the procedure to avoid and reduce pollution. The organisation also established waste management program which covered handling of organic, non organic, domestic and hazardous waste.
Audit Report

Fibre and shell from BAMM were used for boiler feed. EFB was used for fertiliser in PHLE. The quantity of EFB generated is recorded daily and estimated about 21 % of FFB. Waste water from clay bath has been disposed to waste water pond. Water contaminated with boiler ash was collected in sedimentation tank. Chemical container from water treatment plant was cleaned and the waste water was collected in neutralisation tanks. Regeneration water from water treatment plant was also collected in neutralisation tanks. Waste water from sedimentation and neutralisation tanks was disposed to surface water. The waste water quality from sedimentation tank was monitored prior to be disposed to surface water. Monitoring result of waste water quality from sedimentation and neutralisation tank was reviewed for February 2012 and January 2013 against Ministry of Environmental Decree #51/1995 attachment IVB.

Sample waste from laboratory was returned to process in fat pit. Chemical container from laboratory was returned to supplier. Receipt note of returning chemical container to supplier was sighted. It was observed that organic and non organic waste was segregated at point of source. Organic waste from housing was disposed to hole located at the backyard of each house. Inorganic wastes from Mill and Estates including housing were disposed to landfill in the Estates area. Areas of inorganic wastes disposal was far from housing, in the flood-free area and not in swamp area.

**Criterion 5.3 Indicator Minor 1 – Minor NC**

Management plan of hazardous waste and instruction of disposal was described in procedure SOP/SPO/SMART/LH-18. Hazardous wastes were segregated from point of source prior being transferred to temporary storage of hazardous waste. Temporary storage of hazardous waste was provided in BAMM, BMLE and SPNA (area audited during this surveillance audit) to collect hazardous waste prior being disposed to licensed vendor. The organisation had permit of temporary storage of hazardous waste #188.45/220/KUM/2010 from BLH Kabupaten Kota Batu and valid for 5 years.

Hazardous wastes such as used oil, used battery, used filter oil, used lamp and contaminated rags have been handled properly as hazardous wastes. The hazardous wastes from BMLE activities were sent to BAMM temporary hazardous waste storage prior being disposed to authorised institution. Hazardous waste from SPNA was sent to SKPM temporary hazardous waste storage prior being disposed to authorised institution. These hazardous wastes were managed by licensed vendor: PT. Maju Asri Jaya Utama as transporter and collector and PT. WGI and PT. Nonferindo Utama as processors. Disposal of hazardous waste was completed with manifest. Manifest of disposal were sighted for June and November 2012 and February and May 2013. Medical wastes were disposed to hospital to be burnt in the incinerator.

Handling of agrochemical containers was described in work instruction IK/SMART/LBH/01 and SMART-BMLE-SPNA/IK/19A. Agrochemical containers (for agrochemical: Rolixone, Rolimex and Erkafuron) were triple rinsed and then returned to supplier PT. Rolimex Kimia Nusamas. Based on letter from Ministry of Environment #B-5381/Dep/IV/LH/PDAL/05/2012 on 25 May 2012 to optimize agrochemical use by PT. SMART Tbk. and effort for extended producer responsibility PT. Rolimex Kimia Nusamas for refilling, every six months the organisation is required to submit, i.e.: data of location, coordinates and area for optimise agrochemical use, optimise activity and reuse of water from optimise activity at site, receipt note of agrochemical containers to supplier and measurement result of quality of water from optimise activity. The first report was sent to KLH on 7 May 2013. The other agrochemical containers were triple rinsed and then managed by licensed vendor: PT. Maju Asri Jaya Utama as transporter and PT. Wastec Internasional as processor. Hazardous waste manifests were sighted for handling of agrochemical containers in October 2012 and May 2013. Fertiliser sacks were cleaned prior being reused for collecting loose fruit during harvesting. Estates have been completed with area to clean agrochemical containers and fertiliser sacks. Liquid waste from cleaning was reused for agrochemical dilution during spraying or gardening.

Hazardous waste was reported to Environmental Agency of Kabupaten Kota Baru, Environment Agency of South Kalimantan and Ministry of Environment. Receipt note was also sighted.
Audit Report

Criterion 5.3 Indicator Minor 2 - compliant
Quantity of hazardous wastes was recorded. The hazardous wastes balance was made for each type of hazardous waste: used oil, used battery, used oil filters, contaminated rags, used lamp, agrochemical containers and fertiliser sacks.

Minor nonconformity against criterion 5.3 indicator minor 1

SPNA
- Copy #7 of hazardous waste manifest has not been provided for used battery.
- Contaminated rags were processed in PT. Non Ferindo Utama as mentioned in the copy #7 of hazardous waste manifest. However PT. Non Ferindo Utama did not permit to process contaminated rags.

BAMM
- Used packaging of chemical laboratory from supplier Kastraco was returned to Kastraco without cleaning. It was noted that Kastraco has no permit as hazardous waste transporter.
- Disposal of used packaging of chemical laboratory except from supplier Kastraco was not clear.

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

Criterion 5.4 Indicator Minor 1 – compliant
Fiber and shell was used as boiler feed. Volume of fiber and shell used for boiler feed is estimated monthly. The quantity fiber generated from the mill was estimated about 12.50% of FFB processed and shell about 5.75% of FFB processed. Record of fiber and shell used for boiler feed was sighted for 2011, 2012 and 2013 until May. Use of renewable fuel was decrease in 2012 than in 2011. Total energy generated by steam turbine generator was recorded as total energy (kCal) per ton CPO.

Criterion 5.4 Indicator Minor 2 – compliant
Fossil fuel in BAMM was used for heavy equipments and emergency diesel generator. Total fuel consumption is summarised monthly as litre of diesel fuel per ton of FFB processed. Record sighted for 2011, 2012 and 2013 until May.

To reduce fossil fuel, when boiler was not in use for mill operation, boiler was used to operate steam turbine generator to change diesel electricity generator operation to generate electricity for housing.

Fossil fuel in the estates is used for operation of heavy equipments, vehicles and diesel electricity generator to supply electricity for office and housing including transport of FFB. The consumption of diesel fuel is recorded and monitored monthly and evaluated for each litre of diesel fuel/FFB tonnage. It was noted that consumption of fossil fuel/FFB tonnage in 2012 was decreased compared to 2011 in BMLE. Consumption of fossil fuel per FFB tonnage in 2012 was increased compared to 2012 in SPNA due to additional heavy equipments were needed in this Estates for construction and maintenance projects such as road maintenance, trench maintenance, etc. It was noted that consumption of fossil fuel in SPNA was still under the target.

Opportunity for improvement 5.4
Mill and all Estates
- It could be considered to analyse efficiency of fossil fuel use by comparing with budget not only year by year.
Audit Report

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 – not applicable**
Fire was not used during land preparation for conversion coconut to oil palm in 2006 and neither for waste disposal. No replanting has conducted in BMLE and SPNA since 2006 to 2013.

**Criterion 5.5 Indicator Major 2 – compliant**
The organisation has policy of zero burning documented in circular letter #071/SMD Ops/IX/2007 form SMD Operation. Zero burning activities were also required in MCAR chapter 5. MCAR mentioned that land preparation was performed by overthrowing and chipping.

**Criterion 5.5 Indicator Major 3 – compliant**
The procedure for land fire emergency preparedness and response was established, SOP/NP/SMART/XI/LH-02. The training to handle land fire has involved external organization i.e. Mandala Agni, an organization established by the government specialist in land fire. The simulation to handling land fire has been performed to all estates, evaluation records were sighted e.g. April 1st 2013 (SPNA), March 2013 (BAMM) and December 2012 (BMLE).

**Criterion 5.5 Indicator Minor 1 – compliant**
Regular inspection on this equipment was sighted. The facilities to handle land fire have been provided including portable fire extinguishers, mobile water tank completed with pump, fire cloth, etc. The provision of the fire fighting facilities appeared to be inline with the risk assessment.

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

**Criterion 5.6 Indicator Major 1 – compliant**
Identification of pollution and emission sources at BAMM activities was evident. The source of pollution and emission was recorded within “List and Evaluation of Environmental Aspect” including ambient air, boiler emission, diesel electricity generator emission, vehicle and heavy equipments emission.

Identification of pollution and emission sources at BMLE and SPNA activities was evident. The source of pollution and emission was recorded within “List and Evaluation of Environmental Aspect” including diesel electricity generator emission, vehicle and heavy equipments emission. Diesel electricity generator was used for electricity in housing and nursery.

**Criterion 5.6 Indicator Major 2 – compliant**
Monitoring of pollution and emission quality of sources identified were performed inline with RKL RPL. Monitoring and measurement results for 1st and 2nd semester of 2012 were sighted in BAMM, BMLE and SPNA for boiler emission against Environment Ministry Decree #07/2007, diesel electricity generator against Environment Ministry Regulation #21/2008, vehicle and heavy equipment emission against Environment Ministry Regulation #05/2006, odour emission against Environment Ministry Decree #50/Menh/11/96, also ambient air quality against Government Regulation #41/1999. Monitoring and measurement results for 1st semester 2013 have not been finished yet.

**Criterion 5.6 Indicator Minor 1 – compliant**
Efforts and strategies employed to reduce pollution and emissions were sighted, e.g. substitute diesel fuel to fibre and shell to operate boiler, planting of several vegetations around WWTP, implementation of RKL RPL which reported every six months, environmental management program (i.e. segregation of organic and non organic waste, providing of septic tank in each employee house), each boiler has been completed with chimney and multi-cyclones for managing...
Audit Report

its emission, electricity generator has been also completed with stack and preventive maintenance of boiler and electricity generator.

Criterion 5.6 Indicator Minor 2 – compliant
POME was processed through multi feeding to 8 ponds. Capacity of each pond is 10,000 M³. POME from each pond was collected in collection pond to be applied in the BAME according to permit of land application from Bupati Kota Baru #188.45/395/KUM/2011. The operation of waste water treatment ponds was described in procedure MCMD #1/2010. Process parameter monitoring and maintenance of the ponds were sighted. POME was monitored by BAMM laboratory for parameter pH, Volative Fatty Acid and Total Alkalinity and monitored monthly as required by permit of land application by external laboratory. The result of POME monitoring were reviewed including measurement of BOD for period 1st and 2nd semester of 2012 and January to March 2013. The Ministry of Environment #29/2003 and permit of land application required that BOD of POME flowed to land application is less than 5,000 mg/litre. The result of POME quality during this period was under 5,000 mg/litre. Report of land application is reported to Environmental Agency of Kabupaten Kota Baru, Environment Agency of South Kalimantan and Ministry of Environment every six month. Receipt note was also sighted.

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 – compliant
Social Impact Assessment (SIA) for the mill and estates has been done in July 2010 and was conducted by the SMART team from Head Office Jakarta. Public consultation was conducted against SIA report on 18 September 2010.

Methods of SIA have been done by interviews with 'key person' such as village head, traditional leader, youth leader and Estates community. Assessment was carried out on rural communities around the mill and estates, e.g. Serongga, Langadai, Pantai,Sungai Kupang, and Sungai Panci Village. Assessment was also conducted to the affected parties such as the community around the estate and actively participative in social programs that carried out by estate.

The positive and negative impacts were obtained by compilation of perception of community and respondents. Some of the impacts identified were:

Negative impacts were identified such as:
- The lack of information about job vacancies in the estate
- The lack of local employment absorption.
- Social assistance was uneven
- Jealousy among local contractors

Positive impacts were identified such as:
- Additional income communities, as some residents work at the mill and estates.
- Additional education, because the company provides scholarships for community.
- Reduce unemployment
- Improved quality and transportation routes. Communities mobilization more smoothly.

Criterion 6.1 Indicator Minor 1 – compliant
Action plan to implement and monitor social impact with community has been determined. It was focus to the improvement of CSR to the community. And this CSR program was implemented
Audit Report

Annually. Positive impacts were maintained with organisation and necessary action was planned by the organization Negative impacts (i.e. inequitable recruitment in villages) were followed up with corrective action.

According to group discussion, 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 and also management and monitoring social impact report which is verified by head village of around estate and mill.

Monitoring of realization action plan was conducted by the SIA Team according determined period. Also status of action plan was determined and it was mentioned in the ‘Rencana Pengelolaan Dampak Sosial (Sosial Impact Management Plan). Effectiveness analysis of negative impact management was conducted by organization. Its report for 2011 and 2012 period was sighted and it was indicated that SIA management program has effective to manage negative impact.

**Criterion 6.1 Indicator Minor 2 – compliant**

Based on letter from Bapedalda #660/480-APDL/Bapedalda on September 28, 2006, existing ANDAL, RKL and RPL that encompasses social impact assessments was still valid even though the ownership of organisation was changed to PT. SMART Tbk.

SPNA activities are covered in DELH Plasma KUD Gajah Mada, PT. Sinar Kencana Inti Perkasa. DELH (Document of Environmental Evaluation), It was described in criterion 5.1 indicator major 1.

**Criterion 6.1 Indicator Minor 3 – compliant**

Implementation of RKI RPL was reported six monthly. Report for 1\textsuperscript{st} semester of 2012 (3/08/2012) and 2\textsuperscript{nd} semester 2012 (26/02/203) was sighted and sent to Kota Baru District Environmental Agency, South Kalimantan District Environmental Agency and Ministerial Office Environment. Receipt note was also sighted. Report for 1\textsuperscript{st} semester of 2013 was being developed.

**Criterion 6.1 Indicator Minor 4 - not applicable**

In according interview with unit head and group discussion with society leader, there are no out grower schemes in BMLE and SPNA. Although SPNA are plasma scheme, but it is full manage by the organization.

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 – compliant**

Procedure for communication and community consultation has been properly established in SOP/NP/SMART/XIV/MCAR003. - Communication and Consultation. Mechanism of collaboration with local community and other interested party also was described in the procedure. This procedure was implemented by the estate and mill. Communication and consultation for community was recorded. This procedure was communicated during RSPO awareness on 1 June 2013

**Criterion 6.2 Indicator Minor 1 – compliant**

List of stakeholders was already available, the results of interviews conducted was explained that the stakeholder communities affected directly from this impact. List of stakeholders was divided into groups: government, community leaders, youth leaders and others. Stakeholder list covered District Head, department of Forestry, Department of Environmental, Department of Labour, transmigration and social, National Land Agencies, District Police, Camat, Village Head, Community Leaders, Koperasi Gajah Mada, Religious Figures and Youth Leaders around estate and mill. In according with list of stakeholder, there are no NGO as a stakeholder. Stake holder list was made detail, address and phone numbers were mentioned in the list. It was update on January 2013.
Audit Report

**Criterion 6.2 Indicator Minor 2 – compliant**
Community aspirations were kept and recorded by the RSPO Officer in the logbook communication and consultation of stakeholder*. Most of the aspirations of these communities contain requests for assistance to road maintenance, donation (e.g. EFB supplies, fencing of school), school bus assistance and transportation assistance. Records and interview result indicated that aspiration from community was followed up by the organisation.

**Criterion 6.2 Indicator Minor 3 – compliant**
In accordance with the decree from Top Management (SK #003/MR/SPNA/03/10, SK #006/SE-PC Kalsel/I/2013 and SK # 03/RC/Kalsel I-SPO/07/12 ) determined that the Mill Unit Head and Estate Manager was appointed as the official responsible for consultation and communication with the community.

**Opportunity for Improvement 6.2**

**All Estates and Mill**

- It was suggested to review stakeholders list and information list. Revenue Department of Kota Baru District and report of Constructor committee of Occupational Health and Safety- Pannita Pembina Kesehatan dan Keselamatan Kerja (P2K3) to local Manpower Department was not recorded on list of information.

**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 – compliant**
The mechanism of dispute settlement procedures have been defined in SOP / NP / SMART / XII / MCAR 001. Problem solving is done in consultation with affected parties. Mechanisms of conflict settlement are conducted by mutual consent and no coercion of any party, and it has been described in the procedure. This procedure has communicate during public consultation on 15 April 2010. It is also communicated again to village heads around estate and mill on 1 June 2013.

**Criterion 6.3 Indicator Minor 1 – compliant**
Based on Log book “Complaint and grievances record”, there was no complaint or grievances since last audit to Mei 2013. Based on group discussion with stakeholders, there was complaint from Village Head of Serongga and Langadai related to damage of village roads that was used of organization. Besides also, there was complaint from Village Head of Serongga regarding legal identities on Gunung Kariwaya which is among SPNA and SPNE.

During audit, issues mentioned above were verified to organization. Organization has been conducted clarification with Head Village of Serongga on 12 June 2013. It was carried out in according with procedure SOP/NPSMART/XII/MCAR 001. Clarification result was documented on minutes of meeting of clarification and has signed by Village Head of Serongga, including: Organization has been conducted clarification with Head Village of Serongga on 12 June 2013. It was carried out in according with procedure SOP / NP / SMART / XII / MCAR 001. Clarification result was documented on minutes of clarification which has signed by Village Head of Serongga, and organization staff, including:

- Land issues presented during the public consultation are a misunderstanding that the info given is not correct. The problem was considered completed
- Village roads were also used by many of coal vehicles and their community vehicles. Organization has provided assistance of heavy equipment for road repair and making street drains on September 2012, December 2012 and February 2013. Moreover, organization have routinely CSR program to maintenance village road around estate, including on Langadai and Serongga Village.

In according this issues, Organization was suggested to make an approach with local...
Audit Report

communities, especially regarding CSR program information and legal identities of area. Detail of organization response to stakeholder complaints was described in Appendix D this report.

**Criterion 6.3 Indicator Minor 2 – compliant**

Procedures for the identification and calculation of fair compensation for the loss of legal or customary right of the land, with the involvement of local community representatives and relevant agencies and made publicly made and mentioned in the - SOP / NP / SMART / XII / MCAR 001. It was communicated to related parties (community leaders, and religious figures and youth leaders) during RSPO procedure awareness. Last communicated was conducted on 1 June 2013. According interview with stake holder, there is no negotiation process related to use of palm oil plantation.

**Opportunity for Improvement 6.3**
- It could be to make an approach with local communities, especially regarding CSR program information and legal identities of area. Based on group discussion with stakeholders, there is complaint from Village Head of Serongga and Langadai related to damage of village roads that was used of organization. Besides also, there is complaint from Village Head of Serongga regarding legal identities on Gunung Kariwaya which is among SPNA and SPNE

**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 – compliant**

The procedure was described in the documented procedure (SOP/NP/SMART/VII/D&L002) to identify and determine calculation method to provide fair compensation due to loss of land and customary rights where identified. Awareness for procedure was evident and documented. It was communicated to related parties (community leaders, and religious figures and youth leaders). Last awareness for procedure was conducted on 1 June 2013.

**Criterion 6.4 Indicator Minor 1, 2 and 3 – not applicable**

The organisation did not acquire any new land after 2007. There are planted area in 2005 to 2007 was located in BAME. These areas were conversion from the organisation’s Coconut into Oil Palm (within the same concession/license area). Conversion from Coconut to Oil Palm has been communicated to local government. Based on HCV assessment report, there were no HCV areas or forests were present here between November 2005 and November 2007. It was noted that there was no ongoing progress of new land acquisition during group discussion with village head. All previous land acquisition was solved in proper way as told by them.

**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 – compliant**

List of wages to employees was available for the estates or for mills. Wages for these employees were divided into groups of permanent employees - SKU (Permanent worker – Syarat Kerja Utama), PKWT (Contracted worker – Pekerja Waktu Tertentu) and BHL (daily basis paid workers – Buruh Harian Lepas). From pay checks received was proved that the pay conformed to that set out in the PKB and the minimum wages refers to latest South Kalimantan Governor’s Decree Letter # 188.44/0502/KUM/2012. Wages are calculated base of the working day plus rice, rice given was 15 kg/person.
Audit Report

Based on interview with worker it was noted that there was no worker wage deduction. Payments for workers were determined according to daily attendance register. Daily attendance for workers was recorded and controlled by the Head of Assistant both through fingerprint system application and manual records. It was evident that the wage was paid according to working hours and daily attendance.

**Criterion 6.5 Indicator Major 2 – compliant**

The company and workers have arranged mutual working agreements as described in PKB document which is expected to be updated every 2 years. PKB was also established in accordance with Act #13/2003 that provides some additional requirements for clearer interpretation in work practice.

PKB was established and agreed between workers and organisation. It has been registered at Labour Department of Kota Baru District (Labour Department's decision #72DKTS/TU/X/2012. Rights and obligation between two parties seems to be implemented accordingly, such as working hours, wage, over time, sickness, leave, maternity leave, work accident, etc.

**Criterion 6.5 Indicator Minor 1 – compliant**

Public facilities were provided by the organisation and covered residential facilities, hall of employee, mosque, day care (Balai Penitipan Anak-BPA), school bus, clean water, lighting/electricity, sports facility (e.g. volley ball, badminton, futsal, and tennis). Moreover, there is one primary school in SPNA, under the governance and supervision of the Eka Tjipata foundation. Clean water was provided by the organization at several areas and the workers may take the clean water from these areas. Housing was provided for all workers.

Residential facilities were seems under proper maintenance and met with basic requirements. If any damage against infrastructure facility, employee can make a complaint to an assistant in accordance with procedures SOP/NP/SMART/XII/MCAR 001. Records of employee complaints are recorded in “Logbook Housing repair”. Repairs will be done in accordance with stock material conditions on warehouse.

**Criterion 6.5 Indicator Minor 2 – compliant**

Local contractors were used by organization for several activities, such as building houses, procurement of uniforms and FFB transport. Agreement contract with local supplier was evident. For example:

- Contract with Karisman, # 004/BAMM-LKL/00/2013 for mounting stake in POME installation.
- Contract with Tumijan, # 001/BMLE/LKL/01/2012 for grass cutting services.
- Contract with Mujiman, # SPNA/EST/04/13/003/X/2012 for FFB transport.

Working agreement with contractors could be shown that also require all contractors shall abide national labour laws was no limited to the following: payment, minimum age, personal protected equipment.

**Opportunity for Improvement 6.5**

**BMLE**

- Strongly recommended for establish minimum standard of child care - *Balai Penitipan Bayi (BAP)*, including: number of child on BPA, minimum age, coaching and development program of child. During audit, it was observed that number of child in BPA does ± 70 children. The age of child does between 8 months to 5 years.

**BAMM**

- It was recommended to conducting review of PKWT contracts was signed before the establishment of Minimum Pay of Province- *Upah Minimum Propinsi (UMP)* 2013. Because, determination of wage in the contract was still refers to the UMP 2012. Even so, it was observed payment has been available with UMP 2013.
Audit Report

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 – compliant
A published statement in local languages recognizing freedom of association was stated in “Circular Letter/Surat Edaran # 002/SE-HRDV/03/09” 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 SPM (Serikat Pekerja Mandiri – Independent Worker Union).

Criterion 6.6 Indicator Minor 1 – compliant
SPM (Serikat Pekerja Mandiri – Independent Worker Union) was established for Mill and Estate. Worker representative was elected independently among workers. Worker Union has been registered on Labour Department of Kota Baru District (Decision letter # 568/846/Disnakertransos for BMLE, # 568/15/SP/VIII/2008/Disnakertransos for SPNA and #568/89/SP/Disnakertransos for mill). Conditional meeting was also held to discuss any issues as necessary and recorded in minutes of meeting. Several issues discussed at meetings were not limited to labour issues. Meetings here also discussed cleanliness, safety of housing areas and work equipment.

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 – compliant
Organisation has policy for minimum age (18 years) for worker and mentioned in the ‘Circular Letter/Surat Edaran #002/SE-HRD/03/09” and the PKB. List of worker and related document was verified and there is no worker under 18 years old. According to observation in the estates and mill, there is no worker under 18 years old. The compliance in accordance with national laws has been evaluated by the organisation as described in criterion 2.1.

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

Job opportunities were communicated and given to surrounding villagers at first priority where no discrimination found observed during interview. All workers are treated equally in accordance with company regulation including rights of worker as well.

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 – compliant
Policy for against discrimination was determined by the organisation. All discriminations were prohibited for all area in Mill and Estate. “Circular Letter/Surat Edaran #102/CEO-SE/01/2010” also mentioned ban of discrimination for all worker in the organisation. It was emphasized that organization does no differentiate ethnic, religious, race and gender on industrial relationship
Audit Report

Criterion 6.8 Indicator Minor 1 – compliant
All discrimination was prohibited for all area in estate and mill. PKB also mentioned ban of discrimination for all workers in the organization. Procedure for worker recruitment (SDM-A-001-00) and procedure for employee assessment (HRD C-002-00) was available and mentioned there was no discrimination treatment during recruitment process. Ethnic diversity of worker and also during interview with workers, no discrimination was identified based on religion, ethnic, gender. No evidence of discrimination found during the audit.

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 – compliant
Policy for sexual harassment and violence and to protect women reproduction rights was determined in the “Circular Letter/Surat Edaran #101/CEO3-SE/01/2010 and #103/CEO3-SE/01/2010”. PKB also mentioned this policy.

Communication to all workers pertinent to prevent sexual harassment and protect women reproduction was conducted by the organisation and attended by the gender committee team, employee’s wife and SPO officer. Based on workers interview and group discussion with gender committee and workers representative, it was concluded that there was no sexual harassment and violence within the organisation.

Criterion 6.9 Indicator Minor 1 – compliant
Evidence of implementation of sexual harassment prevention policy is available, and this has been communicated by the HR Corporate to all workers. Committee for gender has been established by the company. The committee has representatives from all areas of work.

Records of meetings and the Committee for gender socialization were available. Each estate and mill has appointed representative for gender committee, meeting gender committee was conducted conditional. According minutes, some issues were discusses such as women rights, counselling for women affected by violence, women to be allowed to breastfeed up to nine months before resuming chemical spraying or usage of tasks, and women to be given specific break times to enable effective breastfeeding. Another issue under discussion is a residential cleaning, planting of medicinal plants around housing and posyandu.

Criterion 6.9 Indicator Minor 2 – compliant
Implementation of policy for the protection of reproductive rights has been made by the company. And female employees are given an explanation related to the rights of reproduction. All female worker are checked periodically and recorded in the medical record, it was evidence that company has implemented protection of reproductive rights.

List of menstruated female workers was established and monitored. 2 days-off are given to those women in the list without any salary deduction. No negative case was found in regard with reproduction rights of female workers during interviewed with female workers and gender committee.

Organization has also setting several signboards about breastfeed up to nine months before resuming chemical spraying or usage tasks. It was observed that has been assembled on main access road and crowd locations such as: division office and housing area.

Criterion 6.9 Indicator Minor 3 – compliant
Procedures for handling complaints already established all complaints about sexual harassment and reproductive rights will be submitted to the Gender Committee to follow up. Mechanism of
complaint handling was described on procedure SOP/NP/SMART/XII/MCAR001. It was started from reporting her complaint to the Committee Representatives at estate, gender grievance by the Committee, reporting to the company and the final decision of the gender committee and the company. According interview with gender committed there was no complaint related to sexual harassment.

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

Criterion 6.10 Indicator Major 1 and 2 – compliant
There are three third parties supply FFB to BAMM. Pricing mechanisms for FFB was described in MOU with the three third parties. Price mechanism of FFB, CPO and palm kernel was determined by province government and reviewed in monthly basis. The company updated the information on the FFB pricing formula that includes details of transport, milling and shipping costs, each month and provided it to the third parties FFB supply.

Criterion 6.10 Indicator Minor 1 – compliant
Annual contract was made between FFB suppliers and mill, describing FFB specification required, contract period, determination of FFB pricing, and term of payment. 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.

Another local business was supported for growers and mills, main supports were pertinent to procurement spare parts and vehicle maintenance. The local business was assigned and controlled by central purchasing in Head Office.

Criterion 6.10 Indicator Minor 2 – compliant
A review to the current FFB purchase records (January to May 2013) 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.

Local contractors were used by the company as part of efforts to community economic empowerment covering several activities, such as CPO transport, FFB transport, building houses, procurement of uniform etc. Payments of another local businesses were also executed in line with term of payment agreed within the contract, e.g. based on payment invoice of FFB transport period April 2013.

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

Criterion 6.11 Indicator Minor 1 – compliant
Records of company contribution to regional development were evident, among other churches and mosques of development assistance, aid to needy communities around the estate, maintenance of villages road, school books assistance, etc. And this assistance is identified at the time of public consultation. Some activities were conducted by the local contractors such as building houses, procurement of uniforms and FFB transport. Agreement contract with local supplier was evident. For example:
- Contract with Karisman, # 004/BAMM-LKL/00/2013 for mounting stake in POME installation.
- Contract with Tumijan, # 001/BMLE/LKL/01/2012 for grass cutting services.
- Contract with Mujiman, # SPNA/EST/04/13/003/X/2012 for FFB transport.
Audit Report

And also estates were given opportunity to the community to obtain employment in the estate. According group discussion, Organization was provided jobs so it is reducing unemployment in surrounding village.

CSR program was provided by the organization and deployed in to CSR program for each estate and mill. Public comments are welcome for CSR program and their requesting included in annually CSR program. Evidence of CSR implementation was sighted, including: Photo, minutes of assistance provision.

PRINCIPLES 7: RESPONSIBLE DEVELOPMENT OF NEW PLANTINGS

Procedures regarding the responsible development of new plantings are in place, e.g. Manual of Land Preparation and Cultivation PT. SMART Tbk (dated 1 July 2010). The manual covers flow process for land preparation and cultivation which completed with “Matrix of New Land Clearing Requirements”, procedures and work instructions to each stage of land preparation and cultivation.

Plantation in BAME, BMLE, SPNA and SPNE was performed in 1991, 1992, 1993, 1994, 1996, 1997, 1998, 1999, 2000, 2001, 2005, 2006 and 2007. Plantation in 2005 to 2007 was located in BAME. These areas were conversion from the organisation’s Coconut into Oil Palm (within the same concession/license area). Conversion from Coconut to Oil Palm has been communicated to local government. The government said that the conversion did not change the AMDAL. Based on HCV assessment report, there were no 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 – compliant

The commitment for continual improvement was shown through innovation system involving all levels within the organization. There were several events for innovation system including Regional conference and PSM conferences. Innovation projects from Assistant Level were reviewed and evaluated to be nominated to the higher conference level. The innovation project then shared to other estates.

The estate is certified to ISO 14001:2004, continually set environmental management objective and target which were supported by environmental management program: BAMM. Internal environmental management audit were performed for BAMM and their findings were followed up. Regular management review meeting was held to evaluate the adequacy and effectiveness of the management system.

Several rounds of audit were done which covers all operation areas including operation (Operation Internal Audit – OIA), agronomy (AAA) and manufacturing (MAA) for all the estates and mill. Findings identified during audit appeared has been followed up, verified and monitored by Region Controller, Production Controller and Vice President Agronomy and Vice President Manufacturing.

Evidences of application of the innovation project and environmental management program were sighted for the mill and estates:

- Install resin trap to minimize resin loses in oil purifier tank
Audit Report

- Change bowl sludge centrifuge from 6,000 liter to 12,000 liter and upgrade capacity of VCT #1 to reduce oil loses for effectiveness FFB processes
- Operate steam turbine generator by using 50% excess of fiber to reduce fossil fuel to generate electricity for housing.

For social aspect, organization was established draft of long term strategic plan- Rencana Strategis (Renstra) of social management program for 2013-2018. Renstra was arranged based on priority scale by consideration of discussion forum between district government with organization and other businesses. Draft of Renstra has been established, including:
- Social and culture management,
- Management of environment and health of surrounding community,
- Increasing of surrounding community economic.
- Increasing education.
- Build and maintenance infrastructure such as: of village facility, religious, health and education facility.

Approval status and its implementation would be checked for next surveillance audit.

Criterion 8.1 Indicator Minor 1 – compliant
RSPO internal audit has been conducted on 17-19 April 2013 for the mill and all estates, the auditors assigned from Environmental Department of PT. SMART Tbk. Internal audit report was generated, and internal audit findings were followed up by the mill and all estates. A list of negative findings and its corrective action plan was used for monitoring their status. Internal verification has been taken prior to this certification audit.

Mill Supply Chain Certification Requirements

BAMM 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 to December 2012 and January to May 2013 were reviewed. Below are the details of CPO and Kernel produced and delivered both certified and non-certified for period 2012 and 2013.

<table>
<thead>
<tr>
<th>Date</th>
<th>CPO produced (certified)</th>
<th>CPO produced (non-certified)</th>
<th>Kernel produced (certified)</th>
<th>Kernel produced (non-certified)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January – December 2012</td>
<td>52,088 MT</td>
<td>26,575.27 MT</td>
<td>12,757 MT</td>
<td>6,278.69 MT</td>
</tr>
<tr>
<td>January – May 2013</td>
<td>17,468 MT</td>
<td>9,286.43 MT</td>
<td>4,229 MT</td>
<td>2,240.49 MT</td>
</tr>
</tbody>
</table>

Table 9: Certified FFB received, CSPO and certified PK produced, CSPO and certified PK sold (under GreenPalm and UTZ system) 2012
Table 10: Certified FFB received, CSPO and certified PK produced, CSPO and certified PK sold (under GreenPalm and UTZ system) until May 2013

<table>
<thead>
<tr>
<th></th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total FFB certified (Ton)</td>
<td>8,090.00</td>
<td>9,518.00</td>
<td>11,408.00</td>
<td>17,167.00</td>
<td>20,308.00</td>
<td>23,934.00</td>
</tr>
<tr>
<td>CSPO produced (Ton)</td>
<td>2,034.00</td>
<td>2,320.00</td>
<td>2,668.00</td>
<td>4,009.00</td>
<td>4,621.00</td>
<td>5,306.00</td>
</tr>
<tr>
<td>Certified PK produced (Ton)</td>
<td>425.00</td>
<td>499.00</td>
<td>607.00</td>
<td>954.00</td>
<td>1,124.00</td>
<td>1,213.00</td>
</tr>
<tr>
<td>CSPO and certified PK sold (Ton)</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Table 11: Certified FFB received, CSPO and certified PK produced estimation June to December 2013

<table>
<thead>
<tr>
<th></th>
<th>June</th>
<th>July</th>
<th>August</th>
<th>September</th>
<th>October</th>
<th>November</th>
<th>December</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total FFB certified (Ton)</td>
<td>20,982.00</td>
<td>23,234.00</td>
<td>18,237.00</td>
<td>19,720.00</td>
<td>22,340.00</td>
<td>19,396.00</td>
<td>18,769.00</td>
<td>142,678.00</td>
</tr>
<tr>
<td>CSPO (Ton)</td>
<td>4,970.00</td>
<td>5,518.00</td>
<td>4,331.00</td>
<td>4,684.00</td>
<td>5,306.00</td>
<td>4,606.00</td>
<td>4,458.00</td>
<td>33,873.00</td>
</tr>
<tr>
<td>Certified PK produced (Ton)</td>
<td>1,203.00</td>
<td>1,336.00</td>
<td>1,049.00</td>
<td>1,134.00</td>
<td>1,285.00</td>
<td>1,115.00</td>
<td>1,079.00</td>
<td>8,201.00</td>
</tr>
</tbody>
</table>

1. Documented Procedures
BAMM has established and documented written procedure incorporated to the implementation of RSPO SCC. It is described in SOP Supply Chain (SOP/BAMM/SC) and written internal procedure (SOP). Receiving FFB, including the grading up to CPO and Kernel delivery are described in the procedure. The procedures were up dated (5 December 2011) and covering the implementation of all elements in RSPO SC requirements. The person having overall responsibility for and authority over the implementation of RSPO SC has been assigned to Mr. Roganda Silitonga as the KTU (Head of Administration). Assignment letter was sighted (dated 1 December 2011). During the surveillance audit, the person in charge has demonstrated awareness of the facilities procedures for the implementation of this standard.

2. Purchasing and Goods In
BAMM has a clear system for recording FFB received from certifiable supply base and non certifiable supply base. It was verified that the receipt of FFB was traceable to the supply base unit. FFB delivery note, weighing slip and receiving report issued clearly stated weight off FFB received.
Audit Report

and its source. FFB Delivery note indicated the date, vehicle number, Estate, Division, Block number, harvesting date, quantity of bunch and weight. Two unit of Weighbridge has been both calibrated on 14 February 2013. A review to the current record (January 2012 to May 2013) 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 was described in SOP/BAMM/SC. This mechanism should also be used to take appropriate steps when there is a projection of overproduction. There was no incident of overproduction since the last audit.

3. Record Keeping
A review to the records and related documentation of the implementation of the SCC found that accurate, complete and up to date records and report have been maintained by BAMM. The records and reports were 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 are conducted in daily basis. The record has been well maintained. The mechanism for delivering product only from positive stock was in place and the sales records reviewed (see above) compare against stock report demonstrated that the site only delivered RSPO certified product from positive stock. No outsource process for this activity.

4. Sales and Goods Out
BAMM's CPO and PK are delivered to PT. SMART Tbk. Tarjun Bulking Terminal. Procedure SOP/BAMM/DO and SOP/BAMM/PK describe the process of delivery and its recording. A review to delivery records February 2013 found that result of the delivery (CPO and PK) was well recorded and maintained. Delivery records found that information of who was the buyer, quantity delivered, product description, remarks regarding applied supply chain model (Mass Balance model) and the transporter were included.

5. Training
Qualification of personnel who responsible in managing and implementing Supply Chain requirement have been defined and documented, including training requirements necessary for Supply Chain. Training for Supply Chain requirements have been delivered to personnel in BAMM. The training records were made including training material, training attendance and individual training record. Individual training record, for personnel in relation to implementation of Supply Chain requirements was sighted, e.g. e.g. Supervisors, contractors, driver and operators. The latest training for supply chain performed on April 2013.

6. Claims
Claim of RSPO Certified CPO and PKO has not been applied.

Opportunity for improvement
- There has been no trading claim of RSPO certified palm oil (CSPO) or palm kernel from BAMM, it is recommended the Mill to be registered at RSPO e-Trace to make claim of RSPO certified CPO or Kernel.

3.4 Recommendation

The recommendation from this audit is continue as a producer of RSPO Certified Sustainable Palm and Palm Kernel.
Audit Report

Audit recommendations are always subject to ratification by RSPO.

This report was prepared by: Ria Gloria, Eri Pradhana Baratha, Eko Purwanto and Anwarsyah Harahap

3.5 Environmental and social risk for this scope of certification for planning of the surveillance audit

- Mill and Estates: Compliance with all applicable local, national laws and regulation, waste management, SIA update and execution plan, status of worker
- BAME and SPNE: HCV management plan
- BAME and SPNE: OHS issue and Social issue – including OHS implementation, PKWT
- BAME and SPNE: Environmental issue – including status of DELH of SPNA
Audit Report

3.6 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. SMART Tbk.

[Signature]

Mr. Ismu Zulifkar
Head of EHS Department
Date: 11 September 2013

Signed for and on behalf of PT. SAI Global Indonesia

[Signature]

Ms. Inge Triwulandari
Technical Manager
Date: 13 September 2013
## Appendix “A” – Audit Record

<table>
<thead>
<tr>
<th>Date</th>
<th>Auditor</th>
<th>Audit meetings plus functions/ processes/ areas/ <em>shifts audited:</em></th>
<th># Shifts*</th>
<th>Times* From - To</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 June 2013</td>
<td>Ria, Eri, Eko, Anwar, Sigit</td>
<td>Opening meeting</td>
<td></td>
<td>08.00</td>
</tr>
<tr>
<td></td>
<td>Ria, Eri, Eko, Anwar, Sigit</td>
<td>Verification of corrective action on previous area of concern for BAME and SPNE</td>
<td></td>
<td>Am</td>
</tr>
<tr>
<td></td>
<td>BMLE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Eko</td>
<td>Preparation for site visit</td>
<td></td>
<td>Am</td>
</tr>
</tbody>
</table>
|                 | Eko                | Criteria 2.1, 2.2 and 2.3  
Criterion 3.1  
Criteria 4.1, 4.2, 4.3, 4.4, 4.5, 4.6 (4.6.1 – 4.6.3 major and 4.6.1 minor)  
Criteria 5.5.1, 5.5.2 (major)  
Criterion 7.3 |           | Am-pm       |
|                 | Ria                | Document review and site visit:  
Criterion 2.1 (evaluation of compliance with environmental regulation)  
Criterion 4.6.4 (major)  
Criteria 5.1, 5.3, 5.4, 5.5  
Criterion 8.1 |           | Am               |
|                 | Eri, Sigit         | Document review and site visit:  
Criterion 2.1 (evaluation of compliance with OHS regulation)  
Criterion 4.6 (4.6.2 minor) 4.7, 4.8  
Criteria 5.5 (5.5.3 major and 5.5.1 minor) |           | Am-pm       |
|                 | Anwar              | Document review and site visit:  
Criterion 1.1, 1.2  
Criterion 2.1 (evaluation of compliance with Social regulation)  
Criterion 4.6 (4.6.3 minor)  
Criterion 5.2  
Criterion 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 6.11  
Criterion 8.1 |           | Am-pm       |
|                 | Anwar              | Interview with labour and labour union: SP and Komisi Perempuan BAMM, BMLE and SPNA                                                                 |           | Pm               |
|                 | BAMM               |                                                                                                                                                |           |                  |
|                 | Ria                | Document review and site visit:  
Criterion 2.2  
Criterion 4.1  
Criterion 8.1 |           | Pm               |
| 11 June 2013    | SPNA               |                                                                                                                                                |           |                  |
|                 | Eko                | Preparation for site visit                                                                                                                       |           | Am               |
|                 | Eko                | Criteria 2.1, 2.2 and 2.3  
Criterion 3.1  
Criteria 4.1, 4.2, 4.3, 4.4, 4.5, 4.6 (4.6.1 – 4.6.3 major and 4.6.1 minor) |           | Am-pm       |
### Audit Report

<table>
<thead>
<tr>
<th>Day</th>
<th>Time</th>
<th>Task</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 June 2013</td>
<td>Day 3</td>
<td>Ria</td>
<td>Document review and site visit: Criterion 4.1</td>
</tr>
<tr>
<td>12 June 2013</td>
<td>Day 3</td>
<td>Anwar</td>
<td>Interview with KUD</td>
</tr>
<tr>
<td>12 June 2013</td>
<td>Day 3</td>
<td>Anwar</td>
<td>Document review and site visit: Criterion 1.1, 1.2, Criterion 2.1 (evaluation of compliance with Social regulation), Criterion 4.6 (4.6.3 minor), Criterion 5.2, Criteria 6.1, 6.2, 6.3, 6.4, 6.5, 6.6, 6.7, 6.8, 6.9, 6.11, Criterion 8.1</td>
</tr>
<tr>
<td>12 June 2013</td>
<td>Day 3</td>
<td>Anwar</td>
<td>Interview with local community: Tokoh masyarakat (lembaga desa/kelurahan) dan Tokoh Agama (BAMM, BMLE and SPNA)</td>
</tr>
<tr>
<td>12 June 2013</td>
<td>Day 3</td>
<td>Ria</td>
<td>Document review and site visit: Criterion 2.1 (evaluation of compliance with Mill regulation)</td>
</tr>
<tr>
<td>12 June 2013</td>
<td>Day 3</td>
<td>Eko</td>
<td>Criterion 6.10</td>
</tr>
<tr>
<td>12 June 2013</td>
<td>Day 3</td>
<td>Ria</td>
<td>Document review and site visit: Criterion 2.1 (evaluation of compliance with environmental regulation), Criterion 4.6.4 (major), Criteria 5.1, 5.3, 5.4, 5.5, Criterion 8.1</td>
</tr>
<tr>
<td>12 June 2013</td>
<td>Day 3</td>
<td>Eri, Sigit</td>
<td>Document review and site visit: Criterion 2.1 (evaluation of compliance with OHS regulation), Criteria 4.6 (4.6.2 minor) 4.7, 4.8, Criterion 5.5 (5.5.3 major and 5.5.1 minor)</td>
</tr>
<tr>
<td>12 June 2013</td>
<td>Day 3</td>
<td>Anwar</td>
<td>Closing meeting</td>
</tr>
</tbody>
</table>

All applicable requirements of relevant standards are covered during the audit of the 'Functions/Processes/Areas.' * Enter shift details only where applicable.
## Appendix “B” – Previous Nonconformities and Opportunity for Improvement Summary

### RSPO Principe and Criteria, Indonesian National Interpretation

#### Nonconformities

<table>
<thead>
<tr>
<th>No</th>
<th>RSPO Criterion</th>
<th>Details</th>
<th>Corrective Action</th>
<th>Completion Date</th>
<th>PIC</th>
<th>Status</th>
</tr>
</thead>
</table>
| 1  | 2.1 indicator major 1 | BAME, SPNE | • Several containers of hazardous material or waste were not completed with label and or hazard symbol, e.g. container of pesticide solution stored in Division Warehouse (BAME), container of diesel fuel in diesel generator set room in Division Office and workshop (SPNE and BAME), container of medical waste in Clinic (SPNE).  
  | | | • Label and hazard symbol has been completed in each hazardous material and waste containers. Label and hazard symbol is monitored monthly using checklist. | 18 Jan 2012 | Environment Officer BAME & SPNE, UH BAME & SPNE | Closed |
| 2  | 2.2 indicator major 2 | SPNA consists of 4 villages i.e. Telaga Sari, Mandala, Sukamaju and Plajau Baru. Legal boundaries for 3 villages i.e. "Telaga Sari, Mandala dan Sukamaju" could not been seen during the audit as stated/required by land own title certificates. | • The maintenance programme to legal boundaries was sighted. During this surveillance audit, it was verified that maintenance program for 2013 has been established. Maintenance activity was conducted in six month intervals. Field observation was taken to pegs TGS 6, TLGS 4 of Telaga Sari village and MDL 15 and MDL 32 of Mandala village, it was verified that all pegs were maintained. | 15 March 2012 | SPNA | Closed |
| 3  | 4.1 indicator minor 2 | BAMM | • It was found that thermometer on screw press #2A and kernel silo #4 has been changed with new one. Internal calibration has been | 16 Jan 2012  
  | | | • Thermometer on screw press #2A and kernel silo #4 has been changed with new one. Internal calibration has been | 15 Jan | Assistant of M&R, BAMM, UH | Closed |
## AUDIT REPORT

| 4 | 4.4 | BMLE | Condition of water gate and dike (flush or intake) was according to water level result. Action taken (flushing) has been clearly recorded if the water level exceeds the standard. Program of cleaning of main drain, collection drain and making of field drain has been established and realization records of cleaning of main drain, collection drain and making of field drain was clear to which block area was cleaned. | 2012-01-18 | Environment Officer BMLE, UH BMLE | Closed |
| 5 | 4.6 | All Estates | Several key parameters have been conducted on April 20th 2012. Medical check up for employees exposed to chemical hazards e.g. Rontgen and spyrometry test for employees exposed to chemical hazards (e.g. sprayer, chemical mixer | 2012-01-18 | Doctor of South Kalimantan Region 1, Safety Officer All Estate | Closed |

- silo #4 was not function.
- Calibration of laboratory balance (Sartorius & Ohaus) was not done using calibrated weight scale. Oven (Memmert) used for moisture analysis has not been calibrated.
- It was indicated that Clarification daily report at the day audit was not made properly.
- Calibration of laboratory balance was calibrated on 6 May 2013. Certificate of calibration is being process.
- Training was conducted to employee to fill the log sheet consistently on 16 January 2012.
- Laboratory balance was calibrated on 6 May 2013. Certificate of calibration is being process.
- Training was conducted to employee to fill the log sheet consistently on 16 January 2012.
- Laboratory balance was calibrated on 6 May 2013. Certificate of calibration is being process.
- Training was conducted to employee to fill the log sheet consistently on 16 January 2012.
and warehouse operator, fertilizer warehouse operator) and evaluation of musculoskeletal disorders (MSDs) to the employees with ergonomic exposed to ergonomic hazard (e.g. fertilizer warehouse operator). Noted: a program to cover these parameters has been established and the results will be verified during next SAI Global audit.

### 6 4.7 indicator major 1

**BAMM and all estates**
- Found several substandard condition e.g. opened electrical connection, belt not covered, fuel tank not provided with grounding and venting system, safety valve of compressor vessel not working etc (BAMM, SPNE, SPNA, BMME, BAME).

Immediate actions have been taken to rectify the issue and generally the finding can be closed. However, during surveillance audit, the issues will be checked again to verify the effectiveness of actions taken.

- Several substandard condition e.g. opened electrical connection, belt not covered, fuel tank not provided with grounding and venting system, safety valve of compressor vessel not working etc. (BAMM, SPNE, SPNA, BMME, BAME) have been taken to rectify the issue and generally the finding can be closed. The effectiveness of actions taken can be shown with the preventive maintenance action for grounding and safety valve maintenance monthly.

- **18 Jan 2012**
- Safety Officer, UH
- All Unit Mill & Estate
- Closed

### 7 4.7 indicator major 1

**All Estates**
- Even though the pressurized vessel (compressor vessel) having the permit for operation for local authority, however, the justification for safe operation

- Inspection already taken for thickness measurement not only visual inspection and have been compared to thickness as designed (all estates). Inspection has been performed by Disnakertrans Kota Baru (Sungai Panci and BAME) at

- **15 April 2012**
- Safety Officer, UH
- All Unit Mill & Estate
- Closed
<table>
<thead>
<tr>
<th>8</th>
<th>4.7 indicator major 1</th>
<th>BAMM</th>
<th>7 June 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>could not been fully given based on the following facts.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Inspection conducted by local authority limited to visual inspection. No wall thickness measurement has been reported and compared to the minimum thickness as designed (all estates).</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o There was no evidence that safety valve regularly tested (all estates).</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The measurement of chemical factors at BAMM has been performed however the location of measurement was outside of the factory, not at workplace. While for all estates, the measurement of chemical factors at workplace has not been performed, e.g. fertilizer warehouse, chemical warehouse.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The result of lighting level at BAMM indicating a non realistic result and has not been reviewed and compared to the minimum lighting level.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The structure of follow up to the results of medical check up has not been established, e.g. statistical analysis, health promotion, preventive action and curative action to the</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The measurement of chemical factors at BAMM already performed inside of the factory, and all estates at fertilizer warehouse, chemical warehouse. All measurement has been conducted on 18 April 2012. Semester one 2013 on 22 – 23 April 2013 (Sungai punci) and Semester two on 3 November 2013.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Result of lighting level at BAMM has been increase to normal result. With program to add more lighting.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Follow up for employees that having suspected health problem e.g. audiometric have been follow up with rotation action for employees that suspected. The statistical analysis have been performed also health promotion at 15 March 2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>15 March 2012</td>
<td>15 March 2012</td>
<td>20 Feb 2012</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Closed</td>
</tr>
</tbody>
</table>
### AUDIT REPORT

<table>
<thead>
<tr>
<th>9</th>
<th>4.8 indicator major 2</th>
<th>Mill and all estates</th>
<th>The updating personal file training was evident.</th>
<th>18 Jan 2012</th>
<th>Safety Officer All Unit Mill &amp; Estate</th>
<th>Closed</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>5.2 indicator major 2</td>
<td>All Estates</td>
<td>HCV management plan has been established however the plan has not address the issues (threats) present and not considered sufficient to conserve the HCV within the concession area.</td>
<td>28 Feb 2012</td>
<td>Environment Dept. JKTO Section HCV, SPO Officer PSM 3</td>
<td>Progress</td>
</tr>
</tbody>
</table>

employees having suspected health problem, e.g. some audiometric tests of employees of BAMM were classified not good.

Progress Noted:
- A programme to monitor and measure the chemical factors at workplace has been established by LH Section. Results to be verified during next SAI Global surveillance audit.

- Even though the evidences of training of employees were evidence but the updating of personal training records still not consistent, e.g. many training has been performed in 2011 but the personal training records has not been updated.

Organization has been review and carrying out HCV management program, effective date on 01 January 2012. HCV management programs were described objective and target of each HCV management, and its implementation indicators. HCV management program including:
- Setting of boundaries and the tagging of river buffer zone.
- Planting areas of prone erosion to river bank and planting native species.
### AUDIT REPORT

- Setting of protection signboards, including: prohibition to fish poison, prohibition to illegal logging on protected area and boundaries of pesticide application,

Organization was also developed and established monitoring program to ensure condition and the existence of HCVA, including:

- Routine patrol to protect HCV area from destruction activities, example: illegal logging and hunting wildlife, if any.
- Existences monitoring of HCV 1.2 and HCV 1.3 using list species method. Circular form SMD Operation #002/SE-SMD Ops/IX/2010 on September 20, 2010 was developed with regards to protected species.
- Monitoring condition and the existence of HCV boundaries.

Consistence of HCV management implementation would be checked for next surveillance audit.

| 11 | 5.3 indicator major 2 | BAMM | • pH of water from neutralizing pond is checked daily. Result mentioned that it was inline with Ministry of Environment Degree #51/10/1995. Last measurement of quality of water from neutralizing pond with complete parameter was performed on 9 | • Complete parameter was measured on 4 January 2013 from water from neutralising pond. Result was inline with Kep-51/MENLH/10/1995 attachment IVB | • 2 April 2012 | • Assistant Laboratory, UH BAMM | Closed |
## AUDIT REPORT

<table>
<thead>
<tr>
<th>12</th>
<th>5.3 indicator minor 1</th>
<th>SPNE</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2007. Measurement result exceeded Ministry of Environment Degree #51/10/1995 for parameter BOD and COD. Complete measurement has not been performed any longer.</td>
<td>• Packaging of Erkafuron, Roll up and Rolixon was returned to supplier PT. Rolimex Kimia Nusantara on 15 October 2012 and 8 April 2013. Receipt note was evident. Packaging of starane and garlon was transported by PT. Maju Asri Jaya Utama on 18 October 2012 and 24 May 2013. Then the packaging was processed in PT. Wastec International. Agreement contract was provided.</td>
<td></td>
</tr>
<tr>
<td>• Record of contaminated rags was not provided.</td>
<td>• 18 January 2012</td>
<td></td>
</tr>
<tr>
<td>• Contaminated water from pit at area of diesel fuel loading pipe was overflowed due to pit was filled with rain water.</td>
<td>• 2 March 2012</td>
<td></td>
</tr>
<tr>
<td>• Contaminated water from emergency shower or eyes wash was connected directly to open drainage.</td>
<td>• 15 March 2012</td>
<td></td>
</tr>
<tr>
<td>• Record of contaminated rags has been provided and monitored monthly.</td>
<td>• 31 January 2012</td>
<td></td>
</tr>
<tr>
<td>• Diesel fuel loading area has been repaired by adding the roof.</td>
<td>• Environment Officer SPNE, UH SPNE</td>
<td></td>
</tr>
<tr>
<td>• Drainage and pit control in emergency shower area has been completed with cover.</td>
<td>• Environment Officer SPNE, UH SPNE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• UH SPNE</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Environment Officer SPNE, UH SPNE</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>13</th>
<th>6.6 indicator minor 1</th>
<th>BAMM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on the results of meeting between unions and organizations, it was decided that meeting would be made conditional in accordance with the growing issue. Several minutes of meeting was checked during audit, example:</td>
<td>• 18 January 2012</td>
<td></td>
</tr>
<tr>
<td>- Union meeting on 08 April 2012, discussion of changes in PKB.</td>
<td>• UH BAMM</td>
<td></td>
</tr>
<tr>
<td>Record of the results of the meeting SPM cannot be shown, but this meeting is held periodically every month.</td>
<td>Closed</td>
<td></td>
</tr>
</tbody>
</table>
### AUDIT REPORT

<table>
<thead>
<tr>
<th>14</th>
<th>6.10 indicator minor 1</th>
<th>Bamm</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• The contractual agreement between mill and local business (smallholder) was expired in December 2011; the new contract was only “Statement Letter” that was not clearly described the payment term.</td>
<td>The latest contractual agreement between mill and local business (smallholder) for FFB purchase was available describing FFB specification required, contract period, determination of FFB pricing, and term of payment. Contract period was from 1 January to 31 December 2013.</td>
</tr>
<tr>
<td></td>
<td>• 15 March 2012</td>
<td>• KTU Bamm, UH Bamm</td>
</tr>
</tbody>
</table>

Closed
**RSPO Principe and Criteria, Indonesian National Interpretation**

**Minor nonconformity**

<table>
<thead>
<tr>
<th>No</th>
<th>RSPO Indicator</th>
<th>Details</th>
<th>Corrective Action</th>
<th>PIC</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2.1 indicator minor 2</td>
<td><strong>BAME, SPNA and BAMM</strong> Mechanism for conducting evaluation of compliance with law and regulation has not been clearly described in the SOP/SPO/SMART/LH-03.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>4.4 indicator minor 1</td>
<td><strong>BAMM</strong> SK Bupati Kota Baru #547/05.R/SIPA/DPE regarding permit of surface water abstraction mentioned that organization shall report quantity of surface water abstraction however the report could not be shown.</td>
<td><strong>Send regular report on the water usage quantity per month to the Department of Mines and Energy Kota Baru regency, a copy to the Department Revenue Kota Baru regency and Kalimantan selatan province</strong></td>
<td>D&amp;L</td>
<td>On going</td>
</tr>
<tr>
<td>3</td>
<td>4.6 indicator minor 3</td>
<td><strong>BMLE and SPNA</strong> Worker data on January-Mei 2013, It was observed that overall sprayer is female. Based on Circulation letter-<strong>Surat Edaran #001/SE-ADH3/BNJO/01/2010 (Pekerja wanita hamil dan menyusui serta pemeriksaan tenaga kerja)</strong>, pregnancy tests should be carried out every 4 months. However, it was not done. Currently, pregnancy analyses based on monthly menstruation leave records was conducted by organization to ensure that there are no pregnancy sprayers. However, it was observed that menstruation leave was only taken by several sprayers. Analyses method was not</td>
<td><strong>Check of pregnancy once in 4 months using direct inspection methods to women workers</strong></td>
<td>Region doctor</td>
<td>On going</td>
</tr>
</tbody>
</table>
covered female sprayer which does no taken menstruation leave. So, they was no known whether pregnancy or not.

<table>
<thead>
<tr>
<th>4</th>
<th>5.3 indicator minor 1</th>
<th><strong>SPNA</strong></th>
<th>Copy #7 of hazardous waste manifest has not been provided for used battery.</th>
<th>Coordinate with the hazardous waste collector about copy #7 of manifest for used batteries that has not been returned</th>
<th>EHSD Staff</th>
<th>July 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SPNA</strong></td>
<td>Contaminated rags were processed in PT. Non Ferindo Utama as mentioned in the copy #7 of hazardous waste manifest. However PT. Non Ferindo Utama did not permit to process contaminated rags.</td>
<td>Write manifest separately for each type of hazardous waste start next shipping</td>
<td>Staff EHSD and Environment Officer</td>
<td>July 2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BAMM</strong></td>
<td>Used packaging of chemical laboratory from supplier Kastraco was returned to Kastraco without cleaning. It was noted that Kastraco has not permit as hazardous waste transporter.</td>
<td>Clean packaging of chemical laboratory, check rinse water, and then returned to Kastraco Engineering supplier</td>
<td>Staff EHSD and Environment Officer</td>
<td>September 2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BAMM</strong></td>
<td>Disposal of Used packaging of chemical laboratory except from supplier Kastraco was not clear.</td>
<td>Clean packaging of chemical laboratory, check rinse water, and then packaging is lanfilled</td>
<td>Staff EHSD and Environment Officer</td>
<td>September 2013</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Mill Supply Chain Certification System**

<table>
<thead>
<tr>
<th>No</th>
<th>SCCS Requirements</th>
<th>Details</th>
<th>Corrective Action</th>
<th>PIC</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Opportunities for improvement – RSPO

Criterion 2.1
Mill and all Estates

- It could be considered to review evaluation result of compliance with regulation by not mentioning irrelevant regulation to avoid the writing mistake evaluation result of compliance.
- It could suggested to conducting and describe worker appointment mechanism available with related law and regulations since starting work as a BHL/PKWT to be SKU (permanent employee).

Criterion 4.1

- It could be considered if all spraying worker and supervisor at BMLE and SPNA to be retrained about the best technique of spraying circle and path, e.g. at flat area the sprayer must walk around counter clockwise for the tree at the left of the path and walk around clockwise for the tree at the right of the path.
- It could be considered to make clear explanation to harvesters, so when interviewed the harvesters can explain what is harvesting vault.
- Consider making comprehensive training so that all employees implemented procedures of good agriculture practice, e.g.: FFB structure in TPH, EFB application, manual and chemical weeding and also compliance to upkeep rotation (time schedule).

Criterion 4.6

- It could be considered to review quantity of used water cleaning of agrochemical. The quantity was bias, e.g. cleaning of 6 jerrycans 20 liter and 30 bottle 250 ml produced 4 liter of used water, cleaning of 6 jerrycans 20 liter and 40 bottle 250 ml produced 6 liter of used water.
- The organization has measured quality of used water from cleaning of Rollixone and Roll up packaging. It could be considered to measure quality of used water from cleaning of several packaging, e.g. Erkafuron.

Criterion 5.1
BAMM

- It could be considered to improve procedure of environmental aspect identification and evaluation by including mill in the scope of procedure.

Criterion 5.2
BAME

- It highly recommended to:
  o Review of wildlife monitoring method in HCV management. There was potential that the method and time of monitoring was not accommodated migrant species (Bangau tontong) and species which its movement was affected of flowering and fruiting season. Wildlife monitoring methods was using list species where the officer does daily record protected wildlife.
  o Carrying out wildlife population monitoring on protected area, ( especial for HCV 1.3) and analyses of wildlife encountered intensity as part of HCV management effectiveness analyses that has been done.
  o Clarify program objectives and implementation status of HCV management as part of analyses of HCV management effectiveness, Especial for HCV 1.1 Buffer zone of Cagar alam. For example: Number and fixing procedure of HCV boundaries and also tagging procedure of buffer
zone.

- It could be to review of the training program plan on 2013. Especially, related to awareness training of management and monitoring HCV on September 2013. Currently, organization has been appointed HCV Officer (SK #006/RSPO/BMLE/05/13, 1 Mei 2013), however HCV officer has not been obtained management and monitoring HCV training. Even so, during audit HCV Officer was sight that it has understood about HCV management and monitoring implementation.

**Criterion 5.4**  
**Mill and all Estates**

- It could be considered to analyse efficiency of fossil fuel use by comparing with budget not only year by year.

**Criterion 6.2**  
**All Estates and Mill**

- It was suggested to review stakeholders list and information list. Revenue Department of Kota Baru District and report of Constructor committee of Occupational Health and Safety- *Panitia Pembina Kesehatan dan Keselamatan Kerja (P2K3)* to local Manpower Department was not recorded on list of information.

**Criterion 6.3**

- It could be to make an approach with local communities, especially regarding CSR program information and legal identities of area. Based on group discussion with stakeholders, there is complaint from Village Head of Serongga and Langadai related to damage of village roads that was used of organization. Besides also, there is complaint from Village Head of Serongga regarding legal identities on Gunung Kariwaya which is among SPNA and SPNE

**Criterion 6.5**  
**BMLE**

- Strongly recommended for establish minimum standard of child care- *Balai Penitipan Bayi (BAP)*, including: number of child on BPA, minimum age, coaching and development program of child. During audit, it was observed that number of child in BPA does ± 70 children. The age of child does between 8 months to 5 years.

**BAMM**

- It was recommended to conducting review of PKWT contracts was signed before the establishment of Minimum Pay of Province- *Upah Minimum Propinsi (UMP)* 2013. Because, determination of wage in the contract was still refers to the UMP 2012. Even so, it was observed payment has been available with UMP 2013.

**Opportunities for improvement – Mill Supply Chain Requirements**

- There has been no trading claim of RSPO certified palm oil (CSPO) or palm kernel from BAMM, it is recommended the Mill to be registered at RSPO e-Trace to make claim of RSPO certified CPO or Kernel.
AUDIT REPORT
Appendix “D” – Stakeholder’s issues and comment

Date and Time : 10 June 2013 at 3.30 pm – 4.40 pm
Location : BMLE Office

Group discussion : Deputy of worker representative estate and mill, gender committee estate and mill, worker representative (harvester, sprayer, process operator of Mill, Maintenance operator)

Workers
- Salary was paid in every 15th and end of month.
- Started work at 7.00 am to 02.00 pm.
- Organisation provided training for Occupational Health and Safety, personnel protective equipment were provided by organisation
- Above personnel said there are no complaints to organisation related to wage and labour regulations
- Housing, clean water and electricity provided by the organisation.

SPM Leader (worker representative)
- 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
- Meeting is held monthly to review any labour concerns and suggestions.
- All medical expenses were covered by organization.
- There are no discrimination between local worker with migrant worker

Gender Committee
- Gender committee is leaded by representative elected by female workers.
- Some regular meeting were held regularly
- Gender committee meeting was conducted periodically and attended from the representative gender committee from estate.
- There is no issue related sexual harassment for all workers

Information gathered during consultation:
- Status of workers is SKU/permanent employee.
- Organization provided training for mechanism to protect of children.
- Visits to care conducted by nurses to monitor the condition of the children of employees.
- Housing, clean water and electricity provided by the organisation.
- Domestic waste managed by organization.
- Transportation for school children provided by the company.
- Calculation of wage and overtime was determined by management in accordance with national regulation

Date and Time : 10 June 2013 at 09.00 am – 10.00 am
Location : BMLE
Interviewee : Worker of Child care

Information gathered during consultation:
- Status of workers is SKU/permanent employee.
- Organization provided training for mechanism to protect of children.
- Visits to care conducted by nurses to monitor the condition of the children of employees.
- Housing, clean water and electricity provided by the organisation.
- Domestic waste managed by organization.
- Transportation for school children provided by the company.
- Calculation of wage and overtime was determined by management in accordance with national regulation

Date and Time : 11 June 2013 at 4.00 pm – 4.30 pm
Location : SPNA
Group discussion : Mandor-Foreman (Sprayer and Harvester)

Information gathered during consultation:
AUDIT REPORT

- Employees get honors and a ration of rice. The proportion of rice among others: 15 kg for workers, 9 kg for worker's wife. 7.5 kg for child of workers.
- Assist of fund for memorial of religious holiday, building renovation and support facilities provided by organization.
- The company's approach and relationship to minorities was well conducted.
- Organization was routine conducted medical checks up for sprayer.
- Working equipment and personal protective equipment was provided by the organization.
- Above personnel said there are no complaints to organization, in case any complaint it will be informed to ‘mandor’ (foreman).

Date and Time: 11 June 2013 at 08.30 am – 10.00 pm
Location: SPNA Office
Group Discussion: Village Head (Serongga, Langadai, ) Society/religion/youth leaders, Head of KUD Gajah Mada

Information gathered during consultation:
- No land conflict was reported since hand-over was done in proper settlement in the beginning. However, there is complaint from Village Head of Serongga regarding legal identities on Gunung Kariwaya which is among SPNA and SPNE.
- Villagers have confirmed that organisation has done some positive CSR activities on their surroundings such as school funding, road repair, support teacher salaries, building mosques, provision of books for school libraries, school infrastructure support, etc. However, there is complaint from Village Head of Serongga and Langadai related to damage of village roads that was used of organization.
- Estate is very concerning about the environment around estate,
- Between estate with community estate established a good relationship.
- CSR program suggested in the form of economic empowerment, eg mentoring and training as well as revolving funds.
- Organization is providing scholarships for high school students excel in the village around so it can go to college.
- Organization is providing jobs for villagers around mill and estate, so it is reducing unemployment.
- Clean water supplies in the dry season.
- Surrounding communities have been many who have plantations, but they find it difficult to sell fresh fruit bunches because they does not have the SPK.

Organization has established response to the feedback from Head Village of Serongga and Langadai which indicated the commitment to follow up as mentioned below:

<table>
<thead>
<tr>
<th>No.</th>
<th>Feedback and or request</th>
<th>BAMM response and action to be taken</th>
<th>SAI Global audit observation</th>
<th>Relevant documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>There is complaint from Village Head of Serongga regarding legal identities on Gunung Kariwaya which is among SPNA and SPNE</td>
<td>Organization has been conducted clarification with Head Village of Serongga on 12 June 2013. It was carried out in according with procedure SOP / NP / SMART / XII / MCAR 001</td>
<td>SAI Global issued Opportunity for Improvement (OFI); detail of OFI was mentioned in the report in criterion 6.3.</td>
<td>Minutes of SPNE and BAMM clarification to Head Village of Serongga on 12 June 2013. It was made and signed by the head of the village and organization staff</td>
</tr>
</tbody>
</table>
### AUDIT REPORT

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- Clarification result was documented on minutes of clarification and has signed by Serongga Village including: land issues presented during the public consultation is a misunderstanding that the info given is not correct. The problem was considered completed.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Organization has been conducted clarification to Head Village of Serongga in accordance with procedure SOP / NP / SMART / XII / MCAR 001</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Clarification result including: 1. Village roads were also used by many of coal vehicles. 2. Organization has provided assistance of heavy equipment for road repair and making street drains on September 2012, December 2012 and February 2013</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Based on CSR program for 2012 and 2013 period, road repair on Serongga and Langadai has been conducted by organization SAI Global in this case made findings that are OFI; its detail can be seen in the audit report in criterion 6.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Minutes of SPNE and BAMM clarification to Head Village of Serongga on 12 June 2013. It was made and signed by the head of the village and organization staff.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- CSR Program for 2012 and 2013 period and also evidence of implementation.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Photo, Minutes of assistance provision which was signed by Head Villages Serongga and Langadai.</td>
<td></td>
</tr>
</tbody>
</table>

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>- It had been held between the management BAMM with Head village of Serongga and community leaders on 30 October 2012. The results of the meeting, namely: Village must have Note as: It would checked for next surveillance audit.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Minutes of meeting on 30 October 2012</td>
</tr>
</tbody>
</table>

2. There is complaint from Village Head of Serongga and Langadai related to damage of village roads that was used of organization

3. Surrounding communities have been many who have plantations, but they find it difficult to sell fresh fruit bunches because they do not have the SPK. Organization was hoped give SPK through the village, so surrounding communities could be sale the their FFB to mill
cooperative. The organization only can make payment to legal entity such as cooperative unit instead of individual.

- The village has not been established cooperative unit yet.
AUDIT REPORT
Appendix “D” – 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.
AUDIT REPORT
Appendix “E” – Definition of, and action required with respect to audit findings for Supply Chain Certification System:

**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.