



PUBLIC SUMMARY REPORT
RSPO CERTIFICATION ASSESSMENT

PT HINDOLI
SCHEME SMALLHOLDERS
South Sumatra Indonesia

Report Author

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SUMMARY

BSi has conducted an assessment of PT Hindoli (Hindoli) Smallholder operations comprising fourteen Cooperatives that manage 17,594 ha of oil palm on behalf of 8,797 smallholder members. BSi concludes that Hindoli Smallholder operations comply with the requirements of RSPO Principles & Criteria : November 2007 and the National Interpretation For Scheme Smallholders Republic of Indonesia : October 2009, Version 1.

As PT Hindoli Mills and Supply Bases had already received RSPO Certification, the Assessment Team was not aware of the requirement to carry out an additional formal Stakeholder Notification for the Hindoli Smallholders. The Initial Certification Assessment of the PT Hindoli Smallholders was carried out between 05 and 12 November 2009, at which time three nonconformities were raised against Major Compliance Indicators. A follow-up visit was made 05 February 2010 to check progress with implementation of corrective actions and the three Nonconformities were closed out. The Public Summary Report was submitted to RSPO Secretariat who advised BSi that it was necessary to post a Stakeholder Notification on the RSPO website because the assessment represented a significant change to the Hindoli supply base. BSi prepared a Stakeholder Notification letter that was posted on the RSPO, CTP and BSi websites in April 2010.

The BSi Assessment Team considered it superfluous to carry out another assessment, therefore the Public Summary Report was held in abeyance to allow the 30 day Notification Period to pass and allow stakeholders to respond. During this 30 day period, no stakeholder responses were received and those stakeholders contacted did not raise any new issues. The fact that the Assessment was carried out prior to the Stakeholder Notification in no way changes the Assessment findings.

BSi recommends that Hindoli Smallholders be approved as producers of RSPO certified sustainable palm oil.

ABBREVIATIONS USED

AMDAL	Environmental Impact Assessment Report
BPN	Badan Pertanahan Nasional (National Land Agency)
CAR	Corrective Action Request
CPO	Crude Palm Oil
EFB	Empty Fruit Bunch
FFB	Fresh Fruit Bunch
HCV	High Conservation Value
KKPA	Koperasi Kredit Primer Anggota (Cooperative Credit Scheme)
KUD	Koperasi Unit Desa (Village Cooperative Unit)
LTA	Lost Time Accident
PK	Palm Kernel
RKL	Environmental Management Plan
RPL	Environmental Monitoring Plan
SOP	Standard Operating Procedure
UPL	Upaya Pemantauan Lingkungan (Environmental Monitoring Effort)

1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation Used

The Certification Assessment was conducted against the National Interpretation For Scheme Smallholders, Republic of Indonesia : October 2009, Version 1.

1.2 Certification Scope

The scope of the certification assessment is the Scheme Smallholders that supply FFB to two (2) Hindoli Palm Oil Mills.

1.3 Location and Maps

The PT Hindoli Smallholders and Mills are located in Musi Banyuasin District of South Sumatra Province, Indonesia (Figures 1 and 2). The GPS locations of the Mills are shown in Table 1.

Table 1: GPS Locations of Mills

MILL	LONGITUDE	LATITUDE
Sungai Lilin	E 104° 7' 41.67"	S 2° 36' 46"
Tanjung Dalam	E 103° 56' 38.4"	S 2° 32' 58.56"

1.4 Description of Supply Base

The supply base is the FFB from the PT Hindoli Smallholder Scheme that was developed as a condition of Hindoli project approval. The scheme comprises fourteen (14) Village Cooperatives (KUDs), whose smallholder members total 8,797 and have 17,594 ha planted to oil palm. The smallholder scheme originated from a government transmigration project (PIR-Trans Scheme) that was set up in the early 1980s for growing soybean. The soybean scheme comprising smallholders failed. In 1991, a local company PT Hindoli, received government approval for development of an oil palm project comprising inti (company estates), plasma (smallholders) and a mill. The PIR-Trans Scheme has 8,500 smallholder members, each with 2 ha blocks. In addition, Hindoli developed oil palm on 297 blocks (each 2 ha) under a KKPA Scheme. These KKPA blocks are managed by six (6) of the KUDs.

Hindoli employed a team of extension workers to train the smallholders. Cargill acquired Hindoli in May 1995 and continued to support the smallholders by employing a full-time team of Farmer Development Assistants. The Farmer Development Assistants reside in the villages at the same location as the Smallholders.

Hindoli Farmer Development Assistants have carried out awareness training on RSPO requirements at each of the 14 Cooperatives. In addition the Hindoli Program Assurance Team assisted with the implementation of documentation and environmental and social improvement programs.



HINDOLI Location

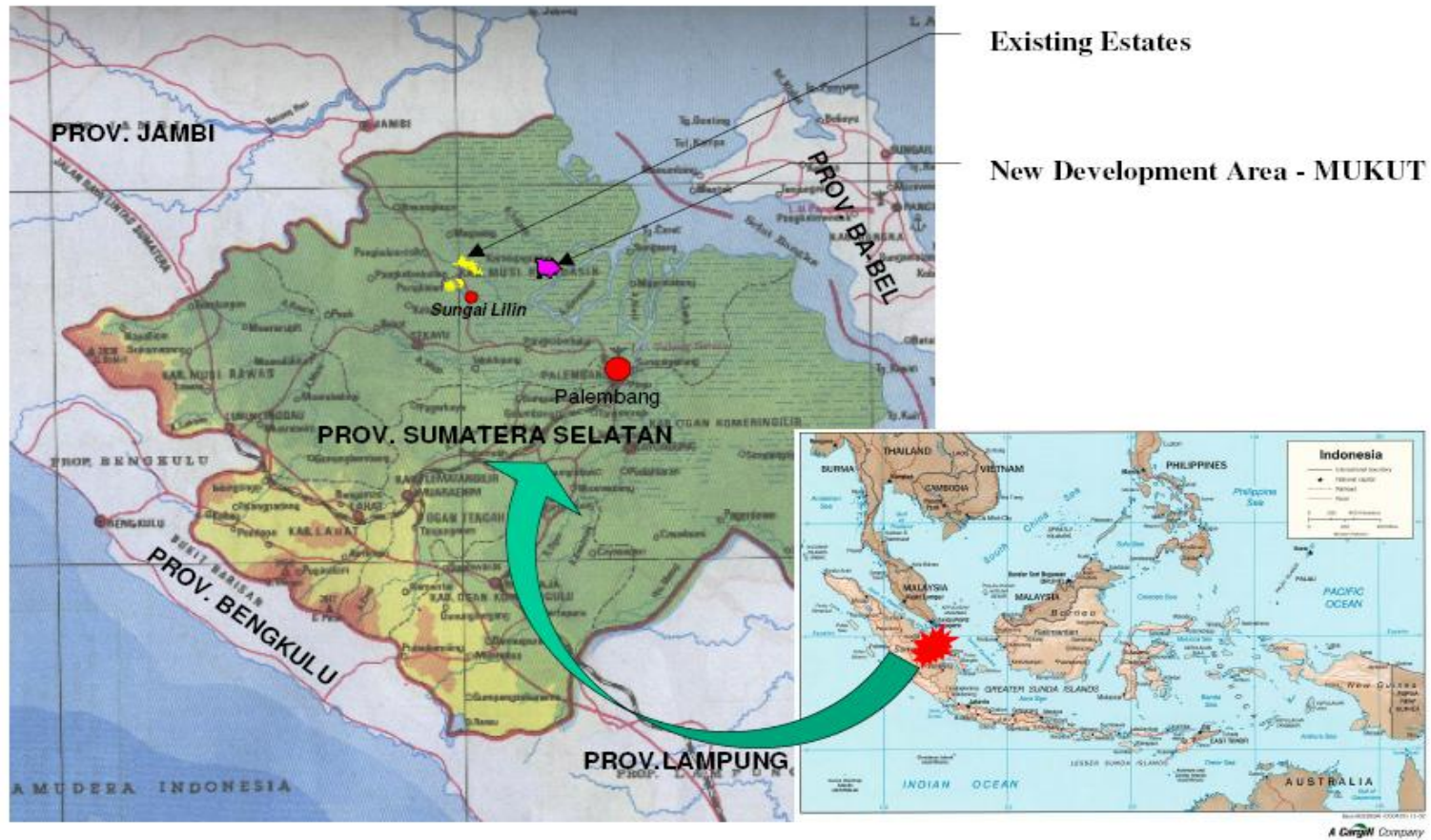


Figure 1: Location Map PT Hindoli

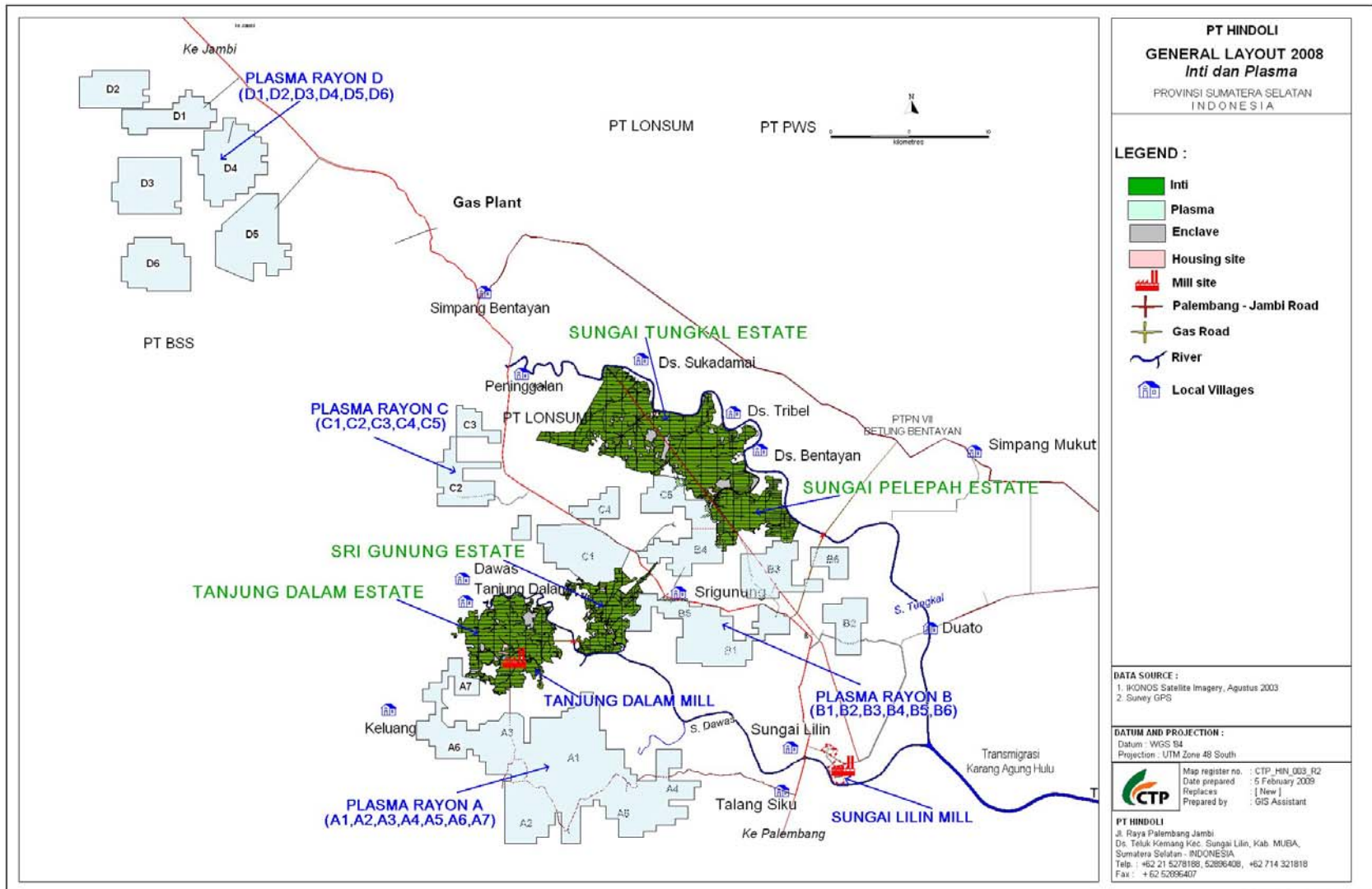


Figure 2: Location Map Estates, Mills and Smallholders

The FFB production from the 8,797 smallholders is listed in Table 2 for the period 25 February 2009 to 24 February 2010.

Table 2: FFB Production (Tonnes)

KUD	Sg Lilin Mill	Tanjung Dalam Mill	Total 2009/2010
Karya Makmur	3,665	31,942	35,607
Suka Rejeki	41,826	31	41,857
Tunas Mekar Inti	36,564	–	36,564
Mukti Jaya	95,447	1,985	97,432
Bersama Makmur	16,112	–	16,112
Jaya Usaha Mandiri	18,816	19	18,835
Mandiri Jaya Makmur	17,224	–	17,224
Sumber Sari	22,967	17	22,984
Sumber Tani Mandiri	20,791	–	20,791
Tani Mandiri Jaya	8,101	–	8,101
Sumber Barokah	–	20,838	20,838
Barokah Jaya	–	15,640	15,640
Sumber Jaya Lestari	–	23,250	23,250
Tri Bakti Sentosa	–	39,504	39,504
TOTAL			414,739

1.5 Date of Plantings and Cycle

The smallholder oil palm was planted in the early 1990s and the palms are mature and in the first cycle. The age profile of the palms is shown in Table 3.

Table 3: Age Profile of Palms

AGE (years)	PLANTED AREA (ha)
21–30	0
11–20	16,984
4–10	610
0–3	0

Palms were planted at four locations known as Smallholders Rayon A, B, C and D that are shown on Figure 2. At each of the four locations, the oil palm has been planted in contiguous blocks of land known as Rayons or Divisions. The location of each Division is shown on Figure 2 as the following: A1-A7; B1-B6; C1-C5; and D1-D6. The smallholders are organised in fourteen (14) farmer cooperatives of varying numbers of members, ranging from the smallest Tani Mandiri Jaya (190 members) to the largest Mukti Jaya (1,924 members). Details of the KUD member numbers and area of oil palm, together with the Divisions, are shown in Table 5 Page 5.

Within each KUD, the members are organised in Farmer Groups, each comprising approximately 30 farmers. Each Farmer Group elects a Farmer Group Leader who is the point for coordination and communication with the KUD Management Team.

1.6 Other Certifications Held

Hindoli has implemented an integrated Environmental and Quality Management System for the Mills and Estates and was awarded ISO 9001 and ISO 14001 Certification on 28 July 2008.

The Ministry of Environment has awarded Hindoli the Blue Standard under the “PROPER” programme in June 2008.

In 2003 the President of Indonesia awarded one of the Hindoli smallholder cooperatives the “Best Plasma in Indonesia”.

Both Hindoli Mills were awarded the Cargill President’s Gold Award for Safety Excellence in 2006, 2007 and 2008 (for Mill employees and Contractors).

In 2007 the Labour Ministry awarded Sungai Lilin Mill the “Zero Accidents Award” for achieving 5,000,000 hours LTA free (for Mill employees and Contractors).

On 25 February 2009 the RSPO approved the Initial Certification of the FFB production from three company estates that is processed at the Sungai Lilin Mill and Tanjung Dalam Mill.

1.7 Organisational Information / Contact Person

PT Hindoli is owned and managed by CTP Holdings Pte Ltd, a subsidiary of Cargill, the global food company. Cargill is a member of RSPO and has been involved in the Roundtable process from inception.

The company contact details are as follows:

PT Hindoli
 Jl Palembang – Jambi
 Desa Teluk Kemang
 Kekamantan Sungai Lilin
 MUBA Sumatera Selatan
 PALEMBANG 30755 INDONESIA

Contact Person: Mrs Yunita Widiastuti
 Program Assurance Manager
 Phone: +62 21 52896408
 Fax: +62 21 52896407
 Email: Yunita_Widiastuti@ctpholdings.com

1.8 Time Bound Plan for Other Management Units

CTP Holdings Pte Ltd owns and operates two plantation locations in Indonesia (Hindoli and Harapan Sawit Lestari). CTP Holdings Pte Ltd previously owned three plantation locations in Papua New Guinea (Higaturu Oil Palms, Milne Bay Estates and Poliamba), but on 20 February 2010 it announced the sale of these 3 properties to New Britain Palm Oil Limited. CTP had committed considerable resources to RSPO implementation at the 3 PNG properties and BSi carried out Initial RSPO Certification Assessments during the second half of 2009. CTP Holdings Pte Ltd Time Bound Plan (Table 4) has been adjusted to reflect the sale of the PNG properties.

Table 4: Time Bound Plan for Certification

Plantation Company	Location	Target Date
PT Hindoli	S. Sumatra, Indonesia	Certified 25/02/2009
PT Harapan Sawit Lestari	W. Kalimantan, Indonesia	31/12/2010

The Indonesian NGO Sawit Watch advised BSi of claims made by the NGO WALHI of land tenure issues at the two CTP Holdings Pte Ltd operations in Indonesia, PT Hindoli and PT Harapan Sawit Lestari and the adjacent new development PT Indo Sawit Kekal. A BSi RSPO Social Assessor visited the properties and investigated the claims during October 2009 and met with WALHI, South Sumatra. BSi concluded from the investigations that the land claims were either being addressed in a process acceptable to both parties or were not substantiated and do not affect the issue of a Certificate for the Hindoli Smallholders.

In view of the remoteness of the plantation locations and the different cultural and environmental settings of the properties, BSi considers the Time Bound Plan to be challenging but achievable. The Assessment Team considers that the Time Bound Plan conforms to the RSPO requirements for partial certification.

1.9 Area of Palms

Areas of land planted to palms are detailed in Table 5.

Table 5: Smallholder Areas of Palms

KUD	Division/ Locations	Number of Blocks	Area (ha)
Karya Makmur	A1, A5	798	1,596
Suka Rejeki	B1, B5	956	1,912
Tunas Mekar Inti	B2,B3,B6	960	1,920
Mukti Jaya	B4, C1–C5	1,924	3,848
Bersama Makmur	D1	367	734
Jaya Usaha Mandiri	D2	425	850
Mandiri Jaya Makmur	D3	429	858
Sumber Sari	D4	467	934
Sumber Tani Mandiri	D5	434	868
Tani Mandiri Jaya	D6	190	380
Sumber Barokah	A2	411	822
Barokah Jaya	A4	305	610
Sumber Jaya Lestari	A3	423	846
Tri Bakti Sentosa	A6, A7	708	1,416
TOTAL		8,797	17,594

1.10 Approximate Tonnages Certified

The actual production tonnages for the period 25 February 2009 to 24 February 2010 and the projected tonnages for the period 25 February 2010 to 24 February 2011 from Company Estates and Smallholders are listed in Table 6.

Table 6: Production Tonnages

Mill CPO/PK Tonnages	Estimate at Certification	Actual 25/02/09 – 24/02/10	Projected 25/02/10 – 24/02/11
CPO			
Sungai Lilin			
Company	31,544	33,644	36,025
Smallholders	–	60,842	54,322
TOTAL	31,544	94,486	90,347
Tanjung Dalam			
Company	19,800	20,408	21,321
Smallholders	–	28,168	23,880
TOTAL	19,800	48,576	45,201
PK			
Sungai Lilin			
Company	7,519	7,158	7,665
Smallholders	–	15,273	12,315
TOTAL	7,519	22,431	19,980
Tanjung Dalam			
Company	4,603	4,342	4,536
Smallholders	–	7,081	5,459
TOTAL	4,603	11,423	9,995

1.11 Date Certificate Issued and Scope of Certificate

The scope of the Certificate includes the production from the company owned and managed estates and the scheme smallholders processed at the Sungai Lilin and Tanjung Dalam Palm Oil Mills. BSi issued Certificate No: SPO 537874 to PT Hindoli on 25 February 2009 for the production from the Sungai Lilin and Tanjung Dalam Mills. Certificate details are included as Appendix A.

2.0 ASSESSMENT PROCESS

2.1 Certification Body

BSi Group Singapore Pte Ltd
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Product Manager: Mr Soon Leong Chia
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BSi is a leading global provider of management systems assessment and certification, with more than 60,000 certified locations and clients in over 100 countries. BSi Standards is the UK's National Standards Body. BSi Group Singapore Pte Ltd provides independent, third-party certification of management systems. BSi has a Regional Office in Singapore and an Office in Kuala Lumpur.

2.2 Assessment Programme

BSi carried out a Trial Audit of a sample of five (5) of the smallholder cooperatives in September 2009 and checked field conditions at a sample of smallholders. The findings of this Trial Audit were reported in a plenary session at RT6.

The BSi audit team carried out an Initial Certification Assessment of the scheme smallholders between 05 and 12 November 2009. The Assessment Program is included as Appendix B.

The sampling strategy was developed from a consideration of the RSPO sample size formula, the geographical location of the KUDs and the numbers of smallholder members. From the total of 14 KUDs, the RSPO formula requires a minimum sample size of 3. However, when considered in relation to each Mill and its supply base, 9 KUDs supply the majority of their FFB to Sungai Lilin Mill and the RSPO sampling formula requires assessment of 2 units. Similarly, 5 KUDs supply the majority of their FFB to Tanjung Dalam Mill and the RSPO sampling formula requires assessment of 2 units. However, Hindoli requested assessment of 5 KUDs and the BSi Team agreed because this would provide greater coverage and confidence in the results. The BSi Team selected The largest KUD (Mukti Jaya with 1,924 members) and four small KUDs so as to give a wide geographic spread (Bersama Makmur and Mandiri Jaya Makmur to the north-west and Sumber Jaya Lestari and Barokah Jaya to the south of the mills). Thus, 3 KUDs were assessed for Sungai Lilin Mill and 2 KUDs for Tanjung Dalam Mill.

The RSPO sample size formula also was applied to each of the selected KUDs to estimate the number of smallholder blocks to inspect. The numbers of individual blocks inspected were: Mukti Jaya (35); Barokah Jaya (14), Sumber Jaya Lestari (16); Bersama Makmur (15) and Mandiri Jaya Makmur (17). This gave a total of 97 blocks, compared with the estimated sample size of 75 when the sampling formula is applied to the total number of smallholders (8,797). The BSi Team selected the smallholder blocks so that at least two different Farmer Groups were assessed for each KUD.

The Program included assessments of five (5) of the KUDs against all of the applicable RPSO indicators and the sample numbers of smallholders described above from each of the five KUDs.

The methodology for collection of objective evidence included physical inspections of the KUD facilities, interview of KUD staff and workers and review of documentation.

A total of 97 individual smallholder blocks were inspected and the owners interviewed at each block. The block inspections were arranged to align with the harvesting schedule, in order to observe the tasks being carried out and to interview the block owners and harvesters. Checklists and questionnaires were used to guide the collection of information.

The assessment was based on random samples and therefore nonconformities may exist which have not been identified.

Mr Soon Leong Chia, BSi Product Manager RSPO, has reviewed this report for conformance with BSi Procedures and the RSPO Certification System requirements.

2.3 Qualifications of Lead Assessor and Assessment Team

BSi Group Singapore holds copies of educational qualifications, certificates and audit logs for each of the audit team members. BSi has evaluated the qualifications and experience of each audit team member and has registered the following designations for conducting RSPO Assessments:

Charlie Ross – Lead Assessor

B.App.Sc. M.Sc (Env.Studies)

Lead Auditor EMS RABQSA Cert N^o 14370

Iman Nawireja – Social Assessor

B.Ag.Sc. M.Sc. (Comm)

Dian Ekowati – Interviewer/Assistant

B.Ag.Sc.

Charlie Ross is an independent environmental auditor who has extensive fieldwork experience in conducting environmental and social assessments of oil palm projects over the past 18 years in Indonesia, Malaysia, Nigeria, Papua New Guinea and Solomon Islands. He has participated in fieldwork for HCV assessments since 2004. He has completed lead auditor training in ISO 9001 Quality Management Systems, lead auditor training in OSHAS 18001 Occupational Health and Safety Assurance Systems, auditor training in Environmental Management, SA8000 Social Accountability and RSPO P&C. He has been involved in the RSPO process since RT1 and has conducted Certification audits of oil palm plantation companies against the RSPO P&C in Indonesia, Malaysia and PNG.

Iman Nawireja graduated with a Bachelor of Agricultural Science from the University of Bogor in 1997 and a Masters Degree in Communications from the University of Indonesia in 2002. Iman is a Lecturer in social statistics at the University of Bogor and has more than 10 years experience in conducting social impact assessments of agriculture, mining and forestry projects. He has assisted with field studies on the effect of resource development projects on farmer and community incomes, health status and household division of labour. He has completed Lead Auditor training in ISO 14001 Environmental Management Systems. He has assisted in conducting environmental and social assessments of 8 oil palm projects during the past 7 years. He has assisted with conducting audits of oil palm plantation companies against the RSPO P&C in Indonesia and in Malaysia.

Dian Ekowati holds a BSc in Agriculture from Bogor Agricultural University and is fluent in Bahasa Indonesia and English. Ms Ekowati assisted with interviews of smallholder workers.

2.4 Stakeholder Consultation and a List of Stakeholders Contacted

Stakeholder consultation involved internal and external stakeholders. Stakeholders were notified by placing a copy of the Stakeholder Notification letter on the RSPO, CTP and BSi websites. In addition, stakeholders were contacted directly by email or telephone to arrange meetings.

Stakeholders were interviewed at their premises where practical or else at a location suitable to both parties. Smallholders were interviewed at their oil palm blocks at the same time as the field inspections. Field inspections were scheduled to coincide with harvesting operations and workers engaged by Smallholders were interviewed at that time. Village representatives were interviewed in the village. PT Hindoli staff, comprising Senior Managers and Farmer Development Assistants (smallholder extension officers) were interviewed at the Tanjung Dalam and Sungai Lilin Mills. Hindoli staff were not present at any of the meetings with Smallholders or external stakeholders.

A list of stakeholders contacted during the Assessment is included as Appendix C.

2.5 Date of Next Surveillance Visit

The annual surveillance visit is planned to be carried out within twelve months of RSPO approval of the Initial Certification.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

During the Initial Certification Assessment, three (3) Nonconformities were assigned against Major Compliance Indicators and ten (10) Observations/Opportunities for improvement were identified. Details of the Nonconformities are given in Section 3.2 (Page 14).

Hindoli prepared a Corrective Action Plan for addressing the identified Nonconformities which BSi reviewed and accepted.

BSi carried out a follow-up visit to the Smallholders on 05 February 2010. The review of the three Major Nonconformities assigned during the Initial Certification Assessment found the corrective actions were effective and the nonconformities were closed out.

BSi has conducted an assessment of the Hindoli Smallholder operations comprising a sample of five of the 14 KUDs and 97 individual smallholders that supply FFB to the 2 Hindoli mills. BSi concludes that the Hindoli Scheme Smallholder operations comply with the requirements of RSPO Principles & Criteria: 2007 and the National Interpretation For Scheme Smallholders, Republic of Indonesia : October 2009, Version 1.

BSi recommends approval of Hindoli Smallholders as producers of RSPO Certified Sustainable Palm Oil.

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.

The KUDs' policy is to make information available to stakeholders on request for issues relevant to RSPO Criteria. In February 2009, the KUDs developed filing systems for incoming and outgoing correspondence and have maintained records since that time. Examination of records showed there have been no requests for environmental or legal information. An example related to social issues is Mukti Jaya received a request on 13 July 2009 from Sriwijaya University for provision of farmer income data for use by a student for his thesis. The file showed that Mukti Jaya replied promptly to the student who collected the data on 14 August 2009 when he visited the KUD.

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.

Inspection of records confirmed each of the KUDs holds copies of land certificates issued to individual smallholder members.

Each of the 5 KUDs inspected holds a copy of PT Hindoli AMDAL prepared in 2005 that covers the operations of the two mills, the company estates and the Smallholders. Hindoli forwards RKL/RPL monitoring reports six-monthly to Government and a copy of the January-June 2009 report was available at each KUD. A copy also is available at each KUD of the endorsement of the Cooperative by the District-Department of Cooperatives No. 0102/BH/VI/III dated 4 August 2005.

Observation 01 – refer section 3.2 Page 16 for details

The KUDs maintain information on file related to organisational and social activities. For example, Bersama Makmur has records on the expenditure on social activities in response to requests for donations, such as by the Independence Day Celebration District Sub-committee 8 June 2009.

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

Each of the KUDs is required to conduct an internal audit each year of its operation and to prepare an Annual Report to its members. For example the most recent Barokah Jaya Annual Report was 31st December 2008. The Annual Audit Report and records indicate that KUD activities are consistent with the smallholder scheme requirements. Copies of Internal Audit Annual Reports were available at each of the 5 KUDs.

Interviews of individual smallholders confirmed that they were aware of their agreement with the KUD and PT Hindoli that requires them to supply all of their FFB to Hindoli. Review of records held at the KUDs confirmed

payments for FFB were in accordance with the agreements.

Observation 02 – refer section 3.2 Page 16 for details

Hindoli has supplied each of the KUDs with a list and copies of applicable legislation relating to Co-operative operation, land tenure, environmental, pesticides, labour and OHS. Inspections of KUD and Smallholder operations, review of records and interviews of KUD staff, Smallholders and workers indicated compliance with applicable regulations.

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

The Hindoli smallholder scheme was developed on land that was previously a transmigration scheme. Each of the Transmigrants interviewed stated that he held a copy of the Hak Milik (Land Ownership) Certificate. When requested, individual smallholders were able to produce a copy of their land certificate, eg block no 067 issued by BPN Musi Banyuasin number AJ696089 on 20th of October 1997. In addition, the KUDs hold copies of the Land Certificates on behalf of the members.

Hindoli records and those of the KUDs show there have been no disputes over the Smallholder land. Interviews of Smallholders also confirmed there were no land disputes.

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

The majority of the smallholders (8,500) scheme is located on a former transmigration scheme that the National Government set up in the early 1980s. In addition there are 297 smallholders on KKPA scheme located at 6 of the KUDs. There are government roads through the smallholder oil palm blocks and the public has unrestricted access through area.

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

Hindoli has established a Farmer Development Department that provides training and technical support to the KUDs and individual farmers. Hindoli employs six full-time Farmer Development Assistants to provide extension services to the KUDs and farmers. The Farmer Development Assistants reside in the village associated with each of the KUDs and have daily involvement with the Smallholders. Hindoli holds weekly Coordination Meetings at the Sungai Lilin Office attended by Farmer Development Assistants and the Head of each KUD. This provides a forum for discussion of production, technical and any other issues of concern to the smallholders.

Each of the KUDs has an annual budget that includes crop forecast for one year and work plans for each department that are detailed in the KUDs' Annual Reports. In addition, the Hindoli Farmer Development Department has assisted each of the KUDs to prepare crop forecasts for the years 2009-2012, with a

breakdown by month and village. The KUDs maintain up to date records of the repayment of bank loans as well as savings towards the cost of future replanting.

Each of the KUDs appeared well managed and has responsibility for coordinating FFB harvesting. Each KUD manages contractors for the collection and transport of the FFB to the mills as well as managing contracts for maintenance of roads.

Observation 03 – refer section 3.2 Page 16 for details

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

Hindoli has prepared SOPs for Smallholders that are based on the Best Management Practices that are implemented at Hindoli estates. The SOPs cover all of the tasks for growing oil palm such as land preparation, planting, upkeep (including the storage, handling and application of pesticides) and harvesting. The SOPs describe tasks, equipment, safety precautions and wearing of PPE, and are used as training material for the smallholders, with the aim of implementing the same practices as the Hindoli estates.

The Smallholder Farmer Group Managers as well as the Hindoli Farmer Development Assistants inspect field conditions to check implementation of the SOPs.

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

Hindoli Technical Services Department carries out annual foliar sampling and inspection of the smallholder palms for identification of nutritional deficiency symptoms. Hindoli records the data on the database "Oil Palm Monitoring Programme". Hindoli uses the leaf sampling results to determine the annual fertiliser programme for the Smallholders. Each of the KUDs manages the distribution of fertiliser to individual farmers who then apply it to the palms. The KUDs have records that show fertiliser was applied to each smallholder block in March and October 2009.

The KUDs have records of the crop harvested from individual blocks, which is the basis for payments to the owners. The KUDs have information on crop yields for more than 5 years. The KUDs maintain up to date records of crop production for each Farmer Group and the monthly results are displayed graphically against the budget at each of the KUDs. The annual average yields of the smallholder FFB are similar to the Hindoli Estates.

The smallholders previously have not applied EFB to the palms because of the transport cost. Hindoli is carrying out a trial application of EFB at Bersama Makmur KUD on 18 smallholder blocks.

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

The topography of the majority of smallholder areas is flat to gently rolling and terracing has not been necessary at any of the planted land. There are small

areas where plantings were made on palm platforms. There is no peat nor fragile or problematic soil at any of the smallholder planted land. There is no low-lying land requiring drainage.

Criterion 4.4: Practices maintain the quality and availability of surface and groundwater

Hindoli Farmer Development Assistants have been conducting training on soil conservation for smallholders. Inspection of documents confirmed the KUDs are maintaining records of training. For example, Mukti Jaya carried out training for all 14 of its Farmer Groups in October 2009. Records include the signature of the trainer and trainees.

There are a number of small streams of width 1-2 metres that originate within or adjacent to the smallholder areas. Inspection of a sample of these small streams showed that they do not flow during the dry season. Although there is no legal requirement to establish a riparian buffer strip along ephemeral streams <1 metre wide, inspection showed that a strip of natural vegetation had been retained and the banks generally were well vegetated for protection against erosion.

Inspection of field conditions showed that groundcover vegetation generally was well maintained for minimising soil erosion (Plate 1).

The smallholders have commenced the “T-Box” placement of pruned fronds to provide additional protection against soil erosion at the small number of locations with sloping topography.

Observation 04 – refer section 3.2 Page 16 for details



Plate 1: Well Maintained Groundcover

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

Hindoli Technical Services Department carries out investigation and monitoring of any pest problems that are reported by smallholders. The last reported problem was a minor outbreak of nettle caterpillar in late 2007, but chemical treatment was not necessary.

Hindoli has carried out training in IPM for each of the KUDs, who have commenced the planting of the beneficial plants *Turnera subulata* and *Cassia cobanensis* along roadsides. Interviews of smallholders confirmed they had received IPM awareness training and they had a basic understanding of the role of beneficial plants.

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 seeing to identify alternatives and this is documented.

Hindoli has worked with the KUDs to develop a system for controlling the storage, handling and use of pesticides. Inspection of KUD pesticide stores showed that the Smallholders use only two types of herbicides and a “wetting agent”. Both of the herbicides “glyphosate” and “metsulphuron-methyl” are registered and approved by the Department of Agriculture - reference “Pestisida Pertanian Dan Kehutanan” (Pesticides for Use in Agriculture and Forestry) – Centre for Permit and Investment General Secretariat, Agriculture Department, 2007. The smallholders do not use any WHO Type 1A or Type 1B pesticides.

Hindoli Technical Services Department has developed the Smallholder herbicide application program in consultation with the KUDs. The program is based on the Hindoli Estate practices and involves circle and path spraying, with the frequency depending on field conditions. Selective weeding is carried out to control problematic weeds at individual blocks when necessary. Hindoli Technical Services Department and the Smallholder Development Assistants conduct training of Smallholders and KUD employees in the safe handling and application of herbicides. Inspection of field conditions, interviews of Smallholders and observation of spraying showed herbicides were being used appropriately and safety precautions were being observed.

Observation 05 – refer section 3.2 Page 16 for details

The KUDs have purchased PPE (an apron, safety spectacles, an N95 particulate respirator and rubber gloves) that are worn by the pesticides storeman for measuring and issuing herbicides. The KUDs have recently implemented a system that requires sprayers to wear PPE when they are issued with herbicide and knapsack spray equipment. Inspection of the KUD pesticide stores (Plate 2) showed that adequate PPE was available for use by herbicide operators. The herbicide spray equipment, PPE and herbicides are issued daily and are returned to the KUD herbicide store at the completion of spraying. The herbicides, spray equipment and PPE are locked in the secure herbicide store.



Plate 2: PPE Available at KUD Pesticide Store

During 2009, each of the KUDs built a new pesticide store. Prior to the implementation of RSPO requirements, the KUDs purchased pesticides and issued 20 litre containers of glyphosate directly to Farmer Groups, who then made issues to individual farmers. In October 2009, the KUDs changed to a system of Centralised Pesticide Stores and making issues of small quantities of herbicides (1.5 to 2.5 litres of glyphosate) directly to individual farmers. Inspection of KUD stores confirmed that the new stores were secure, had appropriate safety signage, ventilation and segregation of chemicals, but spill containment was adequate only at Bersama Makmur. The centralised pesticide store provides greater control over issues of herbicides to individual smallholders as well as disposal of empty containers.

Nonconformity CR01 – refer section 3.2 Page 15 for details

Interview of KUD managers and review of records indicated that there had not been any case of pesticide operator toxicity.

Each of the KUDs maintains records of sprayer training conducted by Hindoli. For example, Hindoli Technical Services Department carried out training at Karya Makmur for 26 persons on 13 April 2009. Records confirmed the training included the topics of safety, use of PPE, field application of herbicide and disposal of used containers.

Inspection of documents showed that the KUDs had recently (October 2009) implemented an appropriate system for recording the quantities of herbicides supplied to smallholders. For example, at Sumber Jaya Lestari, the central pesticide store maintains a separate file for each of the 18 Farmer Groups. Records showed that the individual smallholders have signed the Request Form that includes details of the type and quantity of herbicide issued, the name of the smallholder, the block number and date of issue. The pesticide storekeeper maintains a monthly stock take of chemicals. Inspection of the pesticide stores confirmed the stock take was consistent with the balance of herbicide held for each Farmer Group.

Observation 06 – refer section 3.2 Page 16 for details

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

Hindoli has provided copies of the PPE Poster to each KUD that in turn has distributed a copy to each field office. The PPE Poster shows pictorially the PPE required to be worn for each field task, which is an appropriate and effective method for communicating the safety requirements to Smallholders. Additional “task-specific” detailed information on safe work practices is described in the SOPs (Refer to Criterion 4.1). Hindoli Farmer Development Assistants have conducted training in safe work practices and the use PPE for all field tasks at each of the KUDs and records of this training have been kept since early 2009. Observation of field tasks and interview of individual farmers and workers confirmed understanding of safety precautions for harvesting and other tasks such as herbicide spraying and fertiliser application. Interview of smallholders confirmed knowledge of the emergency action that should be taken in relation to an accident, such as during harvesting or transport of FFB.

The KUDs have commenced in 2009 a file for recording accidents involving staff and contractors. The records at the KUDs showed there has been no accident during the year. Each of the KUDs has included safety as a topic at the monthly coordination meeting. For example Bersama Makmur discussed “road safety of motorbikes” at the 21 March 2009 meeting. This safety topic is appropriate for Smallholders as motorbikes are the main transport used by block owners and workers. The safety training included maintaining the registration and roadworthiness of motorbikes, wearing of helmets and road safety rules. As noted above for Criterion 4.6, each of the KUDs has available appropriate PPE for use by smallholders when carrying out spraying of their blocks. Individual smallholders and transport contractors are responsible for providing PPE for use by their workers during harvesting and transport of FFB.

Observation 07 – refer section 3.2 Page 16 for details

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

Hindoli has prepared an annual schedule for training of the KUDs and smallholders. The training is delivered by the Hindoli Farmer Development Assistants and includes topics such as financial management, health and safety and field practices. The training in field practices is based on the Best Practices implemented at the Hindoli Estates.

In 2009 each of the KUDs commenced keeping records of training down to Farmer Group level. Inspection of records showed for example, that Hindoli conducted training on RSPO Requirements at Karya Makmur on 23 June 2009 for 35 persons.

Criterion 5.1: Aspects of plantation and mill management, including replanting, that have environmental impacts are identified and plans to mitigate the negative impacts and promote the positive

ones are made, implemented and monitored to demonstrate continuous improvement.

Hindoli has provided each of the KUDs with a copy of the AMDAL that was revised in 2004 for the construction of an additional processing line at Sungai Lilin Mill and a new mill at Tanjung Dalam Estate. The scope of the AMDAL includes the two mills, the company owned estates and the smallholder scheme. The KUDs have posted a message on the noticeboards to make smallholders aware of the AMDAL.

The AMDAL public consultation process was held in March 2004 and included meetings at three local villages and with smallholders. The AMDAL preparation and consultation process was consistent with Government guidelines. The AMDAL for the expanded scope of Hindoli was approved on 14 May 2005 Number 285/KPTS/BAPEDALDA/2005.

Hindoli has provided each of the KUDs with a copy of the 2005 AMDAL and bi-annual reports to Government on AMDAL monitoring. The most recent RKL & RPL report was January-June 2009.

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

The Hindoli Smallholder scheme was developed on land that previously was a failed Transmigration Scheme. All of the land was cleared during the original development of the Transmigration Project. The majority of the Smallholders are located adjacent to the Hindoli Estates and the HCV Assessment conducted by Hindoli included the adjacent Smallholders.

Within the company owned estates, all of the land has been cleared, except for riparian buffer zones along the main rivers. The vegetation within the river buffer zones has previously been heavily logged and consists of secondary regrowth. The University of Bogor Ecologist who conducted the HCV assessment assigned HCV4 to the riparian buffer zones. The land adjacent to the Hindoli Estates is a mixture of smallholder oil palm, oil palm estates owned by other companies, subsistence agriculture, small-scale rubber and secondary regrowth. The assessment did not identify HCVs at areas adjacent to the estates.

During the HCV assessment, 2 species of mammals, 23 species of birds and 1 reptile were recorded within and near the riparian buffer zones at the Hindoli Estates. Eight of the bird species are protected under Indonesian Law. Fieldwork observations did not record the presence of any endangered, rare or threatened species of fauna as listed by the International Union for Conservation and Nature within or adjacent to the estates.

The University of Bogor Consultant Ecologist recommended that Hindoli conduct HCV awareness to the KUDs and Smallholders. Hindoli has produced a poster of protected fauna that includes a photograph,

local name and Latin name of each of the protected species. Hindoli has distributed copies of the protected fauna poster to each KUD and inspection confirmed these were prominently displayed on noticeboards.

Each of the KUDs has nominated a staff member who is responsible for HCV awareness. For example Bersama Makmur has appointed the Head of Section 4 as responsible for conducting awareness on protected fauna. Hindoli Program Assurance Department has carried out HCV awareness training for staff at each of the KUDs on protecting fauna and riparian buffer zones. The KUDs in conjunction with the Hindoli Farmer Development Assistants have conducted HCV awareness for smallholder farmers. When interviewed, the majority of farmers were able to list at least 3 of the protected species of fauna that occur within or adjacent to the palms.

Observation 08 – refer section 3.2 Page 17 for details

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

Hindoli Farmer Development Department has identified all waste and pollution sources generated by smallholders and have prepared SOP (015/SOP/Plasma/1/2009) for waste management, issued 1st January 2009. The SOP lists the types of wastes generated at the KUD and smallholders and methods of treatment and disposal. Hindoli Farmer Development Department will collect the empty pesticide containers stored by the KUDs and transport them to the Sungai Lilin Mill Hazardous Waste Store for removal by a licenced contractor. The KUDs have communicated the waste management requirement verbally to Farmer Groups, in particular that empty herbicide containers must be returned to the KUD.

Hindoli has built hazardous waste stores at each estate and mill and holds a Licence for the storage of hazardous waste, issued by Ministry for Environment, Jakarta, 15 August 2005 Licence N^o IZIN KEPMEN.175. Hazardous wastes are removed by a licenced contractor PT Nirmala Tipar Sesama – Licence N^o 612 of 2007. Records of the Hazardous Waste Manifests for Mills and Estates are held on file.

During the November 2009 site inspection, the Assessment Team found that the system of requiring the smallholders to return empty pesticide containers to the KUD was not effective. Empty 20 litre pesticide containers were being used for other purposes, such as storing fuel.

Nonconformity CR02 – refer section 3.2 Page 15 for details

Review of records at each of the KUDs and interview of village heads did not identify any complaint related to disposal of hazardous materials.

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

The majority of smallholders use wheelbarrows for carrying FFB to the roadside platform and only a few use buffalo-drawn carts. The KUDs manage the transport of

FFB from smallholder blocks to the mill. The KUDs coordinate FFB harvesting to maximise loading for transport of fruit to the mill. This results in optimisation of efficiency of energy use for FFB transport.

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

Hindoli has implemented a Zero Burn Policy since the start of the smallholder development. Replanting has not been carried out and is not scheduled to start until 2016. Hindoli and the KUDs have made a commitment to adhere to the Zero Burn Policy during future replant.

Interview of farmers confirmed their understanding of the emergency action required in the event of fire outbreak. The farmers were very much aware that fire could destroy their oil palm and stated this had not happened.

Inspection during the assessment confirmed each of the KUDs held adequate fire-fighting equipment at the offices and stores and that the equipment was in serviceable condition. The KUDs have commenced a training program to conduct awareness of zero burning during future replanting to all farmers. For example, training records showed that Mandiri Jaya Makmur carried out awareness for 23 farmers on 25 August 2009 and for 24 farmers on 02 September 2009.

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

In May 2009, Hindoli assisted the KUDs to identify environmental aspects and impacts and sources of pollution.

Observation 09 – refer section 3.2 Page 17 for details

Dust from roads due to FFB transportation was identified as the main pollutant emitted from smallholder operations. The dust emissions have an adverse effect on communities at locations where the road through the village is not sealed.

The local government has a program for sealing roads at some settlements to reduce dust. At Sumber Jaya Lestari sealing of the road is budgeted for 2010. However at Bersama Makmur and at Karya Makmur there is no local government program to seal roads or to control dust at settlements.

The KUDs have prepared an emission reduction plan for transport that involves installing speed bumps across roads passing through settlements and conducting awareness for drivers to reduce speed. For example, on 18 July 2009 Barokah Jaya conducted awareness for 24 drivers to maintain trucks, no overloading or speeding.

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.

Inspection of documents confirmed each of the KUDs holds a copy of the revised AMDAL that Hindoli prepared in 2004 for the expanded scope of the project. The AMDAL preparation included consultation with local communities in March 2004. Hindoli has supplemented the AMDAL information on positive and negative social impacts with information from a survey carried out by Hindoli Estate Department in April 2008 of stakeholders in surrounding communities involving a total of 510 respondents. The results were reported in the January-June 2009 RKL & RPL Report and a copy was available at the KUDs. Hindoli carried out a follow-up survey in August 2009 but at the time of this Assessment, the results had not yet been analysed.

Observation 10 – refer section 3.2 Page 17 for details

Social impacts and issues at local communities are monitored and managed through weekly meetings between KUD representatives and Hindoli Farmer Development Department. When social issues arise they are discussed in this forum. Hindoli has worked with the KUDs to compile a Social Aspects and Impacts Register from the AMDAL, the results of the stakeholder survey and the issues raised at Farmer Development Department meetings with smallholders. Each of the KUDs holds a copy of the RKL/RPL report to government.

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.

Inspection of documents confirmed that each of the KUDs maintains files with records of correspondence. The majority of correspondence from local communities was for requests for donations for assistance to schools and places of worship. The documents show that requests generally were replied within two weeks, which is considered reasonable. Records were available of formal meetings between the KUDs and Village Heads. For example, Bersama Makmur has a record of the meeting with the heads of Srimulyo, Sinar Harapan and Banjar Jaya Villages held on 26 May 2009 to discuss road works.

The KUDs hold coordination meetings with the Farmer Group Leaders as well as an Annual Meeting of Members. Records were available of the Coordination Meetings, for example Karya Makmur holds two meetings per year, with the most recent 30 May 2009 with 10 Farmer Group Leaders. The records of Annual Meetings include the meeting minutes and a list of attendees. For example, Mandiri Jaya Makmur held the Annual Meeting on 25 March 2009 attended by 76 Members.

The KUDs hold records of requests for assistance from local communities for development projects and the KUD responses. For example Bersama Jaya met with the heads of 6 villages on 10 June 2009 to discuss the proposal to subscribe for government electricity supply. The villages nominated the KUD to act on their behalf

and to make the approach to the government. The Chairman of each KUD is responsible for communication and consultation with stakeholders.

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.

Smallholder's complaints are raised verbally through the KUD coordination meetings. The KUDs have commenced implementing a system for recording complaints and suggestions from members and stakeholders, such as contract workers engaged by smallholders and KUD contractors. Upon receipt and registration of a complaint, the KUD Manager and staff will attempt to resolve the issue through discussion and negotiation. If this process is not successful, the matter will be referred to a KUD Management Meeting for discussion and negotiation. For example Mandiri Jaya Makmur received a complaint on 01 September 2009 from Farmer Group No 16 to help with a meeting to resolve a case of incorrect payments made to farmers. The KUD investigated the case and held a Management Meeting on 21 October 2009 to discuss the findings. The Farmer Group Leader was terminated and was given 3 months to repay the money that he misappropriated from the farmers. Examples such as the one described above show that the complaints system in operation at the KUDs is effective for resolving disputes and is transparent to the members.

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 views through their own representative institutions.

The Hindoli Smallholder Scheme was developed on a former Transmigration area. The Smallholders do not restrict local peoples' access through the area.

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

The labour for upkeep and harvesting of smallholder oil palm blocks is mainly supplied by family groups (Plate 3) as well as by casual contract labour. Interviews of workers found there are small groups who specialise in harvesting and they travel daily to the various Farmer Groups for work. All fieldworkers interviewed confirmed they received agreed wages, with the majority on a piece rate that was related to the age of the palms. The casual contract workers stated they can each harvest 2 tonnes of FFB per day for 8 hours work, and their pay is double the minimum Provincial wage. Proof of payment of wages was obtained from interviews of workers, Smallholders and observation of transactions for payment of workers.

The KUDs have prepared individual employment contracts for staff, setting out terms and conditions.

Interview of staff confirmed they had received a copy of their appointment letter. The annual salaries of staff are detailed in each KUD annual report.



Plate 3: Typical Smallholder Family Group

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.

The KUDs do not have a formal policy on freedom of association but stated employees were free to join a union if they wish. Interview of staff confirmed they are free to join a union. Hindoli has requested the Provincial Labour Department to meet with KUD staff and socialise information on unions. KUD farmers and harvesters indicated they have no interest in joining a labour union. Interviews of workers indicated that they are able to negotiate the piece rate with the block owner and they were free to refuse work if agreement was not reached.

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.

The Javanese Transmigrants value education very highly and schooling is the highest priority for their children. No child or under-age worker was observed at any of the smallholder oil palm blocks during the site inspections.

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.

All of the KUDs and farmers are transmigrants who appear to have integrated well with local communities. Interviews found the workforce are a mixture of transmigrants and local people. There are inter-marriages between transmigrants and local people and interviews did not identify any cases of discrimination.

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.

Each of the KUDs employs 3-5 female staff (permanent salaried employees) for clerical and administrative duties. The KUDs have prepared and implemented a formal policy on prevention of sexual harassment. Interviews of female staff confirmed that sexual harassment was not an issue. Female staff stated they are able to take 1.5 months paid maternity leave before and 1.5 months after childbirth. Review of records for the 5 KUDs involved in this Assessment confirmed Bersama Makmur approved maternity leave for one female staff member on 2 February 2009.

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

Inspection of the KUD complaint registers did not find repetition of complaints related to pricing of FFB between Hindoli and the KUD. The Smallholders FFB price is set twice monthly by a Committee consisting of Government, Palm Oil Producers and Smallholder Cooperative Representatives. The process for setting FFB prices is documented as a flow chart and KUD representatives participate in the team for determining prices, which meets with Hindoli twice monthly. Each of the KUDs displays a copy of the current FFB price on its noticeboard, together with the Government price for comparison. Hindoli pays a premium to smallholders for achievement of FFB quality.

Inspection of documents confirmed the KUDs hold copies of contracts with each of their business partners, including Hindoli Mills, fertiliser supplier, road maintenance and transport contractors. It is notable that the KUDs manage the contracts for FFB transport and for road maintenance. There also are a small number of farmers who own trucks and transport their FFB to the mill. In such cases, there is no formal contract, but an agreed price for transport. Inspections during the site visit showed that roads were being maintained and there was good access to smallholder blocks (Plate 4).



Plate 4: Well Maintained Smallholder Access Road

Smallholders are paid between the 5th and 10th of each month. The payments are processed by Hindoli and transferred directly to the Farmer Group bank accounts. Bank Officers visit the KUDs monthly and distribute cash to Farmer Group Leaders who then distribute cash to individual farmers at the village. The KUDs hold copies of payments to Group Leaders, and inspection of records and interviews of farmers confirmed payments are made on time.

The KUDs hold print-outs detailing the deductions of all credit payments made by individual farmers. The majority of farmers have repaid their bank loans. For example, Bersama Makmur and Sumber Jaya Lestari have repaid 100% whereas at Mandiri Jaya Makmur 415 farmers have 1.5 yrs remaining to repay their bank loans for the original oil palm development.

Each KUD has a replanting plan and farmers have been accumulating savings for the cost of replanting which is due to commence in 2016. Each of the KUD's saving plans is at varying stages. For example Barokah Jaya farmers have saved 13%; Bersama Makmur 40% and Sumber Jaya Lestari 70% of the total replanting cost.

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

Public infrastructure and services such as schools and health centres are relatively well developed at the transmigration area. The KUDs have contributed to local communities, mainly in the form of donations for places of worship and assistance to schools. In addition, where possible some of the KUDs have funded significant community projects. For example, Bersama Makmur has donated land and built a Crèche for the local village (Plate 5).



Plate 5: Crèche Built by Bersama Makmur KUD

Principle 7 – There is no new Development at the Hindoli Smallholder Scheme – Principle 7 is not applicable.

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

Hindoli has assisted the KUDs to identify the main environmental and social impacts of their activities. Examples of improvements that had been identified include: replanting savings plan; control of dust at roads through villages; centralised pesticide store; and donations to local villages. However, at the time of the Assessment, an Improvement Action Plan had not been developed.

Nonconformity CR03 – refer section 3.2 below for details

3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions

Three (3) Nonconformities were assigned to Major Compliance Indicators. Hindoli has prepared, in consultation with the KUDs, a Corrective Action Plan for addressing the identified Nonconformities. BSi has reviewed and accepted the Corrective Action Plan.

BSi Assessors made a follow-up site visit to each of the five KUDs on 05 February 2010 to check progress with implementation of corrective actions. The findings are detailed below.

CR01 Indicator 4.6.4 – Evidence of pesticides storage and disposal of their containers in accordance with existing regulations.

Spill containment has been constructed for storage of pesticides at each of the KUDs. The spill containment was found to be adequate at Bersama Makmur for the quantity of pesticides held. However, spill containment was too small for the quantity of pesticides stored at Mukti Jaya, Mandiri Jaya Makmur, Sumber Jaya Lestari and Barokah Jaya KUDs.

Corrective Action

The KUDs implemented the following Corrective Action Plan:

- Hindoli to advise and give recommendation to each KUD for adequate dimensions of spill containment of KUD pesticide stores.
- To make sure the volume of spill containment of KUD stores is adequate for the total volume of pesticide stored.

BSi Assessors made a follow-up visit on 05 February 2010 and inspected each of the KUD pesticide stores. Inspection confirmed that spill containment at each of the pesticide stores had been expanded to cater for the quantity of pesticide stored (Plate 6).

The Nonconformity CR01 was closed out.



Plate 6: Pesticide Store at Mukti Jaya with Adequate Spill Containment

CR02 Indicator 5.3.3 – Smallholders can explain and show that point 2 (Disposal of used pesticide containers) has been implemented

Interview of smallholders and inspection of KUD records showed that used pesticide containers were not being returned to the KUD Pesticide Store or disposed in accordance with the instruction labels as stated by the manufacturer.

Corrective Action

- To regularly conduct pesticide safety and safe disposal of pesticide containers training to all KUDs, Smallholder Groups and Individual farmers to increase their awareness.
- To develop a centralisation system of pesticide storage by designating each smallholder group with a specific pesticide container. This will enable better distribution to all groups and control of the used pesticide containers. To follow the same system as that implemented at Rayon A, KUD Barokah Jaya.
- To prepare a guideline table that covers: Type of weed, Type of Herbicide, Frequency of spraying, Dosage/Ha, Total chemical usage for a year.
- To improve the administration records of pesticides issued by KUD to the Smallholder Group/Individual farmers and also records of used pesticide containers that are returned to the KUD.
- To encourage individual farmers to take used pesticide containers that they purchase for their rubber and agriculture plots to the KUD. The KUD will then send all used pesticide containers once a month to Hindoli. Hindoli will send these containers to the licensed hazardous waste contractor, together with all Hindoli's hazardous waste, every 90 days.

BSi Assessors inspected the KUD pesticide stores and records during the follow-up visit on 05 February 2010. The KUDs had implemented a system for controlling the quantity of herbicide issued to each of the Farmer Groups. This involved allocating a 20 Litre container of glyphosate to each Farmer Group and making issues of small quantities (1.5 – 2.5 litres) to individual farmers in clearly labelled 5 litre containers. This system provides good control of the quantity of herbicide issued to

individual farmers and the empty herbicide containers are retained in the Pesticide Store (Plate 7).

Inspection of the requests for issue of herbicides and the stock card for a sample of Farmer Groups confirmed that these matched the physical quantity of herbicide held at the pesticide store. This showed that record keeping was accurate and the storeman was maintaining up-to-date records of the stock balance. The KUDs also held copies of the receipt for collection of empty containers by Hindoli. For example, Hindoli collected 9 empty containers from Mukti Jaya C4 Pesticide Store on 25 January 2010. Inspection confirmed the empty containers had been triple rinsed and the storeman stated the rinsate was used for spray mix.

The Nonconformity CR02 was closed out.



Plate 7: Pesticide Store at Barokah Jaya Showing Containers Allocated to Farmer Groups

CR03 Indicator 8.1.1 - Scheme manager, together with smallholders, prepares action plans for continuous improvement, based on consideration of the main social and environmental impacts and opportunities for improvement

Hindoli has identified impacts of oil palm operations in the AMDAL and has prepared Management Plans for the impacts, location of implementation and timing. The Management Plans have not yet been developed into Action Plans with nominated person responsible and target implementation date.

Corrective Action

- To develop a detailed action plan to address identified impacts of oil palm operation, with nominated person responsible, locations of implementation and target date.
- To conduct regular meetings and inspections to follow up on status of progress for all the action plans.

BSi Assessors inspected the KUD documents during the follow-up visit on 05 February 2010. Each of the KUDs has prepared an Improvement Action Plan with responsibilities and timing for implementation. The three main issues that were identified for the KUDs to address were the following:

- Reduction of dust due to transport of FFB through villages by construction of speed humps, installation of speed signs and awareness training for truck drivers;
- Centralisation of Pesticide Stores and control of issues of chemicals and empty containers; and
- Reduce soil erosion within oil palm blocks through improved implementation of T-Box stacking of pruned fronds.

The Assessment Team concluded that the identified Improvement Action Plan was appropriate for the smallholder operations and that the target dates set for implementation were realistic and achievable. Progress on implementation of the Improvement Action Plan will be checked at the annual surveillance visit.

The Nonconformity CR03 was closed out.

Observations/Opportunities for Improvement

Ten (10) Observations/Opportunities for Improvement were identified:

01 (1.2.2) The following legal documents should be available at the KUDs: (1) Ministry of Agriculture Decision N^o 256/Kpts/KB.320/4/90 about Implementation of Oil Palm PIR-Trans Plan (SKP3: Rencana Pelaksanaan PIR-Trans Kelapa Sawit) dated 11 April 1990; (2) Ministry of Transmigration decision N^o KEP.86/MEN/1991 dated 29 July 1991, Ijin Pelaksanaan Transmigrasi (IPT).

Inspection of documents during the 05 February 2010 follow-up visit confirmed each of the KUDs had been provided with a copy of these documents.

02 (2.1.2) PT Hindoli has not provided all of the KUDs with an up to date list of applicable laws and regulations that is updated annually.

Inspection of documents during the 05 February 2010 follow-up visit confirmed each of the KUDs had been provided with a copy of an up to date list of laws as well as a copy of each regulation.

03 (3.1.1) The KUDs work plans could be improved by including information on production costs in the 3year business plan.

04 (4.4.2) T-box stacking of pruned fronds had not been implemented consistently at smallholder blocks on sloping land.

05 (4.6.2) For a small percentage of the blocks inspected, incorrect chemical was being applied for the field conditions. Improved awareness is required in relation to “selective weeding”.

06 (4.6.7) Records are available showing the total quantity of pesticide issued to Farmer Groups. The recording of issues made to individual farmers commenced only in October 2009 and follow-up is required to ensure consistency.

07 (4.7.2) More awareness is required on the use of appropriate PPE for harvesting, for example, wearing of footwear.

08 (5.2.3) PT Hindoli has provided information to the KUDs on protected species and the identification of HCV habitats that is based on the HCV assessment at Tanjung Dalam and Sungai Tungkal Estates and adjacent areas. This assessment should be supplemented by compiling information on fauna sightings at smallholder blocks.

09 (5.6.1) Hindoli has assisted KUDs to identify environmental aspects and impacts of their operations (May 2009). An improvement would be to include this recent information in the RKL/RPL Report.

10 (6.1.3) KUDs have deployed a questionnaire to obtain feedback from smallholder members. Although this survey provides important feedback on KUD Members' issues, the AMDAL requires additional information from the interview of informal leaders and village officials at local communities.

3.3 Noteworthy Positive Components

- Hindoli provides consistent support to smallholders through its Farmer Development Department that consults regularly and conducts training and technical assistance.
- The Hindoli Smallholders are very successful and their FFB yields are comparable to those achieved at the adjacent Hindoli Estates (Figure 3).

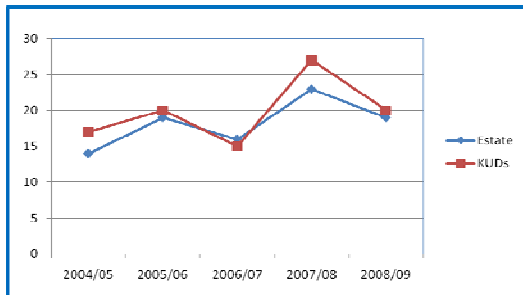


Figure 3: Annual Average FFB Yields (tonnes/ha) of Hindoli Estates and Smallholder oil palm.

- Each KUD has built an Office for Administration and separate Central Stores for Pesticides, Fertiliser and Equipment Supplies to Farmers (Plate 8).



Plate 8: Sumber Jaya Lestari KUD Administration Office

3.4 Issues Raised by Stakeholders and Findings with Respect to Each Issue

Stakeholders interviewed had positive comments about Hindoli Smallholders.

Smallholders

- The farmers interviewed stated they are very happy with the Hindoli partnership program that has made their oil palm successful and profitable.
- Most farmers have built brick houses and some have purchased trucks for transporting FFB to the mills.

Local Communities

- The smallholdings provide employment for many workers in addition to the block owners for harvesting, FFB loading and transport.
- There is a relatively low crime rate in the area.
- The KUDs make contributions, such as donations to help build a new mosque and for school activities.
- The KUDs maintain the roads in good condition.

3.5 Acknowledgement of Internal Responsibility

PT Hindoli acknowledges and confirms acceptance of the Assessment Report contents, including assessment findings. PT Hindoli accepts the responsibility for implementing the corrective actions and addressing the opportunities for improvement detailed in the Assessment Report.

3.6 Formal Sign-off of Assessment Findings

Signed for on behalf of
PT Hindoli

.....
Mr Anthony Yeow
General Manager
Date: February 16 2010

Signed for on behalf of
BSi Group Singapore Pte Ltd

.....
Mr Charlie Ross
Lead Auditor
Date: 28/05/2010

Appendix “A”

PT Hindoli RSPO Certificate Details

PT Hindoli
 Po Box 1071
 Palembang 30755 Sumatera Selatan
 INDONESIA

Certificate Number : SPO 537874
 Certificate Issue Date: 25 February 2009

Website: www.Cargill.com

Standards: RSPO Principles & Criteria : 2007; Indonesian National Interpretation : 2008; National Interpretation for Scheme Smallholders Republic of Indonesia : October 2009, Version 1.

CERTIFICATE DETAILS FOR PRODUCTION – PERIOD 25/02/2009 TO 24/02/2010

Sungai Lilin Palm Oil Mill and Supply Base	
Location	Sg Lilin, Muba , Sumatera Selatan. INDONESIA
Address	PT Hindoli, PO Box 1071, Palembang 30755, Sumatera Selatan, INDONESIA
GPS	E 104° 7' 41.67" S 2° 36' 46"
CPO Tonnage Total Production	94,486
PK Tonnage Total Production	22,431
Company Estate FFB Tonnage	Sg Tungkal 77,800, Sg Pelepah 65,995
Smallholders FFB Tonnage	281,513

Tanjung Dalam Palm Oil Mill and Supply Base	
Location	Tanjung Dalam, Muba, Sumatera Selatan, INDONESIA
Address	PT Hindoli, PO Box 1071, Palembang 30755, Sumatera Selatan, INDONESIA
GPS	E 103° 56' 38.4" S 2° 32' 58.56"
CPO Tonnage Total Production	48,576
PK Tonnage Total Production	11,423
Company Estate FFB Tonnages	Tanjung Dalam/Sri Gunung 87,193
Smallholders FFB Tonnage	133,226

Appendix “B”

Certification Assessment Program

CERTIFICATION ASSESSMENT PROGRAM

DATE	TIME	ACTIVITY	CR	IN	DE
Thursday November 05 PT Hindoli	1400	Opening Meeting Finalise fieldwork schedule to KUDs Document Review - Hindoli Farmer Development Department	√	√	√
Friday November 06 Barokah Jaya	AM	Smallholder Blocks /Physical Inspection /Interviews	√	√	√
	PM	KUD Documentation Inspect storage facilities	√	√	√
Saturday November 07 Bersama Makmur	AM	Smallholder Blocks /Physical Inspection /Interviews	√	√	√
	PM	KUD Documentation Inspect storage facilities	√	√	√
Sunday November 08	Analyse Data collected to date				
Monday November 09 Sumber Jaya Lestari	AM	Smallholder Blocks /Physical Inspection /Interviews	√	√	√
	PM	KUD Documentation Inspect storage facilities	√	√	√
Tuesday November 10 Mukti Jaya	AM	Smallholder Blocks /Physical Inspection /Interviews	√	√	√
	PM	KUD Documentation Inspect storage facilities	√	√	√
Wednesday November 11 Mukti Jaya / Mandiri Jaya Makmur	AM	Smallholder Blocks /Physical Inspection /Interviews Mukti Jaya Smallholder Blocks /Physical Inspection /Interviews Mandiri Jaya Makmur	√	√	√
	PM	KUD Documentation - Mandiri Jaya Makmur Inspect storage facilities - Mandiri Jaya Makmur	√	√	√
Thursday November 12	AM	Closing Meeting	√	√	√

Appendix “C”

List of Stakeholders Contacted

LIST OF STAKEHOLDERS CONTACTED

<p>Smallholders</p> <p>97 Smallholders 14 Smallholder Cooperatives 26 Workers engaged by Smallholders</p>	<p>Local Communities</p> <p>Berlian Makmur Village Linggosari Village</p>
<p>Government Departments</p> <p>District Labour Office District Cooperative Office District Environment Office</p>	<p>NGOs</p> <p>WALHI, South Sumatra WWF, Indonesia</p>
<p>PT Hindoli Staff</p> <p>General Manager Snr Plasma Operations Manager Plasma Manager Farmer Development Assistants (5) Technical Services Department Manager Sg Lilin Mill Manager Tanjung Dalam Mill Manager Program Assurance Manager</p>	