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Roundtable on Sustainable Palm Oil

Public Summary Report

Report no.: 824 502 17058

Certification assessment against the
RSPO Principles & Criteria 2013 &
RSPO Supply Chain Certification Standard 2014

PT Perkebunan Nusantara III

Sei Silau Palm Oil Mill

Date of assessment: 18 – 20 May 2015

Re Assessment date: 25 October 2016

Report prepared by:

Carol Ng Siew Theng
(RSPO Lead Auditor)

Certification decision by:

Abdul Qohar
(Director of TÜV Rheinland Indonesia)

Certification Body:

PT TÜV Rheinland Indonesia
Menara Karya, 10th Floor
Jl. H.R. Rasuna Said Block X-5 Kav.1-2
Jakarta 12950, Indonesia
Tel: +62 21 57944579
Fax: +62 21 57944575
www.tuv.com/id

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1.0 SCOPE OF CERTIFICATION ASSESSMENT

1.1 National Interpretation Used

The operations of the palm oil mill(s) and its supply base of FFB were assessed against the RSPO Principles and Criteria 2013 & RSPO Supply Chain Certification Standard 2014.

1.2 Type of Assessment

The main certification assessment was carried out on Sei Silau Palm Oil Mill located in North Sumatera, Indonesia, and its supply base consisting of 4 estates owned by PT Perkebunan Nusantara III, i.e. Sei Silau Estate, Pulau Mandi Estate, Ambalutu Estate, Huta Padang Estate.

Due to long time for NCR closure, a reaudit was conducted in October 2016 by two assessors from PT TUV Rheinland Indonesia.

1.3 Location and Maps

Table 1: GPS locations for all estates and mills included in certification assessment

Name of mill / estate	Location	GPS locations	
		Latitude	Longitude
Sei Silau POM (PSSIL)	Perkebunan Sei Silau village, Buntu Pane Sub District, Asahan District, 21261, North Sumatera	N 02° 54' 18"	E 99° 30' 32"
Sei Silau Estate (KSSIL)	Sei Silau Barat village, Setia Janji Subdistrict, Asahan District, 21261, North Sumatera	N 02° 65' 07"	E 99° 30' 42"
Pulau Mandi Estate (KPM DI)	Buntu Pane village, Buntu Pane Subdistrict, Asahan District, 21261, North Sumatera	N 02° 52' 3.18"	E 99° 30' 4.98"
Ambalutu Estate (KAMBT)	Ambalutu village, Buntu Pane Subdistrict, Asahan District, 21261, North Sumatera	N 02° 54' 37.40"	E 99° 25' 50.8"
Huta Padang Estate (KHTPD)	Sei Nadoras village, B.Pasir Mandoge Subdistrict, Asahan District, 21261, North Sumatera	N 02° 53' 5"	E 99° 25' 8"



Figure 1: General location of PTPNIII Sei Silau Palm Oil Mill and its supply base in Asahan District, Sumatera, Indonesia

RSPO Certification Assessment Report
PTPNIII Sei Silau Palm Oil Mill
Buntu Pane, Asahan, North Sumatera

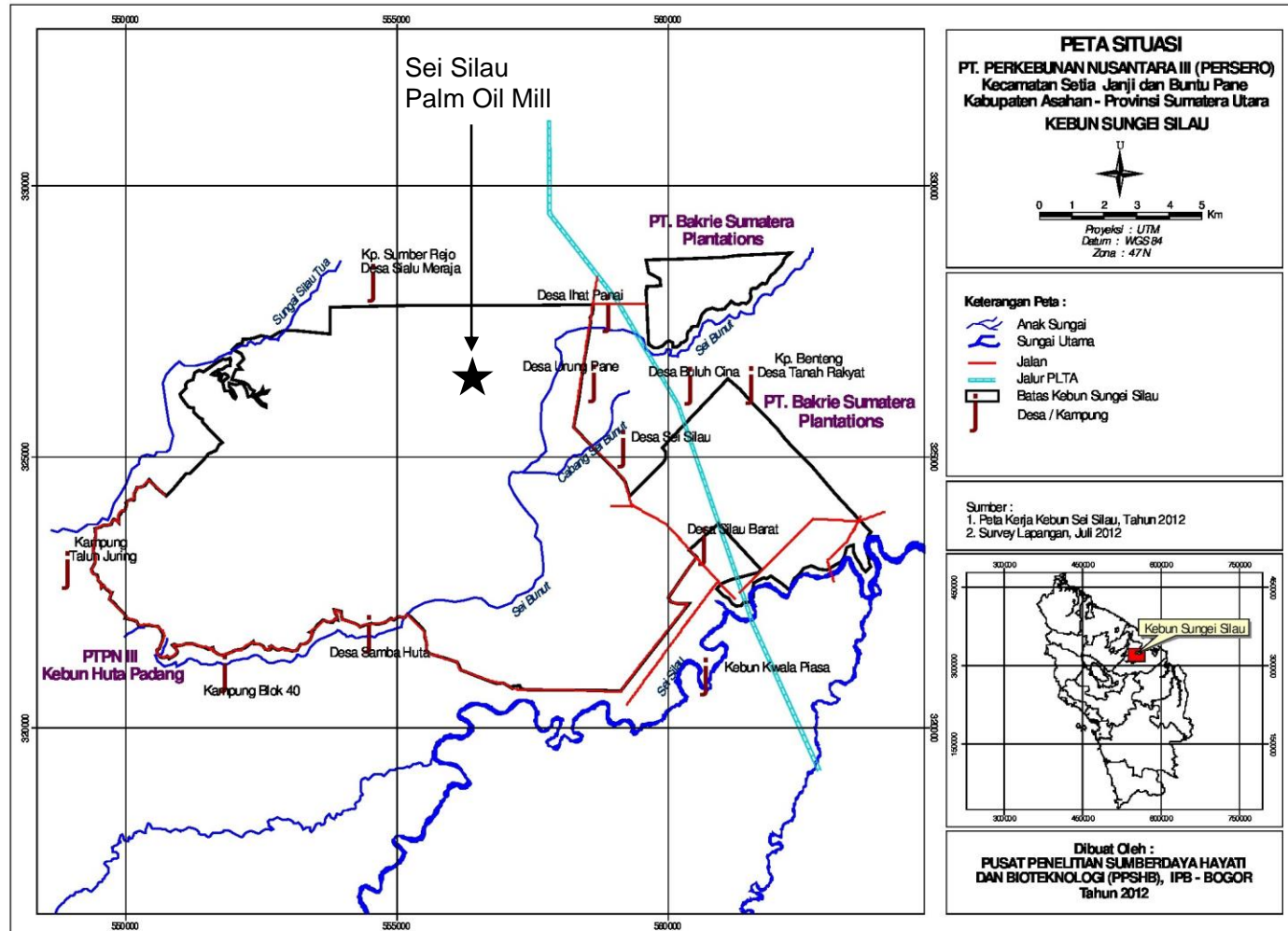


Figure 2: Situational map indicating boundaries of Sei Silau estate (in black lines), surrounding stakeholders, roads and rivers

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PTPNIII Sei Silau Palm Oil Mill
Buntu Pane, Asahan, North Sumatera

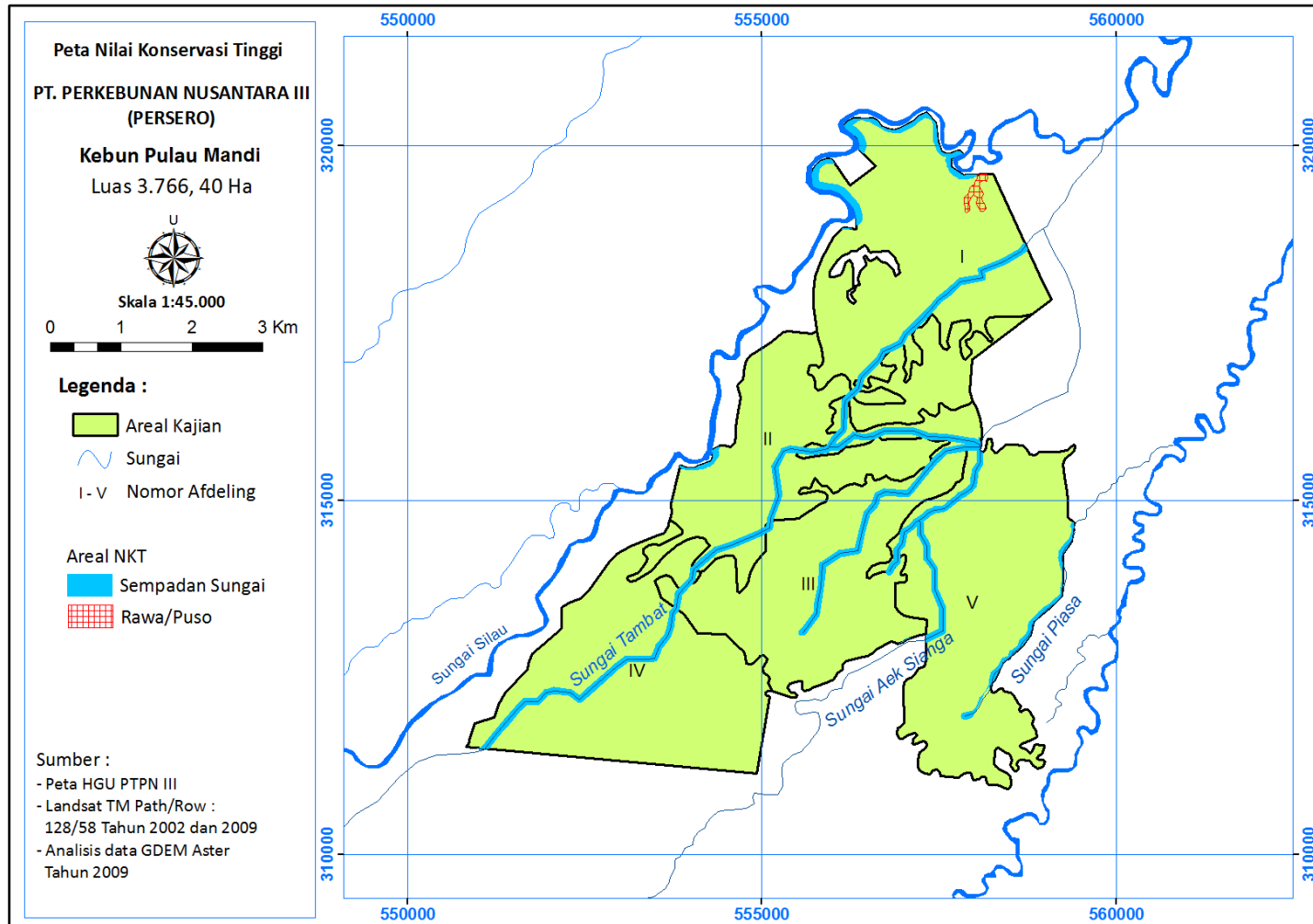


Figure 3: High Conservation Value (HCV) map indicating boundaries of Pulau Mandi estate (in black lines) and rivers

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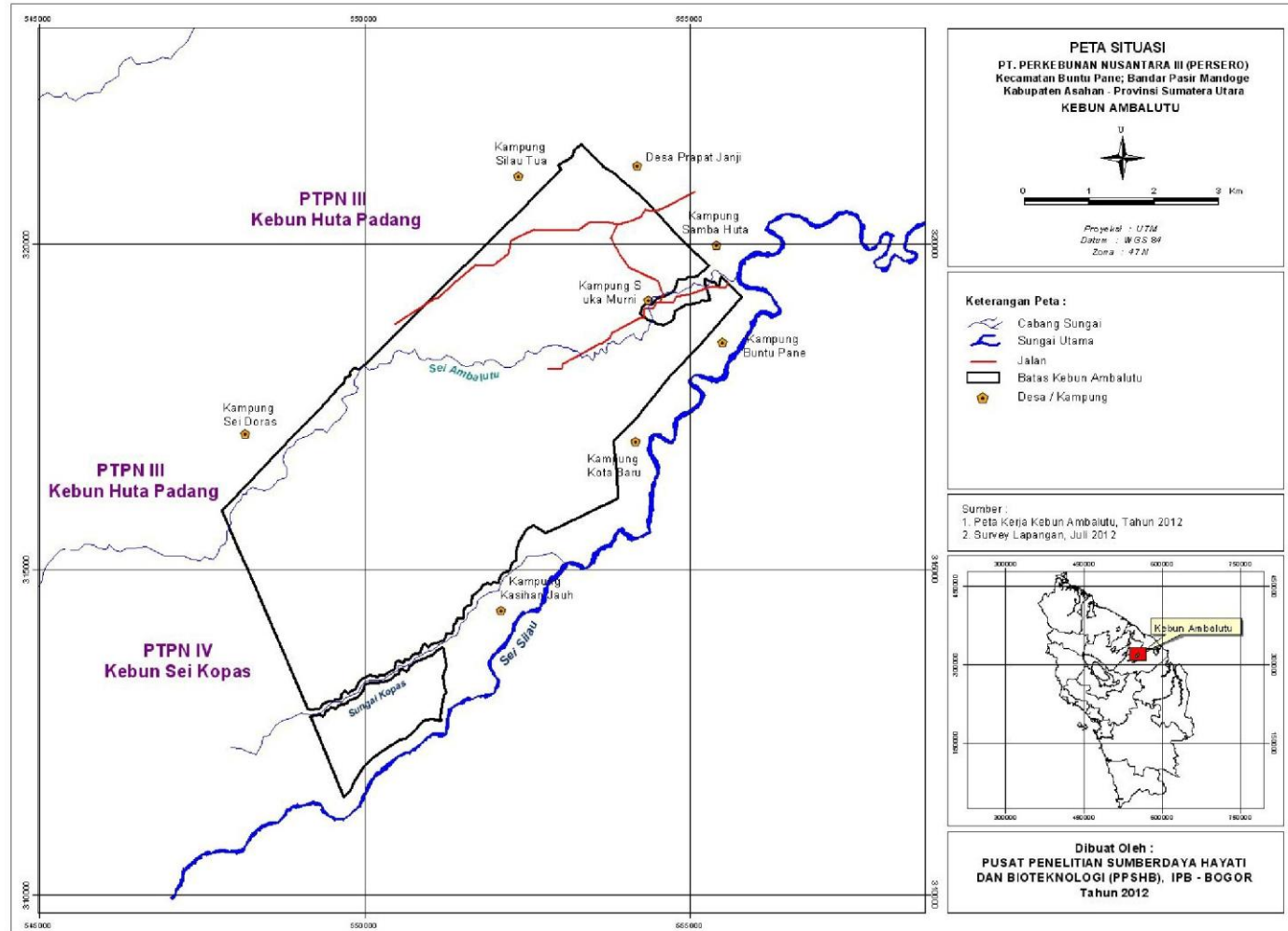


Figure 4: Situational map indicating boundaries of Ambalutu estate (in black lines), surrounding stakeholders, roads and rivers

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Buntu Pane, Asahan, North Sumatera

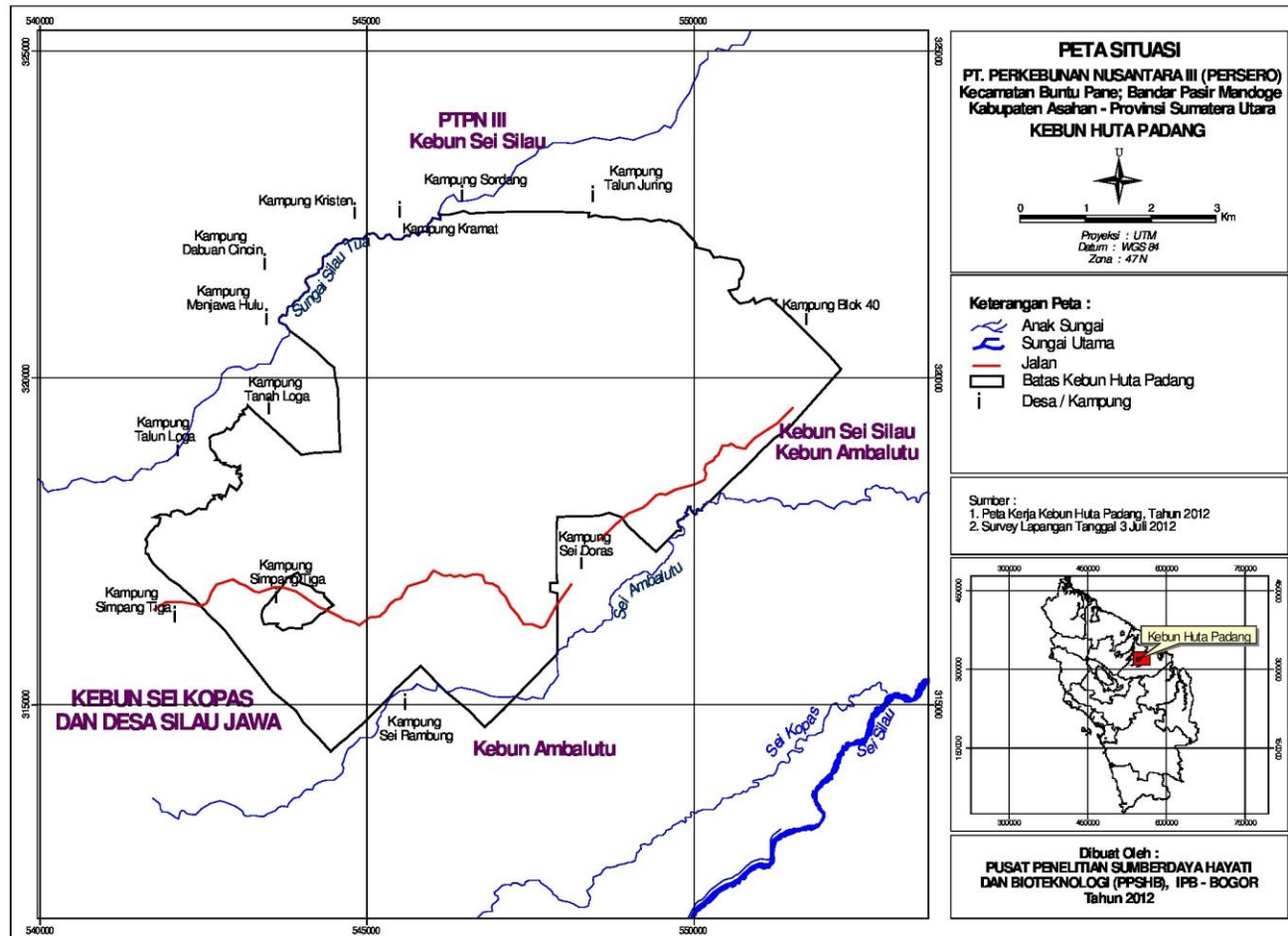


Figure 5: Situational map indicating boundaries of Huta Padang estate (in black lines), surrounding stakeholders, roads and rivers

RSPO Certification Assessment Report

PTPNIII Sei Silau Palm Oil Mill

Buntu Pane, Asahan, North Sumatera



1.4 Description of Supply Base

Table 2: FFB Supply Information for Sei Silau Palm Oil Mill in year 2015 and 2016, and projection for year 2017

FFB Contributors	FFB supplied in year 2015		FFB supplied in year 2016		Projected FFB to be supplied in year 2017	
	Tonnes	%	Tonnes	%	Tonnes	%
Company owned estates (within certification scope):						
Sei Silau Estate (KSSIL)	46,996.12	17.67	42,760.15	16.14	44,265	13.69
Pulau Mandi Estate (KPMDI)	23,758.48	8.93	48,035.76	18.13	14,625.57	4.52
Ambalutu Estate (KAMBT)	45,081.85	16.95	44,613.92	16.84	47,488	14.69
Huta Padang Estate (KHTPD)	75,716.14	28.47	73,120.26	27.61	76,000	23.51
	191,552.59	72.03	208,530.09	78.73	182,378.57	56.42
Other company owned estates:						
Sei Dadap (KSDDP)*	10,435.56	3.92	19,903.88	7.51	1,213.25	0.38
Bandar Selamat (KBDSL)*	28,206.33	10.61	7,450.03	2.81	51,770	16.02
Sub total company owned estate	38,641.89	14.53	27,353.91	10.33	52,983.25	16.39
Smallholders						
KPKS Kesepakatan	3,925.25	1.48	3,461.01	1.31	4,072.23	1.26
Sub total small holders	3,925.25	1.48	3,461.01	1.31	4,072.23	1.26
Outgrowers:						
UD Bandik	N/A	N/A	2,216.65	0.84	-	-
UD Bentasil	N/A	N/A	4,717.94	1.78	-	-
CV Sama Suka	N/A	N/A	8,862.44	3.35	-	-
UD Berkah Sentosa	N/A	N/A	5,654.98	2.13	-	-
PT Anugerah Sumatera	N/A	N/A	98.49	0.04	-	-
CV Itsar Mandiri	N/A	N/A	1,709.16	0.65	-	-
UD Tasyri	N/A	N/A	2,274.11	0.86	-	-
Sub total outgrowers	31,804.23	11.96	25,533.77	9.64	83,797.15	25.92
Sub total smallholder & outgrowers	35,729.48	13.44	28,994.78	10.95	87,869.38	27.18
Total	265,923.96	100.00	264,878.78	100.00	323,231.20	100

* Sei Dadap Estate is a non-certified estate (previously RSPO certified but now withdrawn) which is under the normal supply base of Sei Mangkei Palm Oil Mill while Bandar Selamat Estate is a certified estate which is under the normal supply base of Aek Nabara Selatan mill, both of which are already RSPO certified as other management units of PTPNIII.

Table 3: Certified tonnages claimed, certified tonnages purchased or sold, total and projected CPO and PK production from Sei Silau Palm Oil Mill in year 2014 to 2016

	Amount (MT)		
	FFB	CPO	PK
Total Actual Production year 2015	265,923.96	58,997.737	11,665.887
Actual Production from Certified Sources 2015	191,552.59	42,496.07	8,403.02
Actual OER and KER for year 2015	-	OER: 22.19 %	KER: 4.39 %
Total Actual Production year 2016	264,878.78	58,385.113	11,840.08
Actual Production from Certified Sources 2016	208,530.09	46,295.385	9,321.30
Actual OER and KER for year 2016	-	OER: 22.04	KER: 4.47
Total Projected Production year 2017	323,231.20	71,656.60	14,545.40
Projected Production from Certified Sources 2017	182,378.57	42,141.71	8,207.04
Projected OER and KER for year 2017	-	OER: 22.17	KER: 4.50

1.5 Dates of Plantings and Replanting Cycles

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

Table 4: Age and year of plantings of company estates supplying to Sei Silau Palm Oil Mill

Year of Plantings	Oil palm planted area at each estate(ha)			
	Sei Silau Estate (KSSIL)	Pulau Mandi Estate (KPMDI)	Ambalutu Estate (KAMBT)	Huta Padang Estate (KHTPD)
2017-2012	994.40*	343.70	227.51**	576.60***
2011-2007	121.00	247.70	109.70	1,074.20
2006-2002	1,573.68	1,828.50	2,272.99	2,274.60
2001-1997	235.85	-	-	342.17
1996-1992	492.20	769.40	-	22.80
1991-1987	-	41.15	-	-
TOTAL	3,417.13	3,230.45	2,610.20	4,290.37

* Increased from 453.15 ha to 994.40 ha due to additional oil palm area of 541.25 ha which was converted from rubber area of 532.80 ha and from old nursery area of 7 ha in year 2016. Additional 1.45ha is due to oil palm area remeasurement

** Increased from 138 ha to 227.51 ha due to additional oil palm area of 89.51 ha which was converted from rubber area of 90.01 ha, with total area reduced by 0.50 ha after land remeasurement.

*** Reduced from 580.1 ha to 576.60 ha due to land remeasurement with resulted in area reduction of 3.50ha

Table 5: Planned and actual oil palm replanting activities for company estates supplying to of Sei Silau Palm Oil Mill

Year	Total planned replanting area (ha)	Total planned replanting area for each estate (ha)			
		Sei Silau Estate (KSSIL)	Pulau Mandi Estate (KPMDI)	Ambalutu Estate (KAMBT)	Huta Padang Estate (KHTPD)
2015	343	454.60	-	47.20	188.00
2016	41.15	539.80	-	90.01	-
2017	859.77	-	99.00	-	-
2018	620.65	-	116.05	-	-
2019	929.80	483.05	446.75	-	-
2020	148.75	-	148.75	-	-
2021	22.80	-	-	-	22.80

1.6 Area of Plantation (Total, Planted and Mature)

Table 6: Oil Palm Planted Area Summary, FFB Production and Average yield/ha for supply base of Sei Silau Palm Oil Mill for year 2016

Estate Name	Total area (ha)	Oil Palm Planted area (ha)	Mature (Production) area (ha)	Immature (Non-production) area (ha)	FFB Production* (tonnes)	Average yield/ ha
Sei Silau Estate (KSSIL)	6,438.40	3,417.13	2,422.73	994.40	42,760.15	17.65
Pulau Mandi Estate (KPMDI)	3,766.40	3,230.45	3,230.45	-	48,035.76	14.87
Ambalutu Estate (KAMBT)	3,178.60	2,610.20	2,382.69	227.51	44,613.92	18.72
Huta Padang Estate (KHTPD)	4,790.22	4,290.37	4,003.02	287.35	73,120.26	18.27
TOTAL	18,173.62	13,548.15	12,038.89	1,509.26	208,530.09	17.32

* Average yield/ha of Pulau Mandi estate (KPMDI) is based on FFB production of 62,411.54 tonnes of which 22,808.97 was sent to PSSIL while the remainder was diverted to other PTPNIII mills. This total production for KPMDI is considered in the average yield/ha of all estates.

Table 7: Land use data for PTPNIII Sei Silau

Estate Name	Total area (ha)	Rubber Planted Area (ha)	Oil Palm Planted Area (ha)	Land used for other purposes (ha)				
				HCV areas* (ha)	Buildings/ Effluent ponds	Roads	Non-plantable/ occupied	Others*
Sei Silau Estate (KSSIL)	6,438.40	2,091.49	3,417.49	83.39	87.70	113.35	705.13	23.60
Pulau Mandi Estate (KPMDI)	3,766.40	377.00	3,230.45	148.40	37.51	31.48	43.52	46.44
Ambalutu Estate (KAMBT)	3,178.60	404.85	2,610.20	81.17	28.04	54.37	30.66	50.48
Huta Padang Estate (KHTPD)	4,790.22	-	4,290.87	29.63	56.47	60.11	-	383.27
TOTAL	18,173.62	2,873.34	13,548.15	342.59	209.72	259.31	779.31	503.79

* Covers educational/social facilities, ex-planted areas, waterlogged areas, rivers & drains, & electricity lines

1.7 Organisational Information / Contact Person

Contacts details of the company are as follows:

Company Name:	PT Perkebunan Nusantara III (Sei Silau Palm Oil Mill)
RSPO Membership no.	1-0030-06-000-00
Address:	Jln. Sei Batang hari No. 2 Medan, Indonesia
Contact Person:	Mr. Tio Handoko
Telephone:	061-8452244
Email:	ptb@ptpn3.co.id

1.8 Description of Company History, Socioeconomy & Environment

Sei Silau Estate and Palm Oil Mill

Sei Silau Estate originated from plantations belonging to Maatskappay Dutch Indies under NV RCMA (Naamlootze Vennotschap Rubber Cultur Mij Amsterdam) who in 1958 nationalized into the new 'Perusahaan Perkebunan Negara' or PPN (National Plantations Company) Branch of North Sumatra ('Sumatera Utara' or SUMUT). In its development, this plantation was restructured several times, namely in 1961 became PPN SUMUT IV, then in 1976 converted into PT.Perkebunan V (Persero) plantations. Then in April 1996, there was a merger of PTP III, IV, and V, into one company named PT. Perkebunan Nusantara III (Persero) headquartered in Medan Sei Batang Hari Road, in accordance with Law No. 8/1996 dated 14 February 1996, where Sei Silau is one of the plantations managed by PTPNIII.

Meanwhile, the history of Sei Silau palm oil mill was that it was built in 3 stages of development, namely:

1. Stage 1 of the mill was built in 1976 until 1978 with an initial plant capacity of 30 tons FFB / hour
2. Stage 2 of the mill was built in 1981 to improve the capacity of 30 tonnes of FFB / hour to 45 tons FFB / hour
3. Stage 3 of the mill to improve the capacity of 45 tonnes of FFB / hour to 60 tonnes of FFB / hour

Ambalutu Estate and Pulau Mandi Estate

Ambalutu Estate (KAMBT) and Pulau Mandi Estate were both first opened in 1910 by a German government for the cultivation of tobacco (Tobacco) until 1938. From year 1938 until 1942, both estates were taken over by the Government of Japan under the company name Suagamu Kabosaki Kaisyah Sumatra Kagio and the cultivated crop at the time was changed to Sere plants. Then in year 1943 to 1949, Ambalutu Estate and Pulau Mandi Estate was taken over by a Dutch company named Gabbernemen Lanbow Bedrijf (GLB) to develop the cultivation of rubber. Then in 1950, the estates were nationalized into PPN Republic of Indonesia and in 1952 changed its name to PPN, which later in 1965 changed its name to PPN SUMUT IX. In 1965, the estates were part of PPN Rubber VII and at the time, due to the organizational simplification of PPN in 1968, the estates became part of PT Perkebunan V (PTP V). In accordance Government Regulation No. 8 of 1996 dated 14 February 1996, PT. Perkebunan III, IV and V were merged into one (1) Limited Liability Company (Persero) under the name PT Perkebunan Nusantara III by deed of establishment No: 36 dated March 11, 1996 Harun Kamil SH Notary.

Both estates had undergone management changes up to 7 times until today where it is currently managed under PTPNIII. The management changes in chronological order are as follows:

- 1910 - 1938: Cultivation of Tobacco
- 1938 - 1942: Suagamu Kabosaki Kaisyah Kagio Sumatra
- 1943 - 1949: Gubernemen Lambow Dedripf (GLD)
- 1949 -1950: PPI Republic of Indonesia (the State Plantation Corporation)
- 1950 - 1952: Old PPN
- 1952 - 1965: PPN SUMUT
- 1965 - 1974: PNP V (State Plantation Company)
- 1974 - 1994: Merger of Management of PTP III, IV and V.
- 1994 until today: PTPN III

On March 2, 1998 Ambalutu estates merged into with Pulau Mandi estate, under the name of Pulau Mandi Estate according to letter no. III / SKPTS / 01/1998 dated February 27, 1998 and letter No. III.10 / SE / 22/1988 dated 30 March 1998.

Based on the decision of the Director of PT. Perkebunan Nusantara III Number: III.10 / SKPTS / 15/2003 dated 10 April 2003, Pulau Mandi estate was divided into two areas again to become Pulau Mandi and Ambalutu Estate until today.

Huta Padang Estate

Huta Padang estate was initially under the management of PT Suka Maju. Due to the efforts of the Indonesian State-Owned Enterprises (Badan Usaha Milik Negara Indonesia) to develop the acreage of PTP V, the ownership of Hak Guna Usaha (HGU) was transferred from PT. Suka Maju commencing on 22 April 1978, for HGU No. 375/1974 according decision letter from the Home Minister No.SK4 / HGU / DA / 1974 dated May 24, 1974. During the time of restructuring or merger between PTP III, PTPN IV, and V in accordance with PTP Government regulations RI 8 of 1996 dated February 14, 1996, the Huta Padang Estate became part of the managed land area of PT. Perkebunan Nusantara III (Persero).

Below is a summary of general information on the estates which are the main supply base of PTPNIII Sei Silau Palm Oil Mill today:

Table 9: General Information on Estates under PTPNIII's Sei Silau management unit

No.	Description	Estate			
		Sei Silau Estate (KSSIL)	Pulau Mandi Estate (KPMDI)	Ambalutu Estate (KAMBT)	Huta Padang Estate (KHTPD)
1.	Location of administrative offices				
	Government Administration office	Asahan District (Setia Janji and Buntu Pane Sub-districts)	Asahan District (Buntu Pane Sub-districts)	Asahan District (Buntu Pane Sub-district; Pasir Mandoge City)	
	Plantation Administration office	1) Forestry & plantation office of Asahan district 2) Plantation office of North Sumatera province			
2	Surrounding stakeholders (at estate boundaries)				
	North	PT. Bakrie Sumatera Plantations, Bunut River border, farms and human settlements	Prapat Janji Village and Sei Silau estate	Huta Padang estate, farms and human settlements	Sei Silau Estate, Sei Silau Tua river border, farms and human settlements
	East	PT. Bakrie Sumatera Plantations, Silau River border, farms and human settlements	Ujung Seribu, Sarepa, Bangun Sari settlements / Bakrie estate	Silau River and Ambalutu River borders, farms and human settlements	Ambalutu estate, Sei Silau Estate, Sei Silau Tua river bank, farms and human settlements, Pasir Mandoge PT PN IV estate and Ambalutu River border
	South	Ambalutu estate, Huta Padang estate, farms and human settlements	Janji Nauli, Ambar, Sidorukun, Piasa Ulu Settlements and PTPNIV	PTPNIII Sei Kopas Estate, Silau River border, farms and human settlements	Ambalutu estate, Sei Silau Estate, Sei Silau Tua river border, farms and human settlements
	West	Silau Tua River border, Huta Padang estate, farms and human settlements	Buntu Pane settlement	Huta Padang estate, PTPNIII Sei Kopas Estate, Silau River and Ambalutu River borders, farms and human settlements	Pasir Mandoge PT PN IV estate and Sei Silau Tua River border, farms and human settlements
3.	Topography	0->40%	0->40%	0->40%	0->40%

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PTPNIII Sei Silau Palm Oil Mill

Buntu Pane, Asahan, North Sumatera



4.	Altitude	12.5 – 212.5 mdpl	12.5 – 210 mdpl	12.5 – 275 mdpl	12.5 – 175 mdpl
5.	Hydrology	Bah Bolon & Asahan watersheds			
6.	Climate	Climate Type A (very wet)			
7.	Soil type	Kanhapludult (Podsol-ic), Dystropepts (Latosol) and Aeric Endoaquept (Alluvial Hydromorph)	Kanhapludult (Podsol-ic), Dystropepts (Latosol) and Tro-paquepts (Alluvial Hydromorph)	Kanhapludult (Podsol-ic), Dystropepts (Latosol) and Tro-paquepts (Alluvial Hydromorph)	Kanhapludult (Podsol-ic), Dystropepts (Latosol) and Tro-paquepts (Alluvial Hydromorph)

1.9 Time Bound Plan for Other Management Units

The company has revised their time bound plan for RSPO certification of other management units as per the schedule below. The plan was revised as the company was awaiting RSPO certification of Sei Mangke mill and its supply base and is applying experience gained from the first certification to prepare other management units for certification.

Table 8: Time Bound Plan of the Other Management Units

Holding Name	Location	Time bound plan for certification	Status
PKSMK	Sei Mangke / Simalungun	August 2010	Certified
PRBTN	Tebing Tinggi	May 2015	In-process
PSSIL	Sei Silau / Asahan	May 2015	In-process
PANAS	Aek Nabara / Labuhan Batu	May 2014	Certified
PSSUT	Sisumut / Labuhan Batu	May 2015	Certified
PSBAR	Sei Baruhur/ Labuhan Batu	November 2014	Certified
PPARO	Aek Raso/ Labuhan Batu	June 2014	Certified
PTORA	Torgamba/ Labuhan Batu	June 2015	In-process
PATOR	Aek Torop/ Labuhan Batu	June 2014	Certified
PSDAN	Sei Daun/ Labuhan Batu	June 2015	Certified
PSMTI	Sei Meranti/ Labuhan Batu	June 2015	In-process
Hapesong Mill	Tapanuli Selatan	November 2016	Planned

1.10 Compliance to Rules for Partial Certification

Compliance of the PT PN III against the rules for partial certification according to RSPO certification system year 2013 Generic, clause 4.2.4 was assessed through document checks and interviews and the head office and through findings of concurrent ISO: 9001 checks conducted at other management units of PTPN III. A summary of findings is as stated below.

Partial Certification Requirements	Audit Findings
1.a The organisation is an RSPO member.	Yes, PTPN III is an RSPO member with ID No. 1-0030-06-000-00 (membership since December 14, 2006). RSPO Certification system section 4.2.4. PTPN III has provided results of the self-assessment for all units entering estate and mill at the time bound.
1.b A time-bound plan for achieving certification of all relevant entities;	PTPN III has a time-bound plan to achieve RSPO certification for all relevant entities. However, one of the company's development areas (Muara Upu site) located at South Tapanuli is still not included by the time-bound plan. NPP assessment for this area was carried out by Certification Body (Sucofindo) in year 2012.
1.c. i. There are no significant land conflicts.	There are some land conflicts/ potential land conflicts ongoing in other PTPN III's management units, such as Silau Dunia, and Si Sumut Estates. While the company has already made a conflict resolution mechanism, these conflicts remain unresolved as the mechanism is still not agreed by the land claimants.
1.c. ii. No replacement of primary forest or any area containing HCV since November 2005.	PTPN III's development of a new planting area (Muara Upu at South Tapanuli) had been raised before as a major noncompliance by TUV Rheinland audit team, which is now closed as the company has carried out applying NPP in accordance with this clause and the progress under reviewing of Compensation Task Force. Based on communication with PT PN III. The company still waiting for Head of District decision response, for land exchanged process since the land was included on peat moratorium area according to President of Republic Indonesia decree letter no. 6 year 2013.
1c. iii. No labour dispute that are not being resolved through an agreed process.	No labour issues were found during this certification audit.
1c.iv. No evidence of non-compliance with law in any of the non-certified holdings.	Some of PTPN III's other management units have not complied with certain legal requirements. For example, in Silau Dunia Estate under another PTPN III management unit, an issue has been found with the area stated under the Right of Cultivation certificate (HGU). However, the company is taking action by inviting National Land Agency (BPN) to re-measure the land and resolve the issue. The process is still ongoing. Some legal non compliance found, it has been reported on surveillance audit report for each PT PN 3 unit.

1.12 Plan for certification of associated smallholders

As seen from data in Table 3, the mill received 27.68% supply of FFB from one smallholder, i.e. KPKS Kesepakatan and 7 outgrowers. At the time of this certification audit, the mill had not developed a plan for certification of associated smallholders and outgrowers, which was noted as an observation.

1.13 Approximate Tonnages Certified

The approximate tonnages certified, based projected production in year 2017 for company owned estates only are as follows:

Crude Palm Oil (CPO) : 42141.71 tonnes
Palm Kernel (PK) : 8207.04 tonnes

1.14 Approval for Certification

PTPNIII Sei Silau Palm Oil Mill and its main supply base has established and maintains an effective system to ensure compliance with the RSPO principles and criteria. The audit team has confirmed through the audit process that the company's practices complies with, adequately maintains and implements the requirements of RSPO Principles and Criteria 2013.

PT TUV Rheinland Indonesia confirms the approval of PTPNIII Sei Silau Palm Oil Mill and its main supply base consisting of Sei Silau estate (KSSIL), Pulau Mandi estate (KPMDI), Ambalutu Estate (KAMBT) and Huta Padang estate (KHTPD) as a producer of RSPO Certified Sustainable Palm Oil.

1.15 Date of Certificate Issued and Scope of Certificate

The scope of the certificate covers production of palm oil from PTPNIII's Sei Silau Palm Oil Mill and its supply base, which includes 4 company owned estates, i.e. Sei Silau estate (KSSIL), Pulau Mandi estate (KPMDI), Ambalutu Estate (KAMBT) and Huta Padang estate (KHTPD). The date of certificate issued is 3rd of April 2017. Further details of the certificate are as per Appendix 1.

2.0 ASSESSMENT PROCESS

2.1 Certification Body

PT TUV Rheinland Indonesia is member of Group TÜV Rheinland Group, a global leader in independent testing and assessment services. The TÜV Rheinland Group was established in 1872 with offices located in over 500 locations in 62 countries on all five continents. PT TUV Rheinland Indonesia offers certification for a wide range of management systems according to established international standards including ISO 9001, ISO 14001, OHSAS 18001, and SA 8000. PT TUV Rheinland Indonesia's office is located in Jakarta, Indonesia.

2.2 Qualifications of Lead Assessor and Assessment Team

Name	Position	Qualifications / Experience
Carol Ng	Lead Auditor	<p>Education: B.Sc. Biotechnology & B.Sc. Environmental Management - Monash University.</p> <p>Trainings attended: RSPO Lead Auditor Course – Wildasia; RSPO Supply Chain Certification Systems training course – David Ogg & Partners; RSPO Malaysian National Interpretation Requirements and Certification – SIRIM; Implementation of RSPO Principles & Criteria - QA Plus; RSPO Stepwise Support Programme - Proforest/WildAsia; OHSAS18001:2007 Auditor/Lead Auditor Training – Neville Clarke; ISO14001 Auditor/ Lead Auditor Training – Neville Clarke; SA8000 5 Day Basic Auditor Course – Global Group; Elaborating on the RSPO P&C Social and Labour Standards and the Mechanics of Social Auditing Workshop – Verité; Certification Body Biodiversity Forum & Workshop – RSPO; 2nd Biodiversity Seminar – RSPO; Environmental Quality Act 1974 – Department of Environment; ISCC System Certification Seminar & ISCC System GHG Training – ISCC.</p> <p>Working experience: RSPO Lead Auditor (since March 2015), CDM Auditor (since year 2012), Assistant Manager (since year 2012) and Project Engineer (since year 2009) for TUV Rheinland Malaysia; currently responsible for conducting and coordinating RSPO certification projects; previous experience in year 2009 in implementing sustainable practices in Sime Darby plantations to comply with RSPO requirements, performing RSPO internal audits and implementing sustainability projects. Prepared training materials and conducted several RSPO requirements trainings and workshops to plantation management teams (2008).</p>
Dahlan Nasution	Auditor (OSH, legal)	<p>Education: Bachelor of Technic of Industrial – University of Sumatera Utara.</p> <p>Trainings attended: IRCA 9001:2000 (QMS) Lead Auditor Course, IRCA ISO 14001:2000 (EMS) Lead Auditor Course, ISPO Lead Auditor Training, Awareness and documentation ISO 22000-HACCP, Food Safety Expert Training.</p> <p>Working experience: Quality assurance in PT Charoen Pokphand Indonesia Tbk, Quality Section Head in PT Central Proteina Prima Tbk, Auditor in PT TUV Rheinland Indonesia</p>
Wahyu Wigati Wijayanti	Auditor (SCCS, land legality, environment)	<p>Education: Master Degree in Magister Management Agribusiness, Bogor Agriculture University</p> <p>Trainings attended: ISO 9001:2000 lead assessor course 2010 - CMS; ISO 14001 lead assessor course 2010 - CMS; OSHAS: 2007 training, Chain of Custody training for LEI System. RSPO lead Auditor training year 2014 by Pro Forest and Daemeter, ISPO Lead Auditor training</p> <p>Working experience: Professional forester since 1993 to 2010, Auditor for Chain of Custody (COC) Certification – LEI Standard, auditor for Environmental Management System (EMS) and Quality Management System (QMS) audits, Auditor for Roundtable on Sustainable Palm Oil (RSPO), Indonesian Sustainable Palm Oil (ISPO), Certification for Timber Legality Verification (SVLK) since 2010 – present</p>
Entin Hen-	Auditor	<p>Education: Magister Agribusiness Management IPB, Bachelor Degree in For-</p>

RSPO Certification Assessment Report

PTPNIII Sei Silau Palm Oil Mill

Buntu Pane, Asahan, North Sumatera



dartin	(social)	<p>estry University of Gajah Mada</p> <p>Training Attended : RSPO Lead Auditor Training (2014), IRCA ISO 9001:2008 (QMS) Lead auditor Course, IRCA ISO 14001:2004 (EMS) Lead auditor Course, Timber Legality Verification (SVLK), OHS-MS (SMK3), ISPO Auditor Course, Chain of Custody (COC) Auditor Training of Indonesia Eco-labeling, Forest Certification (Sweden, 1997)</p> <p>Working experience: Technical Assistant to Indonesia Foresters Association (1993-2004), Communication Manager the Borneo Orangutan Survival Foundation (2005-2007), Professional Consultant in Forestry Sector (2007-2010), Auditor at PT Mutu Hijau Indonesia (2010- Juni 2013), Auditor for QMS, EMS, SVLK, RSPO and ISPO (2010 s/d present)</p>
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While the auditors who conducted the re-assessment verification was:

1. Mhd Fundy C Kurniawan
2. Hendra Fachrurozy

The summary of new auditors who joined in re-assessment audit are presented below:

Name	Position	Qualifications / Experience
Mhd Fundy C. Kurniawan	Auditor	<p>Education: Master Degree in Natural Resource and Environmental Management, Bogor Agriculture University</p> <p>Trainings attended: Environmental Impact Assessment (EIA), Ecological Risk Assessment (ERA), Internal Quality Audit Training for Quality Management System, IRQA-QMS ISO 9001:2000, IRQA-EMS 14001, High Conservation Value (HCV), RSPO Lead Auditor Course, ISPO Auditor Course, SCCS Auditor and ISCC plantation audit.</p> <p>Working experience: Experienced in Environmental Impact Assessment (EIA Assessment), Environmental Health Safety Senior Officer (EHSOfficer) in Wilmar International Plantation, Internal Auditor for Wilmar International Plantation, Auditor for Rountable on Sustainable Palm Oil (RSPO), Indonesian Sustainable Palm Oil (ISPO), Certification for Timber Legality Verification (SVLK) in PT TUV Rheinland Indonesia since June 2012 – present.</p>
Hendra Fachrurozy	Auditor	<p>Education: Bachelors Degree in Forestry - Bo-gor Agriculture Institute. Indonesia, (1995 to 2000).</p> <p>Trainings attended: ISO 9001:2008 lead auditor course - Neville Clark (2011); ISO 14001:2004 lead auditor course – TUV Rheinland Indonesia (2011); SMK3 auditor course – Department of Manpower and Transmigration of The Republic of Indonesia (2009); Sustainable Forest Management (SFM) - Forest Stewardship Council (FSC) system training; Chain of Custody training for FSC System; Sustainable Forest Management (SFM) – Forestry Education and Training Centre (2010); Timber Legality of Verification – Forestry Education and Training Centre (2010); RSPO Lead Auditor Course – Pro Forest & Wild Asia (2011); SCCS RSPO by David Ogg Consulting (September 2012).</p> <p>Working experience: Experienced as Junior Consultant at PT Surveyor Indonesia (2002 s/d 2010), assessor for SFM –mandatory (PHPL & PHTL), assessor for industry performance as-sessment (IPHHK)- andatory, auditor for Timber Legality of Verification and CoC, auditor for SMK3, auditor for QMS and EMS and auditor for ISPO, RSPO & SCCS at TUV Rheinland In-donesia.</p>

2.3 Assessment Methodology

The certification assessment was conducted between 18 – 20 May 2015 as per the assessment program below. The assessment was carried out in accordance with PT TUV Rheinland Indonesia's RSPO audit procedure as well as the RSPO Certification Systems document. During assessment, the qualified TUV Rheinland assessors used the RSPO Principles and Criteria 2013 and Supply Chain Certification Standard 2014 and recorded their findings.

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

All 4 estates and 1 mill were visited and the assessment team carried out field and document assessments of compliance to all the RSPO principles and criteria. Common systems were identified and specific evidence was recorded for individual estates. Interviews were conducted at all estates and the mill.

The company proposed the correction and corrective action for all identified non conformities raised to the certification body 60 days after the closing meeting. Verification of closure of major non-conformances was conducted 2 months after the closing meeting of the main assessment and implementation of corrective actions for minor non-conformities will be verified during the next surveillance audit. The certification assessment agenda is as explained below.

Main Assessment Agenda.

Date	Location/ Main sites	Main activities
18 May 2015	PTPNIII Head office, Medan (Carol Ng)	Interview with Headquarters representatives Legal Department <ul style="list-style-type: none"> Land titles, status of HGU renewal for Sei Silau estate History of Sei Silau's areas used by local communities Business Transformation Department <ul style="list-style-type: none"> Discussion on supply chain option selected by the mill Planting Department <ul style="list-style-type: none"> Estate area statements, overview of estate land condition High Conservative Value Assessments Community Development Department <ul style="list-style-type: none"> Social Impact Assessments
	Sei Silau Palm Oil Mill (all auditors)	Opening Meeting Document review: FFB reception records, CPO & PK production records, OER & KER, mill land title, Business Management Plan, POME and water quality analysis records, water management plan, waste management plan, contracts, working hour & overtime records, pay slips, workshops & stores, HIRARC, OSH Committee & safety records, accident records, training & PPE issuance, SOPs & Internal audit, legal requirements register and implementation, EIA/ Aspects Impacts analysis, energy efficiency plan and monitoring records, GHG analysis and management, continuous improvement plan Mill site visit: Mill compound, loading ramp, workshop, POME application SCCS document review: Supply Chain Management Manual, SOPs, & related records, SCC training records, weighbridge slips Interviews: Mill manager, mill assistants, weighbridge staff, mill personnel, workshop staff, security, FFB loading staff
19 May 2015	Sei Silau Community Hall (All auditors)	Stakeholder Consultation (morning) <ul style="list-style-type: none"> Introduction to TUV Rheinland and RSPO Explanation of RSPO Principles Feedback from stakeholders
	Sei Silau Es- tate (Carol & Entin)	Document review: Area statements, FFB supply information, replanting program, soil fertility & management (sloped areas, marginal soils, peat areas, EFB application, etc), water management plan, IPM records and census, energy efficiency monitoring and records, GHG analysis and management, continuous improvement plan, waste management records, zero burning policy, AMDAL & RKL/RPL, SIA document and evaluation evidence, land claim document, union and EMC documents, procedures owned by company, entry and sent letters, record of agreements with contractors and community, collective labour agreement (PKB), CSR document, promotion evidence and job vacancy evidence, facilities and infrastructures documents, lowest grade salary, stakeholder list, policy concerns to violence

		<p>and sexual harassment and protection to reproduction, soft copy of employee list, FFB price and price mechanism, human rights policy and code of conduct, pillar boundary maintenance, list of public accessible document.</p> <p>Field visit: Occupied area by community on Sei Silau Estate, harvesting and field operations, chemical and fertilizer stores, scheduled waste store, PPE store and PPE washing area, boundary stones, planned replanting area (Block 310 and 290),</p> <p>Interviews: Estate manager, estate assistants, harvesters and field workers, local community representatives</p>
	Pulau Mandi Estate (Wahyu & Dahlan)	<p>Document review: Area statements, FFB supply information, replanting program, continuous improvement plan, land titles, business management plan & replanting programs, waste management records, zero burning policy, HCV Assessment & management plan, AMDAL & RKL/RPL, HIRARC, OSH Committee & safety records, accident records, training & PPE issuance, SOPs & Internal audit,</p> <p>Field visit: Harvesting and field operations, chemical and fertilizer stores, scheduled waste store, PPE store and PPE washing area, boundary stones, clinic</p> <p>Interviews: Estate manager, estate assistants, harvesters and field workers</p>
20 May 2015	Ambalutu estate (Carol & Entin)	<p>Document review: Area statements, FFB supply information, replanting program, soil fertility & management (sloped areas, marginal soils, peat areas, EFB application, etc), water management plan, IPM records and census, energy efficiency monitoring and records, GHG analysis and management, continuous improvement plan, waste management records, zero burning policy, AMDAL & RKL/RPL, SIA document and evaluation evidence, land claim document, union and EMC documents, procedures owned by company, entry and sent letters, record of agreements with contractors and community, collective labour agreement (PKB), CSR document, promotion evidence and job vacancy evidence, facilities and infrastructures documents, lowest grade salary, stakeholder list, policy concerns to violence and sexual harassment and protection to reproduction, soft copy of employee list, FFB price and price mechanism, human rights policy and code of conduct, pillar boundary maintenance, list of public accessible document.</p> <p>Field visit: Occupied area by community on Ambalutu Estate, Housing facility and infrastructure on Ambalutu Estate, harvesting and field operations, chemical and fertilizer stores, scheduled waste store, PPE store and PPE washing area, boundary stones, HCV areas and river riparian buffer zones, planned replanting area, sloped area (block 82, division II), ganoderma infected area.</p> <p>Interviews: Estate manager, estate assistants, sprayers, contracted workers mandore, local community representatives</p>
	Huta Padang estate (Wahyu & Dahlan)	<p>Document review: Area statements, FFB supply information, replanting program, continuous improvement plan, land titles, business management plan & replanting programs, waste management records, zero burning policy, HCV Assessment & management plan, AMDAL & RKL/RPL, HIRARC, OSH Committee & safety records, accident records, training & PPE issuance, SOPs & Internal audit,</p> <p>Field visit: Harvesting and field operations, chemical and fertilizer stores, scheduled waste store, PPE store and PPE washing area, boundary stones, clinic</p> <p>Interviews: Estate manager, estate assistants, harvesters and field workers</p>

2.4 Stakeholder Consultation and Stakeholders Contacted

The stakeholder consultation involved both external and internal stakeholders. External stakeholders were notified to make comments on the certification assessment by placing an invitation to comment on the RSPO web-

site. Stakeholders included those immediately linked with the operation of the company such employees, out-growers, the local government, NGO's, trade and labour unions and local communities.

Stakeholder consultation took place in the form of meetings and interviews. Meetings with stakeholders were held to seek their views on the performance of the company with respect to the sustainability practices outlined in the RSPO Principles & Criteria, and to comment on aspects where improvements could be made. Meetings with local communities were held at their respective premises within and near the company's area. A stakeholder consultation meeting was also held at Sei Silau Community Hall on 19 May 2016. Letters inviting individual stakeholders to the stakeholder consultation meeting were prepared and sent to the individual stakeholders, while electronic mail and telephone calls were made to arrange the meetings.

In all the interviews and meeting, the objectives of the RSPO and the purpose of the assessment was clarified at the outset followed by an evaluation of the relationship between the stakeholders and the company before discussion proceeded to obtain the stakeholders feedback on the company's compliance to different aspects of the RSPO Principles & Criteria. Although several stakeholders were not familiar with RSPO but they agreed with its objective and expressed their willingness to collaborate in the promotion of sustainable palm oil in North Sumatera province. In all interviews and meeting, the assessment team did not restrict discussion of both the positive and negative aspects of operations conducted by the company's estates and mill.

The stakeholder consultation meeting held with stakeholders during the audit was extensive and productive, with an attendance of more than 30 participants. This was followed by site inspections, including visits to the local communities, interviews with land claimants and contractors, and inspections of worker amenities and infrastructure. All stakeholder issues raised were recorded and forwarded to the management for their written response, and this is summarized in Section 3.4. The list of stakeholders that attended the stakeholder consultation meeting and stakeholders interviewed during the assessment is included as Appendix 4.

2.5 Date of Next Surveillance Visit

The next surveillance visit is planned for April 2017.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

During the certification assessment, 7 major nonconformities were assigned against the RSPO P&C 2013 Major Compliance indicators, 4 nonconformities were assigned against Minor Compliance Indicators, and 4 major non-conformities were raised against the RSPO Supply Chain Certification Standard 2014. 12 observations or opportunities for improvement were identified. Further explanation of the non-conformities raised and corrective actions taken by the company are provided in Section 3.2. The observations & opportunities for improvement are listed in Appendix 5.

The following is a summary of findings made for the criteria listed in the RSPO Principles & Criteria 2013.

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.

Findings:

Unit management of PTPN III Sei Silau POM has all the documents required under applicable regulations (such as: 'Hak Guna Usaha' (HGU) or Land Use Rights Certificate, Environmental Impact Assessments (EIA) / 'Rencana Pengelolaan Lingkungan' (Environmental Management Plan) or Rencana Pemantauan Lingkungan (Environmental Monitoring Plan) or RPL documents, document the Study of Social and Employment) to enable the company to provide adequate information to the stakeholders associated with problems legal, environmental governance, social governance, and labor. The management unit also has a clear mechanism to regulate public access to such documents.

Reports provided regularly to the relevant agencies, for example:

- Progress Report on the Plantation Business Sei Silau estate of January, February and March 2015 to Manpower Agency in Asahan regency on March 2015.
- Manpower Report according to Law No. 7 year 1981 dated February 25, 2015 approved by Head of Manpower Agency in Asahan Regency No. 0051/IV/DTK/2015. The receipt of report is valid from March 1, 2015 until March 1, 2016.

There is evidence that the company maintains records of all requests for information and responses from the company in a handwritten logbook. The logbook includes details on the requests being made, the stakeholder making the request, a summary of the request and the response from the company.

Most of the requests seen were request for donations, although there were also requests sent by the local authorities. Examples of request letters and responses sighted were as follows:

- Request from news reporter Sinar Page bio Asahan in letter dated 7 April 2015 to Sei Silau estate asking for donation to help establish their office in Asahan district. The company responded to this request on 30 April 2015 and agreed to provide Rp150,000 as donation
- Letter no. 1374/III-DTK/IV/2015 from the Manpower Department of Asahan informing that in accordance with their program for protection and development of workers associations, the Manpower Department will be conducting a program 'Penyuluhan Pembinaan dan Pemberdayaan Lembaga Kerjasama BIPARTIT di PTPNIII' (Extension Development and Empowerment of bipartite cooperation in PTPN III) on 11 May 2015. The company responded in letter dated 8 May 2015 stating the list of 10 staff assigned to attend this seminar. The company also had prepared a room and created invitations for the counseling activity conducted by Man Power Agency of Asahan Regency.

The company applies their procedure for communication and consultation with stakeholders no. PK-3.00-03 last revised on 23 September 2014 for responding to stakeholder requests, however the procedure does not mention a specific maximum timeframe to respond to requests for stakeholders. This was noted as an observation.

Compliance status: Compliance with observations

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

Findings:

Documents that are open to the public in accordance circular letter from the Director of Marketing and Development Planning No. 3.00 / SE / 01/2015 April 8, 2015 are: Company profile, Annual report, Financial Statements, Certificate HGU, HGB and HPL, Good Corporate Governance (GCG) handbooks, Evaluation results GCG by independent institutions, Information award, Company Registration (TDP), EIA documents (RKL / RPL, 'Upaya Pengelolaan Lingkungan' (Environmental Management Efforts) or UPL/ 'Upaya Pemantauan Lingkungan' (Environmental Monitoring Efforts) or UPL and 'Dokumen Pengelolaan dan Pemantauan Lingkungan Hidup' (Environmental Management and Monitoring Document) DPPL), Corporate Social Responsibility (CSR) Data, documentation OSH (K3) program, policy management system PTPN III, environmental management system objectives and occupational safety and health (K3) management system objectives of PTPN III, the purpose of environmental management systems and safety management systems (K3) PTPN III (Persero), mandatory nationality report, achievement of Annual Supervision Work Program ('Program Kerja Pengawasan Tahunan' or PKPT), land application permit, reports on hazardous wastes ('Bahan Berbahaya dan Beracun' or B3) and operating license processing tools, incinerator, hazardous materials and toxic hospital, reports on the monitoring and measurement, report production achievement, names of estate / unit, document program of continuous improvement (Results of management review meetings), policy on human rights, Social Impact Assessment (SIA) document, High Conservation Value (HCV) document, and the prevention of pollution reduction plan, flowchart on problem solving / conflict, data on public consultation and certification assessment report and data on communications with stakeholders.

There is evidence of briefing list of documents to the parties (public and employees) conducted on May 15, 2015 and was attended by 32 participants.

Compliance status: Full Compliance

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

Findings:

The management unit has a code of conduct as a guideline which is a standard of behavior for all individuals in the move both inside and outside the company in accordance with good corporate principles to be well implemented for improvement and interest of PTPN III. Document consists of value system (Section II), Business Ethics (Section III), work ethics (Section IV), special commitment (Section V), and Code of Conduct Implementation (Section VI). There is evidence of communication of the code of conduct as follows:

- Invitation to briefing on code of conduct from Responsible Manager of Sei Silau POM No. PSSIL/X/2015 dated April 28, 2015, to contractor like UD Bandik, UD Berkah Santosa
- Briefing dated April 12, 2015 to Head of Subdistrict Setia Janji, Head of Subdistrict Buntu Pane, Reporter/NGO, Heads of Villages, and employee leader of PTPN III. There's documentation of briefing dated May 12, 2015 such as photo, briefing material, minutes of meeting and attendant list.
- Evidence of compliance on stamp duty RP 6,000 dated May 4, 2015 from head assistant, estate personnel assistant, clerical assistant, technical assistant, Division I,II,III and IV assistants and executors about 86 employees.

Compliance status: Full Compliance

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

Findings:

There is evidence of efforts taken to comply with legal requirements, as sighted from the company's valid legal documents and permits as follows:

Sei Silau Estate:

- Plantation Business Registration Letter ('Surat Pendaftaran Usaha Perkebunan' or SPUP) no. HK.350/528/DJ.Bun.5/VII/2001 dated 5 July 2001 for Sei Silau estate for planting of oil palm under HGU no. 6/HGU/DA/81 dated 5 January 1981 and expired on 31 December 2005 for area of 5,360ha. The SPUP also covers the palm oil mill and the rubber factory. The company is currently in progress to renew the expired HGU as explained under CR2.2
- License for storage of hazardous wastes for PTPNIII Sei Silau Estate dated 28 December 2012 and valid for 5 years - stated hazardous wastes cannot be stored more than 90 days and allowed to carry of 3R (Reduce, reuse and recycle) for own use.
- License for storage of hazardous wastes for PTPNIII Ambalutu Estate dated 27 December 2012 and valid for 5 years - stated hazardous wastes cannot be stored more than 90 days and allowed to carry of 3R for own use.
- License for collection of hazardous waste for engaged contractor PT Primanru Jaya dated 11 November 2011 and valid for 5 years.

Sei Silau Mill:

Provision of License for Land Application to PTPNIII Sei Silau Oil Palm Estate and Palm Oil Mill, Buntu Pane subdistrict, Asahan district no. 660.1/383/LH/2010 dated 15 July 2010 and states permission to carry out land application within 240 ha. It was confirmed at Sei Silau estate that land application is only carried out at 240 ha of the estate at Division II and III.

Some other evidence of legal compliance was found as below:

- Management unit has submitted manpower report according to Law No. 7 year 1981 dated February 25, 2015 approved by Head of Manpower Agency of Asahan Regency No. 0051/IV/DTK/2015. The evidence of report is valid from March 1, 2015 to March 1, 2016.
- Labour wage is in accordance with Governor Decree No. 188.44/0972/KPTS/2014 amount Rp 1,625,000 per month.

However, there is evidence of legal non-compliances as follows:

Storage time for hazardous wastes has exceeded the maximum allowable time period, that is 90 days, for example:

- In Sei Silau Estate, the most recent collection by PT Primanru Jaya was conducted on March 18, 2014 for 355 tonnes of used oil, 604 chemical packing, 5744 fertilizer bags, 2 pieces carbon, 40 pieces of light bulbs and 46 pieces of used tape. There has been no collection by the contractor since.
- In Ambalutu Estate, the last collection by PT Primanru Jaya conducted on March 14, 2014 for 233 used oil containers, 23 kg of old rice bags, 40 pieces plastic drums, 2595 of rice sacks and 70 kg of chemical packaging. There has been no collection by the contractor since.
- The same problem was found in all other locations, where the date of last collection was as follows, but there was no collection since then.
 - Sei Silau Mill: April 01, 2014
 - Huta Padang estate: March 19, 2014.

It was also found that there is no evidence that the health services implemented at the Huta Padang state Polyclinic complies with Regulation of the Minister of Manpower No. 3 of 1982 on Health Care Workers, which specifies that the operator of occupational health services shall be led and implemented a doctor appointed by the director of 'Binawasnaker' (Training and Supervision of Labour).

This was raised as **Non-conformance 01 of 11, and Non-conformance 02 of 11.**

Sei Silau Estate and Mill has established a procedure to identify and review national and regional regulation, statutory and regulatory related to the organization operational activity. Accordance to Procedure of Identify Evaluate and Compilation of Legal and Government Regulation (Doc No.PK-3.11-01). Sei Silau Estate and Mill will evaluate their compliance to local and national regulation at least once a year. Last compliance review recorded on document FM-3.11-01/02 include evaluation of :

- Government Regulation No: 18 year 1999, related to handling of hazardous chemical materials.
- Government Regulation No: 74 year 2001, related to hazardous chemical materials.
- Decree of National Environmental Body No: 2 year 1998, related to handling of hazardous chemi-

cal waste.

- Decree of National Environmental Body No: 56 year 1994, related to guidance to measure critical environment impact.
- Decree of Manpower Ministry No: 2 year 1980 related to medical checkup for employee in implementation health and safety in working environment.

Sei Silau mill and all estates has a list of applicable legal and other requirements documented under "List of Laws and Regulations". The company has established procedure evaluation and identification of law and regulation with document number PK-3.11-01 Rev00. This procedure mentioned about mechanism for comply to law and regulation. The compliance evaluation will be done by the mill or estates and record into form number FM-3.11-01/02 and reporting in every 3 months to District Manager for compile. Record of evaluation compliance law and regulation are available in estate for 2014 conducted by company. The company also has a mechanism for updating law and regulation, when the mechanism is District Manager send the letter to the related government institution to get a new information of law and regulation related the estate and palm oil mill activity. But during audit found that evaluation of monitoring rules and regulations have not been implemented in accordance Work Procedures Identification and Evaluation And Compilation of Legislation (PK-3.11-01 Rev Doc. 0.0), which was not found during the audit results of monitoring compliance with laws and regulations of the Law Department are distributed to the district level Unit Manager and estate/mill. This was raised as **Non-conformance 03 of 11**

Compliance status: Non-compliance

Non-conformance 01 of 11 (Major non-conformity):

Storage time for hazardous wates has exceeded the maximum allowable time period, that is 90 days, for example:

- In Sei Silau Estate, the most recent collection by PT Primanru Jaya was conducted on March 18, 2014 for 355 tonnes of used oil, 604 chemical packing, 5744 fertilizer bags, 2 pieces carbon, 40 pieces of light bulbs and 46 pieces of used tape. There has been no collection by the contractor since.
- In Ambalutu Estate, the last collection by PT Primanru Jaya conducted on March 14, 2014 for 233 used oil containers, 23 kg of old rice bags, 40 pieces plastic drums, 2595 of rice sacks and 70 kg of chemical packaging. There has been no collection by the contractor since.
- The same problem was found in all other locations, where the date of last collection was as folllows, but there was no collection since then.
 - Sei Silau Mill: April 01, 2014
 - Huta Padang estate: March 19, 2014.

Non-conformance 02 of 11 (Major non-conformity):

Location: Huta Padang

There is no evidence that the health services implemented at the Huta Padang estate Polyclinic complies with Regulation of the Minister of Manpower No. 3 of 1982 on Health Care Workers, which specifies that the operator of occupational health services shall be led and implemented a doctor appointed by the director of 'Binawasnaker' (Training and Supervision of Labour).

Non-conformance 03 of 11 (Minor non-conformity):

Location : Sei. PKS Sei Silau, Pulau Mandi Estate

Evaluation of monitoring of legislation implemented is not yet done appropriately according to the company's procedure for Identification and Evaluation Work and Compilation of Legislation (PK-3.11-01 Rev Doc. 0.0), as it was not found at the time of the audit any results of monitoring of compliance with laws and regulations which were distributed by the Legal Department to manager district level and plantations/mill unit.

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

Findings:

Land use rights or 'Hak Guna Usaha'(HGU) of all estates were checked with findings as below:

Sei Silau Estate:

Land Use Right (HGU) of PTPN III condition is as follow:

- HGU of Sei Silau No. 01 year 1984 and valid until December 2012, currently the HGU is on extension process in central Land Agency.
- Measurement by Land Agency (BPN) in North Sumatera Office Area regarding return limit which conducted on March 05 to May 5, 2007 with total measured area 6,575.99 Ha and it's include arable area of 798.8813 Ha spread over the low land area of Sei Silau estate.
- Low land areas planted with Banana, Cacao, Palm, Rubber, and seasonal crops.
- Map of arable area in low land area is available
- Based on the identification by management unit of Sei Silau, there are 593 farmers.

The difference of HGU area is explained as follow:

- Year 1957 based on Establishment Act of Sei Silau Estate of $\pm 7,110$ Ha
- Year 1971 based on constatering report (CR) Sei Silau Estate of $\pm 6,450$ Ha
- Year 1981 based on Land Agency Decree (Previously Ministry of Home Affairs) No. SK.6/HGU/DA/81 dated January 05, 1981 of $\pm 6,450$ Ha, and arable land was not founded.
- Year 1984 according to PBT No. 20/07/2007 dated June 27, 2007 of 6,575.99 Ha
 - Shape of map was same as annex of HGU map No. 1/1984
 - Flow of map was also same as annex of HGU map No. 1/1984
 - But the total land area was different from HGU outside the villages of 11,103.78 Ha or 20.59% and according to SK.6 showed outside the villages of 13.78 Ha or 0.21%.
- HGU of 6,575.99 Ha of land use is detailed as follow:
 - Cultivated area of PTPN III Sei Silau Estate of 5,639.213 Ha
 - Demand area by cooperation "Damai Jaya" of 63.74 Ha
 - Other arable area of 735.1413 Ha
 - Plants area outside HGU of 3.84 Ha
 - Public Facilities of 21.5374 Ha
 - 4 Villages area outside HGU of 112.21 Ha
 - Total measurement of 6,575.99 Ha

Sei Silau HGU No. 01 year 1984 is valid until December 31, 2012. As the HGU has expired, the company has been in process to obtain a new HGU from the land department as seen in letter dated 19 March 2009 from the Land Department (Badan Pertanahan Nasional RI) stating that HGU for Sei Silau is one of 10 land plots which PTPNIII has requested to the Land Department to process the new HGU.

There is evidence of follow up as follows:

- 1) The National Land Department or Badan Pertanahan Nasional (BPN) Agrarian and Spatial Ministry ('Kementerian Agraria dan Tata Ruang') sent letter no. 31/15/1/I/2015 dated 7 January 2015 to all companies regarding speeding up the process of resolution of HGUs under Government Land.
- 2) The company responded to this in follow up letter no. 3.11/X/30A/2015 dated 27 February 2015 to the land department requesting revision of the land area map for Sei Silau as well as for 4 other estates (Gunung Pamela, Bandar Betsy, and Torgamba Group under other PTPNIII management units).
- 3) BPN then responded to PTPNIII with letter no. 445/10-12.300/IV/2015 dated 7 April 2015 stating they agree to carry out a revision of the land map area after a survey if cost will be borne by the company.
- 4) PTPNIII responded in letter no. 3.11/X/49/2015 dated 30 April 2015 requesting BPN to carry out the land survey to confirm the land area of the 4 estates. The letter also confirmed that there are issues of land disputes at the 4 estates such as land belonging to PTPNIII taken over by local communities which are under process of being resolved.

Current status is land survey is pending from the National Land Department and the status will be followed up during next surveillance audit.

Sei Silau Palm Oil Mill: The mill is located inside the HGU of Sei Silau Estate. The mill has building permit (IMB) number No. 503/IMB/BPPPM/1787/XII/2011 dated December 30, 2011 for commercial services/business and No. 503/IMB/BPPPM/1458/XI/2013 dated November 11, 2013 for employee housing. Both mill and housing located in Buntu Pane village, Buntu Pane Sub District, District of Asahan.

Pulau Mandi Estate: HGU no. 1 under Decision letter (Surat Keputusan) no. 32/HGU/BFR/95 dated 20 April 1995 valid for 25 years until 31 December 2025 for 3,766.40ha.

Ambalutu Estate:

- HGU no. 21 under Decision letter (Surat Keputusan) no. 146/HGU/BPN RI/2009 dated 16 October 2009 and valid until 15 July 2035 for 168.98ha.
 - HGU no. 22 under Decision letter (Surat Keputusan) no. 146/HGU/BPN RI/2009 dated 16 October 2009 and valid until 15 July 2035 for 568.06ha.
 - HGU no. 23 under Decision letter (Surat Keputusan) no. 146/HGU/BPN RI/2009 dated 16 October 2009 and valid until 15 July 2035 for 94.2ha.
 - HGU no. 24 under Decision letter (Surat Keputusan) no. 146/HGU/BPN RI/2009 dated 16 October 2009 and valid until 15 July 2035 for 2,104.68ha.
 - HGU no. 25 under Decision letter (Surat Keputusan) no. 146/HGU/BPN RI/2009 dated 16 October 2009 and valid until 15 July 2035 for 228.08ha.
 - HGU no. 26 under Decision letter (Surat Keputusan) no. 146/HGU/BPN RI/2009 dated 16 October 2009 and valid until 15 July 2035 for 11.5ha.
 - HGU no. 27 under Decision letter (Surat Keputusan) no. 146/HGU/BPN RI/2009 dated 16 October 2009 and valid until 15 July 2035 for 1.89ha.
 - HGU no. 28 under Decision letter (Surat Keputusan) no. 146/HGU/BPN RI/2009 dated 16 October 2009 and valid until 15 July 2035 for 1.21ha.
- Total land area of all HGU: 3178.60 ha

HGU total area and validity for Ambalutu Estate is in accordance with Director of PTPN III decision No. III.10/SKPTS/15/2003 dated April 10, 2003.

Huta Padang Estate: HGU no. 5 under Decision letter (Surat Keputusan) no. 9/HGU/BPN/2005 dated 17 June 2005 and valid until 29 June 2040 for 4,760.22ha located in Buntu Pane and Bandar Pasir Mandoge Sub District, District Asahan.

Pulau Mandi estate: The estate has document showing ownership of the land in accordance with relevant laws, that is land use right (Hak Guna Usaha (HGU) **No. 32/HGU/BPN/1995** dated on April 20, 1995 from National Land Agency for total area of 3.766,4 ha. Pulau Mandi has HGU certificate No. 1/1996 appropriate with measurement letter No. 489/1996. The measurement certificate is an excerpt from the map situation No. 21/1988 dated March 26, 1988. Pulau Mandi estate formerly managed by PTPN V and based on government regulation (Peraturan Pemerintah) no. 8/1996 dated June 17, 1996, state owned plantation companies have merged and Pulau Mandi estate is managed by PTPN III. The land use right is valid for 30 years until December 31, 2025.

There is evidence that the estates have taken installed boundary stones throughout their estate areas and conducted regular monitoring of the condition of the boundary stones. Monitoring schedules is completed with date and month. Management unit has map of boundary pillars in each Division complete with each pillar number (Numbered boundary pillar and additional boundary pillar). For example, Sei Silau Estate and Ambalutu estate both maintain an inventory, location maps and numbers of all boundary stones at each estate division Sei Silau estate has a total of 17 boundary stones at Division I, 11 at Division II, 31 at Division III, 55 at Division IV, 78 at Division V, 77 at Division VI, and 59 at Division VII, for total of 328 boundary stones. During inventory check last done on 7 July 2014, it was found total of 5 boundary stones were lost in the river and will be replaced by the estate. For Ambalutu estate, there are total of 50 boundary stones at Division I, 39 at Division II, 44 at Division III, and 23 at Division IV, with total of 156 boundary stones. However during last monitoring conducted for 2nd half of year 2014, it was found 31 of the boundary stones were lost and 18 were spoilt. The estates conduct monitoring and maintenance for the boundary stones twice a year and photos of the boundary stones are also maintained. During site visit to Ambalutu estate, two boundary stones located at boundary between Division II and the local community village was sighted and maintained in good condition.

For any broken boundary pillar, estate manager will propose to replace the pillar to District. District will determine the supplier for the reparation job monitored by Land Agency (to determine boundary pillar coordinates). The evidence of replacement of boundary pillar request from Estate Manager to Asahan Manager District is available with number KAMBT/DASAH/68/2015 dated May 15, 2015 attached with price estimation of boundary pillar.

The company has list of all boundary stones/pillars and map of stones/pillars distribution in Pulau Mandi areas. It was appropriate with measurement letter No. 489/1996. Pulau Mandi estate has been doing maintenance of peg/pillar as showned in the Summary report of pillar maintenance, 2014. Under the

concession map there are 113 pieces of pillars. In early of 2011 found 30 pillar, during 2011 to 2012 Pulau Mandi estate has manufacture as many as 70. 88 pillars are in good condition, broken 4, lost 8. Estate Manager has sent a memo dated 9 January 2015 to Asahan district manager for Manufacture new pillars. Based on field verification in Huta Padang estate, some legal boundaries are clearly demarcated and visibly maintained on the ground as seen on the field for boundary stones number 153 (boundaries with Kampung Sordang/Kampung Kramat, Kapel 4D, planting year 1997), 16 (boundaries with Kampung Simpang Tiga) dan 155 (boundaries with Kampung Sordang, Kapel 2D, year planting 2006).

According to information during public consultation, there is no identified land conflict between certain estates and the mill and surrounding community in Pulau Mandi estate, Huta Padang estate and Sei Silau Palm Oil Mill, even around the Sei Silau mill do the fencing to ensure security area. However, at Sei Silau estate and Ambalutu, some farmers had given their land to the company and was compensated through an agreed process, as explained under CR 2.3. There was no evidence that palm oil operations have instigated violence in maintaining peace and order in their current and planned operations.

Compliance status: Compliance with observations

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

Findings:

According to information during public consultation, there is no identified land conflict between estate/mill and surrounding community in Pulau Mandi estate, Huta Padang estate and Sei Silau Palm Oil Mill, even around the Sei Silau mill do the fencing to ensure security area.

Management unit has conflict resolution and claimed land compensation policies as follow:

- Decree of Director of PTPN III No. 3.11/SKPTS/01/2015 dated March 31, 2015 regarding Compensation Guidance on Arable Area in Estate/Unit of PTPN III.
- Conflict resolution procedure for all working area of PTPN III including conflict handling in arable area, complaints of relationship between company and stakeholders.

Payment recapitulation data of compensation for plants to farmers who return the HGU to PTPN III (Sei Silau estate and Ambalutu Estate) is recoded safely by management unit. Monthly payment recapitulation data renews according to paid compensation. The data consists of year and name of farmers, number of farmers, returned cultivated land (Rente, Ha), amount of compensation (Rp). In example, the compensation in March 23, 2010 until April 2015 was Rp 334,980,800 for 228 farmers (returned land 3,166.25 ha and 126.65 Ha). Evidence of compensation receipt, documentation and statement letter from farmers.

Interview result with farmers who had their land returned in Sei Silau and Amablutu Estates show that compensation is based on the deal between farmers and PTPN III. Negotiated compensation amount was agreed with the company and there was no coercion from company to farmers.

There was evidence of agreement of the conflict resolution process with community in Sei Silau Estate is available, for example, Silau Maraja Village, Sei Silau Barat village, Perkebunan Sei Silau village, Sei Silau Tua village, Sei Silau Timur estate, Mekarsari village, Prapat Janji village, Urung Pane village, Bangun Sari village, Buntu Pane estate, Setia Janji Sub district, Asahan District had agreed to the existing conflict resolution process in the event that there are conflicting viewpoints or disagreements between the company and communities.

In conflict resolution process for land belonging to PTPN III, it is usually done through discussion and avoidance of confrontation or distraction methods. Legal action is the last option if a solution cannot be achieved through discussion.

Management unit showed evidence of arable land conflict resolution as per invitation letter No. KAMBT/X/34/2014 dated March 18, 2014 which sent to farmers in HGU area of Ambalutu estate and to Head of Ambalutu Village, Karya Ambalutu village, and Buntu Pane village, Head of Subdistrict of

Buntu Pane. In minutes of meeting, it was stated that no agreement had been reached yet between the farmers and PTPN III. Some invitations made to discuss arable land to acknowledge that management unit of Ambalutu estate and Sei Silau estate prioritized discussion to resolve the issue. From interviews with farmers in Ambalutu estate and Sei Silau estate, it was confirmed that the management unit never use harsh action or coercion during discussions with farmers.

Compliance status: Full Compliance

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

Findings:

Sei Silau mill, Pulau Mandi and Huta Padang estate has a long term business plan ('Rencana Jangka Panjang Perusahaan'). The information in the RJPP document of Sei Silau mill for year 2014-2018 is consist of expenses, production cost, volume and sales of CPO, projection of the CPO & PK price (per tonnes CPO & PK), costs in mill and estate (production cost and fixed cost), FFB process plan (FFB from nucleus, smallholder and out-grower), projection of extraction rate (OER & KER), projection of FFB production (tons/ha), total revenue, total cost and loss/profit. While long term business of Pulau Mandi estate for 2014 – 2018 and Huta Padang estate (2015-2019) contains plan of planting including replanting, production / harvesting, the investment costs of plants, FFB production, projection of the CPO & PK, the production cost of plantation/ha, handling of social impact and conservation, the balance of the estate/neraca kebun, non plantation investment cost, general administrative costs, handling costs of conservation and social impact, the cost of maintenance (planting and insertion), weeding, pest eradication, fertilizing, harvesting costs and transporting and labour cost.

There are replanting program 2014 - 2018 for Pulau Mandi estate, re-planting plan of 41.15 hectares in 2016 to replace year 1991 plantation in Division I (10.75 ha) and Division III (30.40 ha). Replanting program for Huta Padang estate year 2015 – 2019, starting in 2015 for 191,5 ha in Division I and II for replace plantation year 1993 and replanting plan in 2018 covering an area of 22,80 ha to replace plantation year 1995.

Compliance status: Full Compliance

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

Findings:

Sei Silau Estate and Mill determine standard operation procedure to ensure all the operation of Estate and Palm Oil mill controlled and meet the standard requirement. The organization has implemented their SOP starting from land clearing, seeding, planting, crop care, harvesting up to FFB processing palm oil mill. The standard operation procedure include :

- Palm Oil Mill Quality Plan, Doc No : DP- 3.03-03/01.
- Receiving, inspection and sortation fresh fruit bunch (FFB) procedure , Document No: IK-3.03-03/11.
- Procedure of processing FFB , Document No: IK 3.03-03/08.
- Quality control process of palm oil procedure, Document No : IK-3.03-03/09.
- Standard specification of palm oil, Document No : IK-3.03/12.
- Palm oil distribution and transportation procedure, Document No: PK-3.03-08.

District area manager responsible to monitoring implementation of standard operation procedure already determined accordance to System Management Monitoring Procedure (Procedure No: PK-3.12-06). Result of implementation system management monitoring, reported on Compilation Report of System Management. Based on Management Monitoring report year 2015, District Manager already conducted monitoring every three months.

Implementation of operating procedure is also reviewed once a year accordance to Audit Procedure (Doc. No: PK-3.12-03) as reported on Internal Audit report year 2015.

Sei Silau Palm Oil Mill only receives FFB from out growers already registered accordance legal requirement in line with sustainable palm oil criteria as define in Procedure of Handling Out Growers and Supplier (Doc. No: PK-3.03-09). The mill maintains records of all third party sourced FFB received in weighbridge tickets and consignment notes, which are keyed into the mill's system which records the amount and source of all FFB received.

Compliance status: Full Compliance

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

Findings:

The company has an SOP for manuring which is implemented as seen from fertilizer applications records. There is also evidence of soil and leaf analysis conducted by the company, i.e. for Sei Silau estate last soil analysis was done on 20 February to 15 April 2014 for 24 samples from each of the estate's 8 division, while leaf analysis for 79 samples was carried out on 18 August – 4 September 2014.

All estates also have an annual fertilizer recommendation produced by the Indonesian Oil Palm research Instittue. The estates also maintain records of comparison of the program vs. actual application. For example, as seen from record for April 2015 for Ambalutu estate, total planned applicaton for NPK and Dolomite was 1,013,814 kg of NPK and 350,697kg of Dolomite respectively. However amount applied that month was only 285,463 kg of Dolomite and no application of NPK carried out yet. It was informed by the estate that the application would be completed the followingf month. This was noted as an observation.

The mill a license for land application dated 15 July 2010 and states permission to carry out land application within 240 ha. It was confirmed at Sei Silau estate that land application is only carried out at 240 ha of the estate at Division II and III, with total number of 266 lines and length of 35,031.10 ha

The estate was observed to implement a nutrient recycling strategy through application of EFB in the field, including recently replanted areas, and also frond stacking.

Compliance status: Full Compliance

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

Findings:

All estates have detailed maps prepared by consultant CV Koompasia Consultant, including maps of identified soils. The only marginal soils in the estates are sloped areas which are prone to high erosion. Further details on the soil types of each estate is also described in detail in the High Conservation Value Assessment reports of each estate which is prepared by PTPNIII in conjunction with the Natural Resources and Biodiversity Centre of the Bogor Agriculture Institute in year 2013. For example, the reports for the following 3 estates state the soil types as follows:

Sei Silau Estate: Consists of 3 main land classes, i.e. Pakasi (PKS), Batuapung (BTG) and Bukittinggi (BGI). PKS soil class comprises volcanic ash soil with undulating topography, while BTG and BGI also comprises volcanic ash soil but with hilly topography. Soil types found at the estate include Dystropepts (Latosol), Kanhapludult (Podsollic), and Aeric Endoaquept (Aluvial Hidromorph). The topogrpahy of the estate ranges from 0 to 40%, with 4 locations in the estate covering 15.57ha being over 40% slope, including block 332 (other 3 blocks not identified).

Ambalutu Estate: Consists of 2 main land classes, i.e. Pakasi (PKS) and Batuapung (BTG). PKS soil class comprises volcanic ash soil with undulating topography, while BTG also comprises volcanic ash soil but with hilly topography. Soil types found at the estate include Dystropepts (Latosol, Kanhapludult (Podsollic), and Tropaquepts (Alluvial Hydromorph). There are several high erosion risk areas identified, which are highly sloped areas above 40% at blocks 131, 17, 78, 82, 160, 171, 182, 191 and 232.

Ambalutu has an additional marginal soil map which shows 7 areas under the estate which comprise of marginal soils under block 191,192, 194, 212, 213, 222 and 232 which have all been planted with oil palm in year 2005.

Huta Padang estate: Consists of 3 main land classes, i.e. Pakasi (PKS), Batuapung (BTG) and Bukittinggi (BGI). PKS soil class comprises volcanic ash soil with undulating topography, while BTG and BGI also comprises volcanic ash soil but with hilly topography. Soil types found at the estate include Dystropepts (Latosol), Kanhapludult (Podsollic), and Tropaquepts (Alluvial Hidromorf). The topography of the estate ranges from 0 to 40%, with the sloped area over 40% covering 14.91ha at 8 small areas of the estate, including blocks 3G and 4G (other blocks not identified).

Site visit was done at Block 82 of Ambalutu estate which was identified as a high slope area above 40% is an area planted in year 1993. It was noted that there was no terracing done at this area, however the area is planned for replanting in year 2015. The estate must ensure proper terracing is carried out at this area to avoid erosion. This was noted as an observation.

Ambalutu Estate has a documented road maintenance program for every 3 months, as seen for Jan to March 2015, total road length planned to be maintained during the 3 months is 4818m of main roads, 21,267 m of collecting roads, and 23,166m of production roads. Completed road length maintained in January was 1605m of main road, 7089m of collecting road and 7228m of production road, which is in accordance with the plan for January 2015.

As there are no other identified marginal and problematic soils, the company has not implemented any specific management strategy for such soils.

Compliance status: Compliance with observations

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

Findings:

The company has identified their sources of water surface and ground water. Pulau Mandi estate crossed by several rivers such as Piasa river, Siangah river (in Division 3) and Tambatan river. In Division I Pulau Mandi estate also found wetland area. While most of the flow of Silau river is outside and adjacent with Pulau Mandi estate as well as a natural boundary. Huta Padang estate crossed by Silau Tua river and Ambalutu river. In Sei Silau estate flow Bunut river, Silau river and Silau Tua river.

All estates have a program for protection of water courses, as seen in the HCV Assessments and Managements plans for the estates. The estates have established that no usage of chemicals including fertilizer shall be carried out for all palms located 2 palms away from the river riparian buffer zones. River riparian buffer zones at Ambalutu Estate (adjacent to Ambalutu Estate) and at Sg. Silau Estate (adjacent to Silau River) was visit and observed that signage restricting spraying and chemical application was installed at the river banks and there are also poles erected along the river riparian buffer zones as indicators which palms shall not be sprayed. Contracted sprayers at both estates were interviewed and confirmed they were aware of requirement not to carry out spraying at river riparian buffer zones. The company also allows the growth of certain plants and planting trees in particular locations with mahogany, Jabon species etc as erosion control. For example in riparian of Sei Silau has been planted with mahogany as much 347 and Jabon 326 trees. To protect the river banks have been inventoried plant species along the border, making the planning of rehabilitation, preparing the seeds and conduct the rehabilitation of the plants as well as monitoring. Huta Padang estate has been planted with trees at riparian buffer zones and in housing area, with species including Jabon (4.256 trees), mahogany (19 820 tress), durian (1,007 trees), meranti (3,548 trees) and durian (1,969 trees).

Pulau Mandi, Huta Padang estate and Sei Silau mill also monitor groundwater quality degradation by water quality testing for wells of in housing and in the office. There is water testing results from accredited laboratory. The test results indicate 22 parameters were tested according Permenkes 416 / Menkes / Per / 1990 on the requirements of water quality annex II, does not exceed the threshold quality standards required. The company has a water saving program in 2015 by replacing/checking leaking

pipes and dissemination of water saving for staffs. Water quality monitoring conducted by Binalab.

The company taking measurements of wastewater monthly, in collaboration with accredited Laboratory Sucofindo for parameter pH, Pb, copper, cadmium, zinc, oil and grease, COD with $K_2Cr_2O_7$, BOD5 day 20 degrees. BOD test results are still below the threshold $<+ 5000$, in accordance with Minister of Environmental decree No. 28/2003. The results of testing reported to government monthly.

The estates have a procedure on protection of riparian river areas. It has specific instructions on methods for protection of riparian river. The company (some estates) has signs as boundary the agrochemical application i.e sign "cross" from paint with red, observed in the estate area of Division 3 that a reminder signboard has been put up near the river Siangah to inform workers not to carry out spraying or chemical application activities near the river. It was also confirmed through interviews with sprayers in Division 6 that they do not carry out spraying at the river riparian buffer zone areas.

Sei Silau Mill has water conservation documents. The program is carried out as follows:

- Implementing procedure in the ISO 14001 about energy use and sustainable manner, aimed at reducing water consumption when not needed to promote the saving of water for all employees.
- Application of programmable logical control in the sterilizer station, back pressure vessel and boiler (boiler combustion and water level control), aim to improve the efficiency of water and energy usage. Norma for water consumption per tonne of FFB is a maximum of 2 m³.
- Using POME for land application, utilizing the treated wastewater as a source of plant nutrients to avoid palm oil waste into river.
- Re-use of hot condensate and cooling water turbines to avoid direct discharge into the ditch.

Sei Silau mill monitored water use per tonne of Fresh Fruit Bunches (FFB). In 2014 FFB processed is 321.641,53 ton, water consume is 464.425 m³, lower than norm 546,876 m³. In 2015 until April, Sei Silau mill processed FFB as much 71.081,83 tonnes, spend as much water as 90.434 m³ and norm is 120.854 tonnes. Measurements using a digital flowmeter. Sei Silau mill has obtained permission retrieval and utilization of surface water from the Secretary of the province of North Sumatera No. 610/25 / BPPTSU / 2 / 12.1 / III / 2015 valid until March 2017.

Sei Silau mill has a permit to discharge wastewater by decree No. 503 / PLC / BPPPM / 0819 / VI / 2011 from licensing office Asahan district on June 2011 and valid until June 2016. Also has land application permit No. 660.1 / 368 / LH / 2010 from Regent Asahan, valid until July 2015.

Compliance status: Full Compliance

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

Findings:

The estates implements the following work instructions for integrated pest management:

IK-3.01-03/11 Management of Oil Palm Pests last revised 14 January 2015

IK-3.01-03/12 Management of Oil Palm Diseases last revised 15 July 2014

Work instructions in pest control has been set as follows:

- a. Chemical control using a mist blower at immature plantation and fogging on the plant with a height of over 5 metre.
- b. Control manually using a hand picking, cocoon picking and light trap.
- c. Biological control using plant species such as *Turnera subulata*, *Turnera ulmifolia*, *Antigonon leptopus*, and the fern species *Diplazium asperum* as host for *Neostromoceros lucthi* to attract insect predators of caterpillar pests, i.e. *Sycnus dichotonus* which is a natural predators of nettle caterpillars and bagworms, while *Eocanthecona furcellata* are natural predators of nettle caterpillars.

The company has conducted monitoring of pests and diseases through the global telling, effectively telling and re-telling, however, in Pulau Mandi estate found that the action taken was not in accordance with work instructions of Pest and Diseases Control, document number IK-3.01-03 / 11 rev 1 dated January, 14, 2015. As an example, results effective telling on Division IV, Chapel 10 D dated April 1, 2015 showed the average of nettle caterpillars (ulat api) found was 5 per frond, but the company using chemical (decis) to control, on April 22, 2015 as indicated by the demand / expenditure from the warehouse on April 22,

2015. According to the work instruction, this is less than the necessary number to require chemical control. This was raised as **Non-conformance 04 of 11**. Training of observers pests and diseases is done annually or whenever there is a new observer as refresher material.

At Ambalutu estate, telling is carried out regularly for bagworms and nettle caterpillars as sampled from telling logbook for Division III of Ambalutu estate where telling is carried out at each block once every 3 months. The estate prepares a monthly summary of telling results for all major pests and diseases, including bagworms, nettle caterpillars, rats, *Oryctes rhinoceros*, and Ganoderma, including area found, percentage of attack, rate of attack (low, medium, high), management with chemicals and amount of chemicals applied. Results of follow up telling after chemical application are also reported. Sample summary results sighted in monthly IPM report for April 2015 for Ambalutu Estate is as follows:

- Medium rate of bagworm attacks found at Division III and IV mature areas where rate of attack was average of 4 to 5 worms per frond. Spraying with 5 litres of Orthine was carried out on 14-18 April 2015 and 25-30 April 2015
- Medium rate of nettle caterpillar attacks was found at immature area of Division II where average of 6 caterpillars per frond was found and 2.7 litres of Decis. No attack of bagworms found at mature area hence no chemical treatment applied
- Rat attacks only found at immature area of Division II and found to be low. Rat bait was applied in rotations (once every 2 weeks) until the rat attack are zero. No attack of nettle caterpillars found at mature area hence no chemical treatment applied
- Above 5% of *Oryctes* attacks found at immature area (about 5.5%) and area was treated with 65 kg of matador and also total of 3,865 larvae was hand picked. No attack of *Oryctes* found at mature area hence no chemical treatment applied
- Ganoderma infection in the field is quite significant, with highest infected area being year 2003 plantings at Division II and III (29.55% area infected), and percentage infection of 15.9% of year 2004 plantings and 11.19% of year 2005 plantings.

As seen from memorandum dated 9 August 2012 from the Production Director to several estates affected by Ganoderma infection, the company is conducting trial runs of a new bio fungicide 'The Big Man Gano' at the most highly affected areas to determine effectiveness of the biofungicide. The estate had taken efforts to try and reduce the spread of the Ganoderma infection by applying the Big Man Gano at all affected areas in December 2013 (1,635.71 litres applied at 18,345 palms covering 2,260.99 ha) and January 2014 (319.28 litres applied at 6,938 palms covering 1,498.65ha). For areas planned for replanting in year 2015, the estate has gotten approval to use oil palm seedlings from Socfindo that are resistant to Ganoderma. For mature areas that are not due for replanting yet, As seen in letter from the estate manager of Ambalutu estate to the the District Manager of Asahan, average Ganoderma infection rate at mature areas (not including area planned for replanting in year 2015) is 30,472 trees (9.09%) and they have requested the head office to advise on further action to be taken. The estate management will take action based on advice from the District Manager. Currently the estate has taken preliminary action by carrying out mounding of total of 207 severely attacked palms to date.

Compliance status: Non-compliance

Non-conformance 04 of 11 (Major non-conformity):

The company has conducted monitoring of pests and diseases of plants though global detection, effective telling and re-telling, however, the decision for conducting eradication / control was not done in accordance with the Pest Control Palm oil IK IK-3.01-03 / 11 rev 1 dated 14-01- 2015.

Example: Pulau Mandi Estate

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.

Findings:

The organization has established a procedure to identify and review national and regional regulation, statutory and regulatory related to Sei Silau POM and Estate. Sei Silau POM and Estate periodically review all regulation and legal requirement related to Palm Oil Mill operation in line with standard operation as documented on Procedure Identify Evaluate and Compilation of Legal and Government Regulation (Doc No.PK-3.11-01).

Sighted at Sei Silau estate store, the following chemicals being stored:

Herbicides: Posat (a.i. glyphosate), Basmilang 480 SL (a.i. glyphosate), Ally 20WG, Emulgator

Insecticides: Decis 2.5EC, Matador

Fungicides: Bayleton, Berosol

Ambalutu estate maintains records of chemical used including areas applied and amounts in bin cards.

The chemicals used by the estate include the following:

Herbicides: Sida Up 490SL, Basmilang 480 SL, Ally 20WG,

Insecticides: NO BB, Bayleton, Decis 2.5EC and Orthene 75P (for nettle caterpillars and bagworms),

Marshall 5G (for *Oryctes rhinoceros*)

Rodenticides: Petrokum RMB and Ratgone

Pulau Mandi estate also uses registered and permitted chemicals, i.e.: Herbicides such as Sida Up 490 SL, Gempur 480SL, Insecticides such as Matador 25 EC and Decis. Records of pesticide use (including active ingredients used, area treated, amount applied per ha and number of applications) are maintained at estate division offices, e.g. sighted the documented record of Herbicides Toxicity Calculation records for usage of Sida Up and Gempur at Division 2 of Pulau Mandi Estate.

All chemicals used are approved in accordance with the official list of approved Agricultural and Forestry Pesticides Year 2012 (Green Book) issued in year 2012 by the Director of Fertilizer and Pesticides, Agriculture Directorate. There was no evidence or record of usage of paraquat or usage of chemicals listed as World Health Organisation Class 1A or 1B, or that are listed by the Stockholm or Rotterdam Conventions.

As sampled at Ambalutu Estate, the estate has done a calculation of toxicity of all chemicals used, including total amount of chemicals used per hectare, total active ingredient, active ingredient applied per ha. For example, for 1st three months of year 2015, total a.i. per ha of Basmilang used was determined to be 73.82 g/ha in January 2015, 128.04 g/ha in February 2015 and 84.89 g/ha in March 2015. Similar calculation was done for usage of Emulgator, Decis 2.5 EC, Marshall 5G, Orthene 75SP, Bayleton 250 EC, NO BB, Berosal 50WP, Petrokum RMB, and Ratgone. The LD50 of the herbicides Basmilang and Sida Up was to be 5.6 for rats and converted to LD50.

The estates also provide appropriate PPE to field workers, e.g. as seen as Sei Silau estate division 1 and Ambalutu estate, contracted sprayers were sighted wearing aprons, rubber gloves, thick cloth masks, rubber gloves, and goggles which are provided free by the company. However, a contracted sprayer interviewed at Sei Silau estate Division 1 informed that he and his work team bring their spraying PPE home to wash and only occasionally wash and leave their PPE at the division office but usually bring it home to wash as well. The estate took immediate action to carry out training for 6 contracted sprayers on 20 May 2015. A documented summary of the training, photographic evidence and attendance list was sighted. This was noted as an observation. There is also a letter from the Estate Manager dated 19 May 2015 informing personnel from all divisions to ensure sprayers and those handling chemicals do not bring their spraying equipment back home.

Used chemical containers at Pulau Mandi estate, Sei Silau Estate and Huta Padang estate are identified as hazardous chemical waste and kept in a secure store and collected by different contractors. However used chemical containers and other hazardous wastes kept at the estates were found to be kept more than 180 days, which is not in accordance with their license for storage of hazardous wastes. This was raised as Non-conformance 01 of 11 under CR2.1.

There is no aerial application of chemicals. Herbicides are applied using sprayer knapsacks which are commonly used, while insecticide application, e.g. for decis is by trunk injection. Sprayers interviewed understood the risks associated with the chemicals and the need to wear PPE for protection against

contamination, and also were able to explain best practices for prevention of contamination, injury and pollution.

It was informed by workers (sprayers and fertilizer applicators) interviewed at Huta Padang, Pulau Mandi, and Ambalutu estate that they underwent medical surveillance annually. Based on interviews with female chemical sprayers in Huta Padang estate, they have been informed that pregnant or breastfeeding are not permitted to conduct spraying. There is no evidence that the estates identify and take action to make sure pregnant and breastfeeding female not conduct spraying activity in Huta Padang Estate, such as through pregnancy tests. Female workers are responsible to report to the estate management on their own if they know that they are pregnant.

However, at Pulau Mandi Estate, it was found that there was no evidence of action taken to follow up on the results of health workers as required in the Regulation of the Minister of Manpower of the Republic of Indonesia No. 02 Year 1980 for workers conducting field maintenance at Pulau Mandi estate engaged from contractors, i.e. CV. Guning Krame, CV Fanny & Co, Hafiz CV and CV Bersama, although according to the results of laboratory examination showed chemical levels in the blood (cholinesterase) below the normal limit for these contracted workers. This was raised as **Non-conformance 05 of 11**.

All workers have also been informed that pregnant or breast feeding women are not permitted to carry out work related to chemicals. Women who are pregnant are required to inform their supervisor or mandore, upon which they will be transferred to other work not involving chemicals.

Compliance status: Non-compliance

Non-conformance 05 of 11 (Major non-conformity):

Location: Pulau Mandi Estate

There was no evidence of action taken to follow up on the results of health workers as required in the Regulation of the Minister of Manpower of the Republic of Indonesia No. 02 Year 1980 for workers conducting field maintenance at Pulau Mandi estate engaged from contractors, i.e. CV. Guning Krame, CV Fanny & Co, Hafiz CV and CV Bersama, although according to the results of laboratory examination showed chemical levels in the blood (cholinesterase) below the normal limit for these contracted workers.

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

Findings:

Sei. Silau Estate and Mill has defined their commitment in an occupational safety and health policy for 2015. Objective of occupational safety and health policy was define as: To meet and comply with regulations, standards and requirement of occupational safety and health, in accordance with Law No. 1 1970, Government Regulation No. 50 in 2012. Program Management System Occupational Health and Safety are set and monitored regularly and documented in Form 07-01 dated February 2015.

Hazard identification and risk assessment already defined in 2015 and documented on document FM-3.12-02/11 where risks and hazards associated with all activities were identified in the estates and mill.

Sei Silau Palm Oil Mill established employee training program related to safety working procedure as define in Procedure Training (Doc No : PK-3.08-06). Training program already implemented on September 2014 as recorded on attendance list of First Aid Training, Health and Safety Training

Accordance to Decree of Manpower Ministry No. 04 year 1987, Sei. Silau Palm Oil Mill established health and safety committee ('Panitia Pembina Keselamatan Kesehatan Kerja' or P2K3) and ratified by Kabupaten Asahan Manpower Regional Office with decree No: 533/IV-DTK/2015. Sei. Silau Palm Oil Mill health and safety committee monitoring implementation of occupational safety and health policy regularly every month as recorded on minutes of meeting safety committee meeting, e.g. as sighted for March 2015.

Sei Silau Palm Oil Mill provides complete personal protective equipment for workers. The estates also provide appropriate PPE to field workers, e.g. as seen as Sei Silau estate division 1, contracted sprayers were sighted wearing aprons, rubber gloves, thick cloth masks, rubber gloves, and goggles which are provided free by the company, while harvesters are provided with safety helmets and boots. At Ambalutu estate, sighted fertilizers applicators are provided with rubber gloves, masks, rubber boots, and goggles while sprayers are also provided with aprons, rubber gloves, thick cloth masks, rubber gloves, and goggles. It was confirmed through interviews and on-site visits that PPE storage areas and showers are available at each estate division for sprayers and workers doing work with chemicals. However, a contracted sprayer interviewed at Sei Silau estate Division 1 informed that he and his work team bring their spraying PPE home to wash and only occasionally wash and leave their PPE at the division office but usually bring it home to wash as well. The estate took immediate action to carry out training for 6 contracted sprayers on 20 May 2015. A documented summary of the training, photographic evidence and attendance list was sighted. This was noted as an observation. There is also a letter from the Estate Manager dated 19 May 2015 informing personnel from all divisions to ensure sprayers and those handling chemicals do not bring their spraying equipment back home.

Sei Silau Estate and Mill defined accident and emergency procedure in Emergency Preparedness Procedure (Doc. No: PK-3.12-08). Last emergency preparedness simulation implemented on 22 November 2014 include simulation for first aid, fires, flood and disturbance situation. Accordance to Emergency Simulation Report, at least 85% employee who conducted the simulation understood emergency preparedness procedure.

Sei. Silau Estate and Mill provide medical care and accident insurance for all employees as determine in working agreement PKB 2014-2015 section X clause 53. It was informed by contracted sprayer at Division I of Sei Silau Estate that he does not receive insurance or Social Security (Jamsostek) from his contractor, CV Silau Dunia. However, it was shown at the estate office that the estate deducts a certain amount from the payment made to the contractor for Jamsostek based on the price of the contract made, as seen from credit note dated 20 November 2014 for amount of RM61,759 deducted from CV Silau Dunia. A total of RP528,335 was deducted from 10 contractors engaged by the company and evidence of payment made through Bank Sumut to Jamsostek was sighted. A harvester interviewed at Sei Silau estate informed that medical is provided free by the company for himself and his family for up to 3 children.

However, at Ambalutu estate, there was no evidence that the contracted workers were provided with accident insurance protection. This was raised as **Non-conformance 07 of 11**.

In addition, it was found at Silau Palm Oil Mill, Pulau Mandi estate & Huta Padang estate, from the audiometric laboratory results from the Center for Occupational Health and Safety Medan No. 31A / LHU-KES / BK3-MDN / IV / 2014, found there are some employees who experience reduced hearing, as follows:

- 8 employees at the mill
- Field workers at Pulau Mandi estate
- 6 workers at Huta Padang estate

However, there has been no follow up action taken for these employees who have reduced hearing as stipulated in the Minister of Manpower Regulation No. 2 of 1980 on the Health Workforce in Implementation of Safety. This was raised as **Non-conformance 06 of 11**.

Occupational Health and Safety Committee (P2K3) of Sei Silau Estate and Palm Oil Mill conducts monitoring implementation of occupational health and safety periodically every month. Safety committee (P2K3) will record Lost Time Accident (LTA) include investigation if any accident occur.

Compliance status: Non-compliance**Non-conformance 06 of 11 (Major non-conformity):**

Location : Sei Silau Palm Oil Mill, Pulau Mandi estate & Huta Padang estate

From the audiometric laboratory results from the Center for Occupational Health and Safety Medan No. 31A / LHU-KES / BK3-MDN / IV / 2014, found there are some employees who experience reduced hearing, as follows:

- 8 employees at the mill
- Field workers at Pulau Mandi estate

- 6 workers at Huta Padang estate

However, there has been no follow up action taken for these employees who have reduced hearing as stipulated in the Minister of Manpower Regulation No. 2 of 1980 on the Health Workforce in Implementation of Safety.

Non-conformance 07 of 11 (Major non-conformity):

Location: Ambalutu Estate

The management unit has not shown enough evidence that the contracted workers have for accident insurance protection.

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

Findings:

Sei. Silau Estate and Mill maintain human resources training program accordance to Procedure Training (Doc. No : PK-3.08-05). Sei. Silau Estate already provide training related to hazardous chemical usage, spraying and fertilizing as shown on training attendance list on 7th January 2015. The training provide by Sei. Silau Estate also attended by contractor for palm oil maintenance.

Huta Padang Estate already provide training program to support implementation policy related to environment health and safety as recorded on training need analysis and program report (FM-3.08-11/01-01) The training program will implemented on June – December 2015. The effectiveness of training program and its implementation will review on the next audit.

Compliance status: Full Compliance

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.

Findings:

Sei. Silau Estate and Mill already determine Environmental impact assessment, where important aspect and impact related to environmental recorded on FM 3.12-02/08 Rev. 0.0. Environmental aspect and impact assessment review once a year. Last review of Environmental aspect and impact conducted on February 2015.

Sei Silau Estate and Mill also define environmental monitoring and management plan (RKL/UPL) and the result reported every six month to Asahan District Environmental Office. According to environmental monitoring and management plan reported to Environmental Office Kabupaten Asahan, the organization already monitor quality of air, ground and surface water, noise and odor. According to environmental monitoring and management plan reported to Environmental Office Asahan District all the environmental parameter still meet the standard determine by government as follow :

- Waste water Sei Silau Palm Oil Mill BOD: 1680 mg/l – 4002 mg/l, meets the standard for palm oil mill waste water (5000 mg/l) as determine by Decree of Environmental Ministry No : 28 year 2003.
- Surface water : BOD = 1,2 mg/l – 2.4 mg/l and COD 2,1 mg/l – 11,5 mg/l meets the standard for surface water parameter determined by Government Regulation No: 82 ywr 2001.

Sei Silau mill and estate have documents of environmental management and monitoring plan (RKL-RPL) (revised), which has approved by the head of Environment office Asahan District by letter decree No. 660.1 / 281 / LH / 2009 dated April 22, 2009, for 6720.90 ha estate and 7.03 ha area for mill, capacity of mill is 60 ton FFB/hour, which located in Sei Silau Barat – Sei Silau Timur, sub district Setia Janji, Buntu Pane, Asahan District, North Sumatera. Huta Padang estate has revised RKL-RPL documents that have received approval from the Office of Environment Asahan No. 660.1 / 282 / LH / 2009 on April 23, 2009. Approval letter for RKL-RPL Pulau Mandi estate on April 27, 2009 by decree No. 660.1/283/LH/2009. The responsible part for execution of environmental management and monitoring, namely Section Processing (3:03) at head office

Environmental management reports for first and second half of 2014 as evidence that environmental management have been implemented and has reported to the environmental office district Asahan and northern Sumatra province. All activities required has been fully implemented by the company. EIA has not been revised since the environmental impacts that occur during this time are still relevant to the document.

Compliance status: Full Compliance

Criterion 5.2: The status of rare, threatened or endangered species (ERTs) 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.

Findings:

High conservation value assessment has been conducted by the Center for Biological Resources and Biotechnology Research – Bogor Agricultural University on Sei Silau estate (2013), Pulau Mandi estate (2013) and Huta Padang estate (2013). HCV assessment performed by a qualified HCV assessor and in consultation with relevant stakeholders.

HCV identification results show that in Sei Silau, Pulau Mandi and Huta Padang estate are no species in the RTE category. In Sei Silau estate found wildlife categories as Cites Appendix II listing is *Macaca fascicularis* and *Varanus Salvator*. Three fauna are found in Huta Padang estate and also included in list of Cites Appendix II, namely *Macaca fascicularis*, *Macaca nemestrina* and *Varanus Salvator*. They can be find in Block Edu 4G (slope 40%), the Lubang Gajah Block 3 G (slope 40%) and riparian of Huta Padang river. While in Pulau Mandi estate found *Buceros rhinoceros*, *nemestrina Macaca*, *Macaca fascicularis*, *Manis javanica* etc.

All estates has HCV Management and Monitoring Plan prepared by the Center for Biological Resources and Biotechnology Research. Huta Padang estate has set a team, through the decree letter of manager Huta Padang No. KHTPD / SKPTS / 04/2015 on the appointment of HCV monitoring team year 2015. Sei Silau estate maintains evidence of HCV monitoring, i.e. monitoring is done once every 3 months and recorded in monitoring forms specific for each division. For example, sighted HCV monitoring records for Division 2 of Sei Silau estate in January 2015 which included checking of the condition of the poles installed along the riparian river banks to indicate areas that cannot be sprayed, monitoring of status of flora and fauna diversity along Bunut River, restoration activities through planting of various tree species, including, mahogany, durian, jabon and meranti trees that were planted in year 2009 and year 2012. The estate maintainsan inventory of the amount of trees surviving.

HCV management refers to the work procedures of HCV Management and Monitoring No. PK-3.01-08. The purpose is to manage HCV areas that have important biodiversity values and have more social, and economic to people around estate. However, monitoring of HCV has not been done according to procedure Management and Monitoring of HCV PK-3.01-08, such as the diversity of fauna, monitoring and measuring the quality and quantity of water has not been done according to procedure. This was raised as **Non-conformance 08 of 11**.

Mill and estate have a programme to regularly educate the workforce about HCV. The company has policy to prohibited all staffs to capture, harm, collect or kill species of fauna and put up signs protected species and placed around the housing. HCV briefing to mill employees conducted on August 13, 2013 followed by 12 staff / assistants and Mador / krani. There is a signpost banned hunting in the factory environment.

Compliance status: Non-compliance

Non-conformance 08 of 11 (Major non-conformity):

Monitoring of HCV has not been done according to procedure 'HCV Management and Monitoring PK-3.01-08', for example, monitoring the diversity of fauna and measurement of water quality and quantity

as indicated on HCV Monitoring Form at Division VII and IV has not been done according to procedure. The HCV management program has not been implemented fully.

Example: Huta Padang estate

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

Findings:

Most of the estates and Sei Silau mill have identified all sources of wastes from estate and mill activities including spraying, manuring, storehouse, pest management, etc. in their 2009 Environmental Aspects and Impacts Identification. Following are several results from the waste and pollution assessment in Sei Silau Estate.

- Solid waste such as second containers, plastic waste, paper waste, EFB, fibre, shell, etc.
- Wastewater from laboratory, domestic wastewater from housing.
- Emission of waste such as emission from mill and generator operations, etc.
- Hazardous waste such as oil, grease, accumulator, chemical container, etc.

Huta Padang Estate has record on waste transfer to a contractor (PT Primanru Jaya) including used fertiliser bags, used rubber tapping cups, metal, chemical containers, vehicle spare parts, used battery and used polybags. Pulau Mandi Estate also has similar records on solid waste collection by a contractor, namely PT Primanru Jaya. For 2015 has been issued a new assignment for the contractor of waste collector and transporter as it was sighted on Director Memorandum Letter No. 3.03/X/38/2015 on 11 March 2015 and Technology Department Head letter No. 3.03/MO/211/2015 for PT.Putra Tunas Sejati.

However, Ambalutu Estate also currently has not identified all sources of wastes and pollution and does not have a waste management and disposal plan to avoid or reduce pollution. Domestic waste is currently not collected or managed by the estate as workers at Sei Silau estate and Ambalutu estate informed that they dispose of waste directly as small holes dug behind their houses and occasionally carry out waste burning. This was raised as **Non-conformance 10 of 11**.

According to these types of waste has been identified by the company, Sei Silau Estate and Mill has established its management plan and carried out waste management practice according to work instructions/Procedure :

- Procedure No. PK-3.03-19, Monitoring and transportation of Hazardous Chemical Waste dated 25 February 2014.
- Work Instruction No. IK-3.12.01-14 on Solid Waste Control and Use dated 25 February 2014.
- Work Instruction No. IK-3.03-14-01 on Waste Water (POME) Management dated 25 February 2014.

The mill has implemented waste management such as use of POME (liquid waste) for Land Application (LA) areas, EFB (solid waste) as organic fertiliser, other solid wastes (non-EFB) and hazardous waste submitted to licenced third party.

There is evidence of appropriate domestic waste management as seen from housing located in Division 1 of Pulau Mandi Estate whose domestic waste is disposed of through waste container in front of the houses. They were also observe on housing of Huta Padang Estates, waste is disposed of to waste containers.

Sei Silau Estate and Mill have documented environmental management plans with defined action plans. Reports of environmental management planning are prepared in include results of monitoring and the use of fertilizers, pesticides, B3, solid waste, the use of fuels and lubricants, the use of water and electricity equipment waste.

Sei Silau mill holds a valid licence to temporarily store hazardous waste. This licence is dated 23 October 2014, valid for 5 years and allows storing hazardous waste for maximum 180 days. Hazardous waste at the storage facility includes used oil, vehicle spare parts, used printer cartridges, and used light bulbs, while inventory of all types of chemicals is maintained as it was sighted on the log book. Sei Silau mill has a temporary storage facility for hazardous waste, including used oil, filter, used battery,

printer cartridge, etc. Mill staff maintains inventory of these types of waste and the records are available at the mill. Pulau Mandi estate also maintains records of monthly solid waste, as sighted from March 2015 record which includes amount of stored waste such as used fertiliser bags, papers, spare parts, used chemical containers, used spraying equipment, etc. Most of hazardous waste is stored in a place outside the permit granted. i.e: Pulau Mandi estate. Based on waste logbook, refund of hazardous waste ex Sida up in March 2015 different with the data on warehouse there are 26 jerry cans already distributed to Division in Pulau Mandi estate on March 2015. This was raised as **Non-conformance 11 of 11**.

Sei Silau estate maintains detailed monthly records of their hazardous wastes collected, including chemical containers, used fertilizer bags, used batteries, used oil containers, used lamps, oil filters, fuel filters and tint cartridges, including start date of collection, source and maximum storage time for all wastes collected. Ambalutu estate has a similar monthly summary of hazardous waste collected, including used oil containers, used fertilizer bag, fuel filters and oil filters, 5 litre containers, inner plastic, and used batteries. The estate also maintains a separate logbook where records of each type of waste collected, location collected from, date of collection and amount collected is stated in litres or pieces. However, it is difficult to verify whether the amount stated in the summary is correct due to the different units stated (tonnes in the summary and litres or pieces in the logbook) and the logbook also does not clearly stated the amount collected for each type of waste to date and also does not state the amount converted into tonnes so it can be verified against the monthly summary. This was noted as an observation.

However, storage time for hazardous wastes exceed the maximum permitted time frame of 90 days at all estate. For example:

- At Sei Silau estate the last collection by PT Primanru Jaya was on 18 March 2014 for 355 tonnes of used oil 604 of chemical containers, 57.44 pieces of used fertilizer bags, 2 used pieces of carbon, 40 pieces of used lamps and 46 pieces of printer cartridges. There has been no collection since.
- At Ambalutu Estate, last collection by PT Primanru Jaya was on 14 March 2014 for collection of 233 litres of used oil containers, 23 kg of rice plastic bags, 40 pieces of plastic drums, 25.95 pieces of rice bags, and 70 kg of chemical containers.

This was raised as a non-compliance under CR2.1.

In addition, there is no evidence of records of collection of used empty chemical containers (20L) at Ambalutu estate as evidence that measures are taken to ensure chemical containers are not errantly disposed or misused for other purposes. This was raised as part of **Non-conformance 09 of 11**.

Huta Padang estate has appropriately licenced to temporarily store hazardous waste (Head of Asahan District Decree No. 660.1/126/LH/XII/2012 and still valid, where several types of hazardous waste (such as used oil, pesticide container, fretilizer container, used filter etc) were collected by licenced third party (PT Primanru Jaya NPWP 1.806.426.1-034 that holding licence from Ministry of Environment KEP MEN LH No 234 Tahun 2011). However, there was no evidence that used packaging chemicals (4 pieces of containers and 21 bottles) which was sent from Division II of Huta Padang estate, according to Form AU-58 No.0006567 has been received and stored in the hazardous waste warehouse. This was raised as part of **Non-conformance 09 of 11**.

Compliance status: Non-compliance**Non-conformance 09 of 11 (Major non-conformity):**

- 1) There is no evidence on the record of collection of empty chemical containers (20L) at Ambalutu Estate that the steps were taken to ensure chemical containers are not disposed of in a place which is improper or misused for other purposes
- 2) There was no evidence that used packaging chemicals (4 pieces of containers and 21 bottles) which was sent from Division II of Huta Padang estate, according to Form AU-58 No.0006567 has been received and stored in the hazardous waste warehouse.

Non-conformance 10 of 11 (Major non-conformity):

Ambalutu Estate currently has not identified all sources of wastes and pollution and does not have a waste management and disposal plan to avoid or reduce pollution. Domestic waste is currently not collected or managed by the estate as workers at Sei Silau estate and Ambalutu estate informed that they

dispose of waste directly as small holes dug behind their houses and occasionally carry out waste burning

Non-conformance 11 of 11 (Major non-conformity):

- a) Most of hazardous waste is stored in a place outside the permit granted. i.e: Pulau Mandi estate
- b) Based on waste logbook, refund of hazardous waste ex Sida up in March 2015 different with the data on warehouse, there are 26 jerry cans already distributed to afdeling in Pulau Mandi estate on March 2015.

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

Findings:

The mill has carried out an assessment on usage of renewable energy sources, i.e. usage of shell and fibre in boilers and compared it to usage of fossil fuels. It was carried that the amount of shell and fibre needed for the mill boiler to run at 80% efficiency was 7200kg of fibre per hour (93%) and 567 kg of shell per hour, with estimated cost for usage of shell and fibre amounting to RP37,206.54. Meanwhile cost of usage of fossil fuels was estimated to be RP81,312.703. Therefore it was determined and confirmed that the costs of using shell and fibre results in a significant amount of savings.

Sei Silau Estate and Mill has also established environmental program to reduce consumption of fuel, electricity and water. Usage of fuel, water and electricity monitored by District Manager Office and reported accordance to System Management Monitoring Procedure (Procedure No: PK-3.12-06). Consumption of fuel, water and electricity also monitor accordance to environment plan and control (RKL/UPL) and recorded. Based on environment plan and control reported to Local Environmental Office Kabupaten Asahan, fuel usage January = 5.515 liter decrease to 4.731 liter in June 2014. Electricity usage January- June 2014 for Sei Silau Palm Oil Mill (2.319) Kwh was lower than Sei. Silau Estate (50.283 Kwh).

Compliance status: Full Compliance

Criterion 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.

Findings:

The company has zero burning policy. It is stated in the company's Work Instruction No. IK-3.01-14.01 on Land Preparation for Planting that fire is not to be used during replanting.

There is no evidence of use of fire in the replanting activities of the company. Sei Silau estate has planning to carry out replanting of total area of 453.15ha in year 2015. The estate has contracts with at least 4 different contractors to carry out the land clearing activities. For areas where land application is carried out, the company requires the contractors to carry out trunk injection of the old palm with glyphosate 4 months prior to the felling of the trees while for non-land application areas, the contractors engaged are required to carry out felling and chipping. The work orders for the contractors specify the type of work to be carried out as above and also requires the contractor to develop terraces, new roads and drains, plant cover crops such as *Mucuna bracteata*, apply biofungicides, and maintenance with chemicals. There is no indication that activities permit usage of fire, although this is not explicitly stated. It was sighted in the field, at blocks of Division II of Sei Silau estate where replanting areas are planned for year 2015 that chemical injection of the trees had already been carried out in April 2015 to prepare for replanting in year 2015.

The last land clearing in Pulau Mandi estate conducted in 2012 covering an area of 343,70 ha in Division V performed without fire, with documentary evidence is some photographs and letter of agreement with contractor.

Compliance status: Full Compliance

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

Findings:

The company has a documented report on inventory and greenhouse gas calculations for each estate and mill conducted by consultant named Kompasias in year 2013. The consultant had used as guidance the 'Greenhouse Gas Accounting Tool (Carbon Calculator)' published by the RSPO or the Greenhouse Gas Inventory of the Environmental Department sourced from the IPCC 2007. As seen from the sample report for Sei Silau estate, the report includes analysis of main sources of greenhouse gases (GHG), e.g. land clearing, fertilizer and N₂O application and usage of fossil fuels, as well as methods to absorb greenhouse gases through carbon sequestration. A calculation of greenhouse gas emissions was done for year 2013 and also for year 2014 using the PalmGHG tool. Calculations of greenhouse gases produced and absorbed from primary sources identified were as follows:

- Land clearing: 3230 tCO₂e/year produced in Year 2013 and 1935 tCO₂e/year in year 2014
- Fertilizer application: 753.829 tCO₂e/year produced in Year 2013 and 603.548 tCO₂e/year in year 2014
- Usage of fossil fuels: 622.90 tCO₂e/year produced in Year 2013 and 513.60 tCO₂e/year in year 2014
- Uptake of emissions from plants: 33.122 tCO₂e/year in Year 2013 and 18.184 tCO₂e/year in year 2014
- Absorption by conservation plants: 3166.47 tCO₂e/year in Year 2013 and 3116.47 tCO₂e/year in year 2014

The mill and estates have documented short-term and long-term GHG mitigation plan for each of the aspects above. The short term plan for the estates includes:

- 1) Optimization of usage of fertilizers to reduce emissions from fertilizers, and carry out fertilizer applications according to program and the company's SOP (accurate time, accurate dosage, accurate type and accurate method)
- 2) Improve company's roads to reduce wastage of fossil fuels, ensuring vehicles are not overloaded, carrying out regular vehicle maintenance and turning off the engine when the car is not moving.
- 3) Developing a fertilizer application program by reducing usage of inorganic fertilizers proportionally and gradually
- 4) Prioritize usage of fertilizers which are categorized as 'slow release' fertilizers
- 5) Selection of appropriate vehicles according to load and road type
- 6) Ensuring vehicles are not overloaded
- 7) Have a program to install filters for vehicles emissions
- 8) Conducts trainings for drivers on how to drive efficiently
- 9) Instruct drivers to ensure usage of vehicles is efficient so that usage of fossil fuels can be reduced, e.g. through switching off vehicles when not in use

The mill's short-term plan includes:

- 1) Establishing a methane flaring installation to convert methane to CO₂
- 2) Increase efficiency of usage of fossil fuels at the genset and mill tractors
- 3) Regular maintenance of machines using fossil fuels at the mill

The long term plan for GHG mitigation at the estates includes:

- 1) Conducting a study on the efficiency of dosage of inorganic fertilizer applied with organic fertilizer so that usage can be made more efficient
- 2) To install a composting facility using POME to create organic fertilizer
- 3) Assessment of program for implementation the use of nitrification inhibitors to minimize residual soil nitrate which can reduce increase of N₂O emissions, whether through chemical or vegetative method. Chemical methods involve the use of substances such as dicycendiamin (DCD), nitratripyrin, encapsulated calcium carbide (ECC), N-25 dichlorophenil succinamic acid (DCS), while vegetative methods is through planting of cultivated plants babadotan (*Ageratum conyzoides*), turmeric (*Curcuma domestica*), lake kapok (*Ceiba petandra*), neem (*Azadiracta indica*) and starfruit (*Averrhoa bilimbi*).
- 4) Improve road infrastructure to reduce wastage of fossil fuels.
- 5) Regular maintenance of GHG absorbing plants and monitoring of conservation areas.

Retaining existing plants and planting additional non-plantation plants such as Jabon, mahogany and durian to absorb GHGs. Not carrying burning during replanting and conversions

The long term GHG mitigation plan of the mill includes

- 1) In the long term, methane flaring facilities can be further improved in methane capture facilities where captured biogas can be used to convert to electricity for workers
- 2) Usage of biodiesel as an alternative fuel which can be mixed with fossil fuels. The company might also consider establishing a biodiesel factory

Other mitigation programs include

- 1) Enrichment of conservation areas by planting various plant species to absorb greenhouse gases
- 2) Protect and not convert forested areas
- 3) To increase the area of conservation areas from non-productive areas
- 4) Protection of river riparian buffer zone
- 5) Continue implementation of zero burning policy
- 6) Continue measurement, reporting and verification (MRV) of GHGs from the estates and mills

Compliance status: Full Compliance

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.

Findings:

Social Impact Assessments are available for the mill and each individual estate, done by PTPNIII in cooperation with the Community Research and Services of Research Department of North Sumatera University ('Lembaga Penelitian Universitas Sumatera Utara') as follows:

- SIA Document Sei Silau Oil Palm & Rubber estate and Palm Oil Mill, Setia Janji subdistrict, Asahan District, North Sumatera
- SIA Document of Huta Padang Estate Year 2012, Pasir Mandoge Sub-district, Asahan, North Sumatera
- SIA Document of Pulau Mandi Estate Year 2010, Buntu Pane Sub-district, Tinggi Raja, Asahan, North Sumatera
- SIA Document of Ambalutu Estate Year 2012, Ambalutu Sub-district, Asahan, North Sumatera

The SIA are detailed and includes an introduction on the purpose of the study, methodology applied, the assessment team, profile of the estates and surrounding stakeholders, overview of demography, economic and social aspects, analysis of positive and negative impacts and conclusions.

Based on SIA document notes:

- SIA study was conducted by institute of Community Research and Services of Research Department of North Sumatera University as independent facilitator on November 2012.
- Participative assessment process was conducted by PRA, FGD, SWOT analysis, and field data collection methods together with villagers and employees.
- The number of villages assessed was depending on the number of villages in the Ring I, for example in Sei Silau Estate taken as many as 9 villages, where each village was represented by 10 (ten) participants, so to 9 (nine) villages and workers of Sei Silau Estate was 100 (one hundred) assessment participants.
- Records of meeting with stakeholders at the time of SIA document creation are well documented.
- From the results of the study are known data as follow:
 - Rights to traditional and cultural sites surround the location
 - The economic potential of the village and the possibility of development based on the potential
 - Community institutions in the village including influential figures
 - SIA Report came with attendant list and activity documentation
 - Negative and positive impacts as the result of the company's operation
 - Plantation impact interaction on the development of the village and employees life.

Management unit showed evidence of participation of stakeholders as documented in the SIA report including the attendant list meeting with stakeholders during SIA document preparation.

The evidence of the monitoring / visit result of SIA in 2014 is available, for example the monitoring result in Ambalutu Estate. The monitoring result poured is stated in matrix form informed villages, five priorities, solutions alternative, implementation and information, for example:

- Ambalutu village: there are five priorities of impact reducing for improvement in infrastructure, venture capital difficulties, difficulties in obtaining animal feed, difficulty to work at Ambautu estate and skills training. From five priority programs, one activity has been implemented, namely the provision of livestock's grazing area in estate area in accordance with the signs installed in the estate area. For unrealized activities, village communities should re-submit the proposal.
- The invitation evidence addressed to Head of Village, community leaders, and religious leaders with SOA briefing agenda on August 1, 2012 is available. There was 47 participants attended the invitation and recorded in attendant list.
- Management unit showed the attendant list of impact reduction plan and monitoring dated January 02, 2014 attended by Head of Village from nearby Ambalutu Estate and employees of Ambalutu Estate.

The management unit showed both Sei Silau and Ambalutu estates has negative impact reduction plan and realization schedule, and conducted monitoring as reduction efforts done with implementation schedule (weekly, monthly, and yearly) including the person in charge of those activities.

The impact reduction plan has been communicated with affected stakeholders, like the village communities surround the estates and the employees. Management unit has identified formal institutions (LPM, BPD, Village Officials, Smallholders, PKK, and PNPM) and non formal institutions (youth mosque, arts group, and etc) in surrounding villages and Sei Silau POM. The institutions serve as partners by the company in communication and consultation business.

Management unit conducted impact evaluation to villages around the company operational area regularly each semester (every 6 months), such as evaluation on activities in Prapat Janji village, Urung Pane village, Sei Silau Timur village, Silau Maraja village, Sei Silau village, Ambalutu village, Karya Ambalutu village, and Buntu Pane village. The evaluation results reported in matrix form containing information of: villages name, development, since year, the location, negative and positive impacts and informations.

Evidence of surrounding communities involvement are as resource for SIA document preparation (included with attendant list and filled questionnaire from various villages around the estates and mills. The questionnaire includes perceptions (both positive and negative, grievances, benefits, aid obtained and assistance expected from PTPN III Sei Silau POM.

Compliance status: Full compliance

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

Findings:

The management unit has several procedures to conduct communication and consultation with stakeholders including employees, namely Working Procedure of Communication and Consultation with Stakeholders Number PK-3.00-03. Procedure purposed to create a balance communication and consultation and build on each other with stakeholders through accurate and transparent dissemination of information to stakeholders of PTPN III.

Here are some officers who conduct communication and consultation with stakeholders:

- Division Head, District Manager, Unit/Estate manager who responsible to communicate to stakeholders on the performance of PTPN III through website, telephone, mail, email, fax, and suggestion box. .
- Division Head, District Manager, Unit/Estate manager who responsible to follow up all requests of information, aspirations, suggestions and comments received from stakeholders.
- District Manager, Unit/Estate manager who responsible for mail, email, fax, phone note/ mass media (print/ electronic) from stakeholders who registered through archive clerk into the log book "incoming mails agenda" and at the same time preparing the sheets of disposition to receive response from management.

- Division head responsible for mail, email, fax, note/phone/mass media from district manager/estate manager/unit manager and stakeholders registered by secretariat clerk division into log book "incoming mails agenda" and at the same time preparing the sheets of disposition to be forwarded to responsible personnel for incoming and outgoing mails to be initialed and forwarded to get feedback from the Director of PTPN III

In performing his duties, estate manager assisted with a staff, for example Ambalutu estate manager appointed Estate Personnel Assistant to become officer who conducts communication and consultation with stakeholders through an internal memo No. KAMBT/INT/55/2014 dated March 19, 2014.

Based on the result of the public consultation with village officials, community leaders, and religious leaders from Ambalutu village, Sei Silau village, Sei Silau Tua village, Prapat Jani village, Pulau Mandi village, and Nadoras village, it is known that the appointed officer to conduct communication and consultation has been recognized and known for his phone number by communities because of frequent visit to villages around the operational area of the company.

Management unit has the list of stakeholders for each estate (Sei Silau Estate and Sei Silau POM, Huta Padang Estate, Pulau Mandi Estate, and Ambalutu Estate). List of stakeholders consist of the name of agency/stakeholder, leader name, address, and telephone number. For example, Sei Silau estate has stakeholder list of Sei Silau estate (based on the memorandum from Estate Manager of Sei Silau Estate to Division Head TI/TB and MR, Number PSSIL/3.12/MO/332/2015 dated April 28, 2015 regarding Stakeholder List year 2015): like Sub District Head, Koramil 13 Buntu Pane, Sectoral Police Prapat Janji, NGO (Asahan Pos Baru, People Dinamic, Koreksi, Bidik Kasus and Lacak), Contractor (KPKS Kesepakatan, CV Sama Suma, UD Bantasil, UD Berkah Sentosa, PT Anugerah Sumatera, UD Tysin, CV Itsar Mandiri, CV Tiga Mustika), Village Community (Sei Silau Plantation Village, Prapat Janji Village, Mekar Sari Village), Labor unions, and Cooperation UKK Sei Silau POM.

Management unit saved communication record with stakeholder, for example:

Complaints from the village heads around Sei Silau estate at a stakeholder meeting on May 12, 2015, including:

- Complaints from Village Head of Bangunsari namely that the road hardening from Sari Bangun Village to Sei Silau Barat Village along 2.5 km is not done yet.

Sei Silau estate management unit responded the complaint by giving the answer that the proposed request for aid given by the priority scale and adjusted to the available budget. For villages whose applications have not been carried out, they are requested to resend the proposal for further action. PTPN III has demonstrated great commitment in efforts to accelerate the villages development surround the plantation by providing aids/assurances in accordance with available budget.

Compliance status: Full Compliance

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.

Findings:

Complaint handling policy for employees and stakeholders are in:

- Procedure for Conflict Resolution Number IK-3.11-12. The scope of conflict resolution in all working areas of PTPN III which includes the conflict handling of arable area, complaints of relationship between company and stakeholders.
- Industrial Dispute Settlement Procedure Number PK-3-06-02.
- Collective Labour Agreement (Perjanjian Kerja Bersama /PKB) Chapter XIV, Complaints settlement Article 68 (Procedure for Resolution of Complaints and Grievances from Employees)

There is evidence of procedures briefing to employees and contractors on February 02, 2015, complete with attendant list and photo documentation.

Management unit has conducted employees satisfaction and engagement surveys. The survey results in the form of a circular letter dated March 31, 2015. District which has value below 85% in order to plan a follow-up survey immediately, and for district which has value passed or meet KPI (Key Performance In-

dex) is suggested to keep arrange a program fo maintain ESI value (Employee Satisfaction Index) and EEI value (Employee Engagement Index).

Factors used as satisfaction indicators were: facilities and working environment, conditions of working environment, reward package, leadership style, company culture, communication and grievance, hiring system, work appraisal system, training and development system, promotion and career development system.

Engagement factors used as assessment materials are: Alignment of efforts with strategy, working environment to encourage performance, teamwork and collaboration, self-development opportunities, support and recognition.

Dissatisfaction description for each estates are as follow:

Sei Silau Estate: Unsatisfactory health services (33.90%), Reward package and harvester labor premium less than satisfactory (25.42%), given PPE items (13.56%), Unfair work assessment (8.87%), damaged road (8.47%), work equipments to be completed (6.67%), Transparant recruitment (1.69%), increase the awareness of superiors to subordinates (1.69%).

Ambalutu Estate: Request of salary increase and reviewed premiums (77.78%), request to renovate employees housing (7.41%), utilization of technology advances needed for estate works cost efficiency (7.41%), unsatisfactory health services (3.70%), employees acceptances less than satisfactory (3.70%).

Huta Padang Estate: Reward package and increased premium (80.95%), lack of professionalism in hospital services (4.76%), career path (4.76%), road in work area to be considered (4.76%), PKB has not been fully implemented well (4.76%).

Pulau Mandi Estae: Basic salary and premium to be increased (42.86%), working tools to be completed (28.57%), policy to grade increasing (14.29%), unsatisfactory health services (7.14%), development program in accordance with current trend (7.14%)

Based on the complaints, management unit has drawn up an action plan of employees satisfaction and engagement survey. Matrix included goal, activity, maximum success criteria, minimum success criteria, implementation schedule, responsible person of activities, result and comment.

Compliance status: Full Compliance

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.

Findings:

Management unit showed Director of PTPN III Decree No.3.11/SKPTS/01/2015 dated March 31, 2015 regarding guidelinef for compensation implementation to arable area on PTPN III Plantation/Unit. Management unit has working procedure of conflict resolution No. IK-3.11-12. The scope of working procedure is conflict resolution in PTPN III working area which include the conflict handling in arable area, complaints about relationship between company with stakeholders, except employees.

Management unit has mapped the farmers based on the background for example employees, retirees, non-employee or ordinary people. The compensation granted to the farmers in accordance with the decision of the High Court of North Sumatera No. B-1357/N.2/Gp.2/04/2008 dated April 29, 2008 regarding Legal Consideration on Farmer Problems are Compensation for farmers' cleared area, and not as land compensation, because the land is legally owned by PTPN III.

Management unit of Sei Silau and Ambalutu estates has shown a vey human approach to farmers to make the farmers feel comfortable. Negotiation process carried out repeatedly by the company before it reached an agreement with farmers.

Interview result with farmers of Sei Silau Division IV, farmers of Sei Silau Division III block 21, and farmers of Ambalutu estate (community of Buntu Pane, Ekpolan village, sub village II), said that PTPN III always friendly and prioritize deliberation to face the farmers. Negotiation conducted several times until reached an agreement. Most farmers realized that cultivated land is owned by PTPN III, but since they already cultivate on it then they feel loss or unfair if there is no compensation to them.

Management unit keep the payment proof of compensation to the farmers in summary of matrix form

which contains information of farmer name, location, area, the paid compensation. It is completed with signature, personal statement, and invoice receipt of paid compensation. Each negotiation process involving the related parties is well documented. The conflict resolution with farmers can be accessed by public.

Compliance status: Full Compliance

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.

Findings:

Policies related to salary which used by as reference by management unit are:

- Provincial Minimum Wage (UMP) in North Sumatera as stated in Governor Decree Number 188.44/0972/KPTS/2014 dated December 12, 2014 regarding minimum wage in Asahan District year 2015 amount Rp 1,625,000 per month or increase 7.91% from the previous Rp 1,505,000
- PTPN Director Decree Number dated January 12, 2015 regarding salary increase for PTPN III employees

Management unit also provide information related to the minimum wage to the contractors who cooperate with the company, for example:

- Letter from Ambalutu estate manager Number KAMBT/X/59/2015 dated April 15, 2015 addressed to the contractors concerning minimum wage in Asahan District, for example: CV Puspa Sari Asahan, CV Perisai, CV Zepanya, CV Mutiara Indah so contractor employees comply with North Sumatera Governor Decision Number 188.44/0972/KPTS/2014 dated December 12, 2014 regarding minimum wage statement for Asahan District year 2015 amounted Rp 1,625,000/month.

Example:

- Employee salary, title insurance and pension clerk, class Ic. Revenue in April 2015 consisted of basic salary, fixed allowances, rice, social benefits such as water and electricity, special allowances, overtime hours paid for 48 hours, pension allowance A/B Company (6.04%), BPJS CEC A/B Company (4.54%), 'Badan Penyelenggara Jaminan Sosial' or BPJS (Social Security Administrator) Healthcare A/B Company (4%), PPh (tax of revenue) Article 21 A/B Company. Deduction composed of Tax Article 21 A/B Company, Pension A/B Company (6.04%), Pension A/B Employee (6%), BPJS CEC A/B Company (4.54%), BPJS CEC A/B Employee (2%), Employee Pension Fund DPLK (minimum Rp50,000), BPJS healthcare A/B Company (4%), BPJS healthcare A/B Employee (0.5%), Labor union, STM, other debts. The revenue minus the number of deduction is the amount received.

Labor laws in the Joint Agreement and appointment letter or contract. Contract and Joint Agreement has been read and understood by the employees prior signing of the agreement.

The example of employee acceptance and promotion:

- Employment agreement letter / appointment letter Number KSSIL/SPK/IX/2014. The agreement provides: start working date/probation (article 1), placement (article 2), income or salary (article 3), tasks and responsibilities (article 4), earned income and supplements (article 5), description of self-employees (article 6), overtime (article 7), transfer/ mutation (article 8), break days (article 9), conditions for only women employee (article 10), provisions only for employee live in village (article 11), signing of the letter of agreement or appointment certificate (article 12).

Management unit provides facilities and infrastructures for employee benefits fully, for example: facilities and infrastructures in Sei Silau estate are worship (mosque AtTaqwa, church), Islamic school Bustanur Rahmah, kindergarten, Football yield, tennis yield, badminton, and volley, mosque Alhusnah, mosque Nurul Huda, mosque Nurul Ikhlas, mosque Almuhajirin, policlinic, union office.

Management unit has company asset maintenance schedule in each division/ section with date, month, type of treatment, type of maintained asset, location of the asset. The result of field visit showed the facilities and infrastructures in good condition.

There are efforts made by the company to provide worker's access to decent food which is of reasonably affordable price, including to make the policy of:

- The provision of rice
- Flea market in estate every 2 weeks (the price is cheaper compared to the price in the city)
- Inviting merchants of daily needs to enter estate or mill housing, and
- Providing vehicle to go shopping to market for the employees once every month to reduce transportation cost for employees.

Compliance status: Full Compliance

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.

Findings:

The management unit of PTPN III Sei Silau POM Unit supports the existence of unions and EMC, the support is listed in labor agreement (PKB) article 5 (Organization Recognition), article 6 (facility for PTPN III unions), article 8 (negotiation between Board of Directors of PTPN III and unions of PTPN III).

Policy implementation, are:

- Letter from Sei Silau estate manager to board of bipartite Sei Silau estate number 139 year 2015 dated May 8, 2015 concerning Counseling to Increase Work Effectiveness of EMC
- Proof of registration of Sei Silau Union Number 04/DTK-VIII/01 dated August 06, 2001.
- Decree Number SPBUN III/SKPTS/16/IV/2013 regarding Board Composition and Human Resources of worker union level base or unit.
- Decree of Head of Manpower of Asahan District Number Kep 4856/III-DTK/XI/2014 dated 12014 about composition of EMC board in PTPN III Ambalutu Estate in Buntu Pane Sub District, Asahan District. EMC member tenure from June 2016 to Jne 2017. EMC management consists of chairman from employer party, the deputy of chairman of worker party, secretary of employer party, the deputy of secretary of employee party, and 3 members of employer party and 3 members from employee party.

The interview result with the chairman of the union of Sei Silau POM showed that the company strongly supports the existence of the union.

Workers union and EMC showed the minutes of the meeting in matrix form consist of discussed type and material, date and place of executed activities, implementation result and follow up.

The example of worker union minutes: Minutes of Union Meeting dated April 22, 2015 about the premium calculation refers to 3.08SE/SKPTS/04/2011 and how to improve the performance for increasing production of the oil and kernel and not cause finalty in premium calculation. Minutes of meeting are equipped with the attendant list and photo documentation.

Compliance status: Full Compliance

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.

Findings:

Based of document checking and interview result on field, no employee below age 18 years was found in PTPN III Unit Sei Silau POM. Youngest employee is Mr. Rendi Siagian who was born on September 02, 1995 and start working on May 12, 2014 or 19 years old (POM employee). Based on checks of employee records and field observations at all estates, there was no evidence found of underaged workers employed as well.

Compliance status: Full Compliance

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

Findings:

No discrimination found in PTPN III Sei Silau POM. The evidences are as follow:

- Job vacancy is available such as vacancy as harvesting labour in PTPN III (Persero). The committee appointed Plantation institution (LPP) in Medan College as consultant to recruit and select harvest labours. Some asked requirements (such as date of birth, education, domicile near plantation, following selection by LPP Medan), and reception selection path information (such as date of employee application reception, application reception, announcement of administrative selection and entry test as employee).
- Management unit showed circular letter regarding recruitment of prospective harvest labours number 3.08/SE/96/2014 dated March 11, 2014. In circular letter including some requirements as follow: mechanism and passing standard of each selection step in accordance with LPP Medan College.
- Announcement from labors selection team in Sei Silau estate with attention to Sei Silau Division Assistant to announce the Division community and community surround the Division about job vacancy: The requirement of new prospective labors is Indonesian nationality, education at least Primary school and highest High School, minimum 18 years old and maximum 30 years old, not consuming narcotics and not pierced, follow all selection process, fill the application with resume, copy of identification card and family registration card, good manner from police, yellow card from local Man Power agency. Announcement will be informed to communities that PTPN III is doing recruitment with those requirements. The evidence such as schedule of labors/employee selection, acceptance of application files of new candidates as harvest labors in Sei Silau estate. Selection system are: administrative selection, competency test of harvesting, interview selection and health selection in hospital recommended by selection team.

From list of employees and labors in Sei Silau POM, Sei Silau and Ambalutu estates are: 1026 people in Sei Silau estate, 182 people in Sei Silau POM, 455 people in Ambalutu estate. The backgrounds and religions are very diverse, mostly Java, Batak, Minang, and Nias ethnicities. Religions are Moslem and Christian. The data informed that no discrimination on reception selection.

Interview result to employee (Security Commander of Sei Silau Estate) that he read and understand the signed agreement letter before signing it, applied the job by himself to company without agent, clear career path, facilities gained from the company are health and work insurances, training depend posting grade and award of work achievement, and never get unfair treatment from company. On Work Agreement Letter, the rights and obligations are mentioned, for example Work Agreement Letter Number SSL/SPK/122/I/2000 dated January 21, 2000. Work Agreement Letter (SPK)/ Appointment Letter consists of Starting Work Day/Probation Time (Clause 1), Placement (Clause 2), Wage/ Salary (Clause 3), Duty and Responsibility (Clause 4), Income/ Perquisite (Clause 5), Information of Employee (Clause 6), Overtime (Clause 7), Rotation/Mutation (Clause 8), Rest Days (Sunday/Holiday) (Clause 9), Conditions to Female workers (Clause 10), Conditions to employee who live in village (Clause 11).

Compliance status: Full Compliance

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.

Findings:

Harassment policy is in:

- Code of conduct Chapter IV Work ethic division C No. 12, to not commit adultery such sexual harassment, defamation to superiors and subordinates and families.
- Working Agreement Chapter XIV Clause 68 about procedure to settle grievances and complaints of employees.

Policy Implementation:

- Briefing of sexual harassment policy by Director of PTPN III dated July 6, 2009.
- Briefing of sexual harassment to employee and contractors dated February 02, 2015.

However during interviews with female workers, it was found that:

1) A harvester's wife for Sei Silau estate informed that the company has not directly informed the wives of workers regarding the sexual harassment policy. The company should brief the wives of males workers regarding this policy even though they are not part of the company's workforce, so that the wives can also get assistance from the company in case of sexual harassment or domestic violence.

2) Female contracted workers at Ambalutu estate interviewed informed they had been informed on the estate's sexual harassment policy and know who to report to, however there is no female representative and no gender committee established to address women's issues

These were noted as observations.

Reproduction protection policy stated in Working Agreement for period year 2014 until 2015: Clause 26 regarding maternity leave, clause 27 regarding menstruation leave, Clause 57 regarding Family Planning.

Policy Implementation:

Masli Sirait, office staff of Sei Silau POM took menstruation leave on April 17-18, 2015. In salary transcript showed no deduction due to this leave.

Circular Letter from Director of PTPN III Number 3.08/SE/245/2011 dated June 28, 2011 include flow process if there is sexual harassment:

- Complaints addresses to Foreman I, Foreman and Division Assistant.
- Division staff can raise their complaints to estate personnel assistant.

Any violation made must be processed by litigation and peace process, if no violation made then litigation will not be conducted.

Compliance status: Compliance with observations

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

Findings:

Management unit has policy to set the price of FFB as follows:

- Working procedure of purchasing and pricing of FFB to third party, Number PK-3.03-12. FFB purchased by third party is FFB received from other sources who are not from PTPN III land area by compensation and pricing is set based on:
 - Yield forecast of oil and kernel
 - Latest selling price realization (auction) of oil and kernel
 - Average annual cost pure processing (RKAP) (Rp/Kg.M + I)
 - Annual selling cost RKAP and commercial (Rp/Kg M + I)
- Memorandum from Commercial Head Division Number 3.07/MO/84/2015 dated April 30, 2015 regarding FFB price to third party. Memorandum refers to circular letter from Director Number 3.05/SE/01/2009 dated February 12, 2009, about formulation of FFB buying price to third party/smallholder and selling cost. In the memo has price information of CPO, kernel, selling cost as basic to set the price for buying FFB. CPO Price Rp 7,045.31/kg, kernel price Rp 4,848.90/kg and selling cost Rp 216.41/kg.

Flow procedure of FFB buying and processing to third party are as follows:

- POM propose the tonnage, FFB criteria and prospective suppliers.
- District publish purchasing order and set the price list of FFB purchasing D
- Commercial team give CPO and kernel price information
- Accounting team create formulation of FFB purchasing price to third party
- POM purchase and recapitulate purchasing and publish the minutes
- District pay FFB to third party and report the purchasing and evaluate the activity
- Technology team conduct evaluation and monitoring.

Purchasing price is stated in FFB Trade Agreement Clause 5 as follow:

- Purchasing price per kg of FFB set by buyer and in accordance with market price can change due to CPO and kernel price changes/ growth set by commercial team of PTPN III.
- FFB purchasing price by Sei Silau POM Manager refers to FFB setting price by Asahan District Manager.
- Price of FFB per kg is given to seller and price is vary refers to yield visually from FFB quality sorting by buyer.
- Selling price set transparently by POM in public area and or announcement board which can be seen by 3rd party seller.

Interview result by management unit of FFB pricing which valid in POM is in accordance with Circular Letter Number 3.05/SE/01/2009 dated February 12, 2009. Final price informed everyday by district manager, there is condition to set the FFB grade (Super, A,B,C,D,E). For example the price of FFB Grade Super (S10) dated May 19, 2015 was Rp 1,715, dated May 20 was Rp 1,715, and dated May 21, 2015 was Rp 1,700. Circular letter from District Manager was published in announcement board to be seen by public.

Management unit has conducted a working procedure briefing of purchasing and pricing of FFB (PK-3.03-12) to parties.

Based on interview result to local contractors, they understand the contract and they have the copy of the contract. The example of agreement letter with contractor:

- Based on FFB sale and purchase agreement letter in Sei Silau POM of PTPN III Number Dasah/SPJ/TBS/01/2015 dated March 31, 2015 between PTPN III Asahan District with UD Bentasil in Dusun VIII Prapat Janji Village Buntu Pane Sub District Asahan District. The agreement cover: Amount of FFB at least 100 tonnes per day (Clause 1), quality of FFB (Clause 2), FFB Sorting conditions (Clause 3), FFB receiving requirement (Clause 4), Price (Clause 5), Purchase monitoring (Clause 6), Payment method (Clause 7), Mill capacity (Clause 8), Force Majeur Condition (Clause 9), conflict resolution (Clause 10), Announcement (Clause 11), duration of agreement (Clause 12), Good intention (Clause 13), termination of agreement (Clause 14) and etc (Clause 15).

Based on interview result with contractor, the payment from PTPN III in accordance with agreed contract.

Evidence of payment of contract is available with Number Dasah/KAMBT/SPK-TAN/07/2015 dated February 24, 2015. The payment evidence completed by acceptance of work order, report of physical progress of work.

Compliance status: Full compliance

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

Findings:

Management unit contributed in local development by Environment Development program and tax payment.

Implementation of this environment development activity was conducted in Sei Silau Estate as follow:

- Islamic school aid in Setia Janji Sub District with 50 study desks, 100 chairs, 4 set of teacher desks, 4 blackboard and 4 bookcases.
- Aid for SMK Negeri I Buntu Pane in Setia Janji Subdistrict with building materials.
- Scholarships for Primary, Elementary and High School surround the estates (Setia Janji and Buntu Pane Subdistricts)
- Aid of churches and orphans in Setia Janji and Buntu Pane Subdistricts
- Implementation of cheap market welcoming holy month Ramadhan in villages surround the estates
- Aid of fencing material to Primary (SDN) school No 013841 in Buntu Pane Subdistrict
- Aid of material for street paving to Silau Tua village in Setia Janji subdistrict.

- Aid of material for mosque renovation on community land of Pulau Banding
- Aid of sacrificial cows for Id Adha holy day 1434 H in Sei Silau Barat village and Bangun Sari village
- Aid of ditch to Sei Silau Timur village
- Aid of partner relationship for fried banana business and motorbike workshop.

Taxes:

- Tax of water usage of company facility in Ambalutu Estate on February and March (Kohir Number 06/APU ASH/II/2015 and Kohir Number 06/APU ASH/III/2015) amount Rp 431,264 with receipt from Revenue Agency of North Sumatera Province UPTD Kisaran Regency on May 4, 2015
- Tax of water usage for housing in Ambalutu Estate on February and amount Rp 215,632 with receipt from Head of Revenue Agency of North Sumatera Province UPTD Kisaran Regency on April 17, 2015

At the time of this certification audit, the mill had not developed a plan for certification of associated smallholders and outgrowers, which was noted as an observation.

Compliance status: Compliance with observations

Criterion 6.12: No forms of forced or trafficked labour are used

Findings:

Management unit showed job application evidence and work agreement or letter of appointment to describe no worker is traded or coerced into working for the company. Application letter contains job application, good manner statement from police, health statement, certificates and transcript. Management unit showed SPK (work agreement letter) which describe both parties and prospective employee to acknowledge the rights and obligations.

For example:

- SPK No. KSSIL/SPK/IX/2014. Agreement consists of: Start work date/probation time (Clause 1), placement (Clause 2), Wage (Clause 3), Duty and Responsibility (Clause 4), Earned Income/perquisite (Clause 5), Information of employee (Clause 6), Overtime (Clause 7), Transfer duty/ mutation (Clause 8), Rest days (Sunday/ holiday) (Clause 9), Conditions for female employees (Clause 10), Conditions for employees who live in village (Clause 11), Signing of Work Agreement Letter or Appointment Letter (Clause 12).

Interview result with employees in Ambalutu Estate and Sei Silau estate that employees sent the application and attended the recruitment selection with no coercion to work in the company, because each position has been discussed prior to related employee, and they were not on another unit even also in PTPN III. Job on field is in accordance with appointment contract and promotion signed by the related employee.

Compliance status: Full Compliance

Criterion 6.13: Growers and millers respect human rights

Findings:

Management unit has policy to respect Human Rights as follow:

- Circular Letter from PTPN III No. 3.08/SE/245/2011 dated June 28, 2011 regarding Human Rights. The rights including living rights, equality rights, independence and personal safety rights, equal public protection rights, physical health and mental service rights, decent work and good work environment rights, further education rights and not to be abused or inhumanity rights.
- Briefing evidence, attendant list and documentation of human rights briefing.

Compliance status: Full Compliance

Principle 7: Responsible development of new plantings

Findings:

All estates has no new development area program. All estate area was established for descades, i.e. for Sei Silau estate since year 1958, and for Ambalutu and Pulau Mandi estate, they were established in 1910 and had undergone plantings of several different types of crop since then. While Huta Padang estate has been planted since prior to 1978, as explained in Section 1.8.

Currently, the entire concession area (HGU) of Pulau Mandi estate 3.766,40 ha have been planted with rubber (377 ha) and oil palm 3.244,40 ha, and the remaining is non planted areas. Pulau Mandi estate's first planting took place in year 1991 for an area of 41,15 ha and completed plantings in year 2012 for 10,30 ha areas of rubber and oil palm 343,70 ha.

As there are no new plantings, this requirement is not applicable.

Compliance status: 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.

Findings:

All estates and the mill have continous improvement plans in the form of the environmental management and monitoring plan (RKL-RPL) (revised), which has approved by the head of Environment office Asahan District by letter decree No. 660.1 / 281 / LH / 2009 dated April 22, 2009, for 6720.90 ha estate and 7.03 ha area for mill, capacity of mill is 60 ton FFB/hour, which located in Sei Silau Barat – Sei Silau Timur, sub district Setia Janji, Buntu Pane, Asahan District, North Sumatera. Huta Padang estate has revised RKL-RPL documents that have received approval from the Office of Environment Asahan No. 660.1 / 282 / LH / 2009 on April 23, 2009. Approval letter for RKL-RPL Pulau Mandi estate on April 27, 2009 by decree No. 660.1/283/LH/2009. The responsible part for execution of environmental management and monitoring, namely Section Processing (3:03) at head office

Environmental management reports for first and second half of 2014 as evidence that environmental management have been implemented and has reported to the environmental office district Asahan and northern Sumatra province. All activities required has been fully implemented by the company. Waste identification and management plans are identified in the environmental management plans for the estates and mill as described under CR5.3. The mill and estates have documented short-term and long-term GHG mitigation plan as described in detail under CR5.6.

Compliance status: Full Compliance

3.2 Identified Non-conformances, Corrective Actions Taken and Auditors Conclusions

A total of 11 nonconformances to the RSPO P&C 2013 were identified during the main certification assessment. These consisted of 7 major non-conformities and 4 minor non-conformities. 4 major non-compliance to the RSPO Supply Chain certification Standard 2014 were also identified. For the major non-conformances, the company has taken the necessary corrective action to close these non-conformances, and this was verified by the audit team through checks of documents submitted by the company. For the minor non-conformances, the company has taken corrective action against these as well, and for those which could not be verified as closed through document checks, the closure of these minor non-conformities will be assessed during the next surveillance audit. A summary of all identified non-conformances, corrective actions taken and auditor conclusions is as below:

A) RSPO Principles & Criteria 2013

Criterion 2.1.1 (Major indicator): Evidence of compliance with relevant legal requirements shall be available.

Non-conformance 01 of 11 (Major non-conformity):

Storage time for hazardous wastes has exceeded the maximum allowable time period, that is 90 days, for example:

- In Sei Silau Estate, the most recent collection by PT Primanru Jaya was conducted on March 18, 2014 for 355 tonnes of used oil, 604 chemical packing, 5744 fertilizer bags, 2 pieces carbon, 40 pieces of light bulbs and 46 pieces of used tape. There has been no collection by the contractor since.
- In Ambalutu Estate, the last collection by PT Primanru Jaya conducted on March 14, 2014 for 233 used oil containers, 23 kg of old rice bags, 40 pieces plastic drums, 2595 of rice sacks and 70 kg of chemical packaging. There has been no collection by the contractor since.
- The same problem was found in all other locations, where the date of last collection was as follows, but there was no collection since then.
 - Sei Silau Mill: April 01, 2014
 - Huta Padang estate: March 19, 2014.

Correction:

To transport all hazardous waste accordingly and ensure they are collected

Corrective Action:

To maintain records of collection of hazardous wastes

Verification result:

The company provided evidence of collection of hazardous wastes by a new contractor for collection of hazardous wastes, i.e. PT Putra Tunas Sejati as follows:

- Letter of appointment of PT Putra Tunas Sejati as hazardous waste collector of PTPNIII Sei Silau dated 11 March 2015
- Sei Silau Mill: Manifests of hazardous waste collection dated 29 June 2015 for 100 litres of dirty oil, 8.8 kg of used filters, 27kg of used computer tapes, 20 kg of used light bulbs, 84kg of used laboratory solvent, 637.35kg of clear plastic chemical containers, 1019.76 kg of used gunny sacks, 85 kg of used chemical containers, 113 kg of contaminated rags, and 40 kg of used batteries
- Sei Silau estate: Manifest of hazardous waste collection dated 8 July 2015 for 658 pcs of used jerry cans, manifest dates 4 June 2015 for collection of 99.729 pcs of used fertilizer bags, manifest dated 29 June for collection of 405 litres of used oil and 18 kg of computer tapes, 4 pcs of used batteries
- Huta Padang estate: Manifest of hazardous waste collection dated 4 June 2015 for 145 pieces of light bulbs, 730 litres of used oil
- Ambalutu estate: Manifest for collection of hazardous wastes dated 9 July 2015 for 45 litres of used oil, 3 used batteries, 13 fuel filters and 8 oil filters

This was accepted as evidence of immediate action taken.

Auditor Conclusions: Closed

Date of closure: 9 July 2015

Criterion 2.1.1 (Major indicator): Evidence of compliance with relevant legal requirements shall be available

Non-conformance 02 of 11 (Major non-conformity):

Location: Huta Padang

There is no evidence that the health services implemented at the Huta Padang estate Polyclinic complies with Regulation of the Minister of Manpower No. 3 of 1982 on Health Care Workers, which specifies that the operator of occupational health services shall be led and implemented a doctor appointed by the director of 'Binawasnaker' (Training and Supervision of Labour).

Correction:

Health Services to be fully conducted at Sei Dadap Hospital

Corrective Action:

Health Services to be fully conducted at Sei Dadap Hospital

Verification result:

The company initially provide a letter of declaration by Sei Dadap hospital stating that Dr. Yudi Prasetia was appointed as their doctor for Huta Padang estate polyclinic. This was not accepted as adequate to close the non-compliance and the company provided follow-up evidence in the form of a letter to the Manpower Department of Asahan dated 20 October 2015 requesting for approval of their appointed doctor, Dr. Yudi Prasetia as the responsible doctor at their polyclinic. The Manpower Department of Asahan provided a stamped response letter dated 29 October 2015 stating that the approval of Dr. Yudi Prasetia was still in process and the company. There was no indication of objection of the department to the appointment of Dr. Yudi as company doctor, hence while the process of approval by the manpower department is ongoing, this was accepted as evidence taken to comply with the requirement that the company doctor shall be appointed by the local authorities.

Auditor Conclusions: Closed with observations

Date of closure: 29 October 2015

Criterion 2.1.3 (Minor indicator): A mechanism for ensuring compliance shall be implemented.

Non-conformance 03 of 11 (Minor non-conformity):

Location: Sei. PKS Sei Silau, Pulau Mandi Estate

Evaluation of monitoring of legislation implemented is not yet done appropriately according to the company's procedure for Identification and Evaluation Work and Compilation of Legislation (PK-3.11-01 Rev Doc. 0.0), as it was not found at the time of the audit any results of monitoring of compliance with laws and regulations which were distributed by the Legal Department to manager district level and plantations/mill unit.

Correction:

To conduct legal compliance evaluation in accordance with (Doc PK-3.11-01 Rev . 0.0) work instruction on Identification, Evaluation and Compilation of Legal Requirements.

Corrective Action:

To document all legal requirements and ensure they are up to date

Verification result:

Sei Silau mill and Pulau Mandi estate provided evidence of evaluation of compliance to legal requirements done for year 2014.

Auditor Conclusions: Effectiveness of closure to be verified during next surveillance audit

Criterion 4.5.1 (Major indicator): Implementation of Integrated Pest Management (IPM) plans shall be monitored

Non-conformance 04 of 11 (Major non-conformity):

The company has conducted monitoring of pests and diseases of plants though global detection, effective telling and re-telling, however, the decision for conducting eradication / control was not done in accordance with the Pest Control Palm oil IK IK-3.01-03 / 11 rev 1 dated 14-01- 2015.

Example: Pulau Mandi Estate

Correction:

To conduct control of Pests and Diseases In accordance IK No .: 3.01-03 / 11 rev 1 dated 14-01-2015

and maintain records of Pests and Diseases control activities

Corrective Action:

To maintain all records of control of pests and diseases activities

Verification result:

The company provided evidence of training on Pest and Diseases Management done on 20 May 2015 for 30 participants from Divisions 1 to 5 of Pulau Mandi estate, including signed attendance lists and photos of the training conducted. The estate also provided evidence of pests and diseases report or June 2015 showing areas at each estate block where telling was conducted, area and no. of palms sampled and the no. of nettle caterpillars and bagworms found. There were also columns indicating that chemical treatment was only applied in areas where pest attacks were found to be medium or high, whereas in areas with no or low attack rates, no chemical treatment was done. This is in accordance with the company's work instruction Pest Control Palm oil IK IK-3.01-03 / 11 rev 1 dated 14-01- 2015.

Auditor Conclusions: Closed

Date of closure: 30 June 2015

Criterion 4.6.11 (Major indicator): Specific annual medical surveillance for pesticide operators, and documented action to treat related health conditions, shall be demonstrated.

Non-conformance 05 of 11 (Major non-conformity):

Location: Pulau Mandi Estate

There was no evidence of action taken to follow up on the results of health workers as required in the Regulation of the Minister of Manpower of the Republic of Indonesia No. 02 Year 1980 for workers conducting field maintenance at Pulau Mandi estate engaged from contractors, i.e. CV. Guning Krame, CV Fanny & Co, Hafiz CV and CV Bersama, although according to the results of laboratory examination showed chemical levels in the blood (cholinesterase) below the normal limit for these contracted workers.

Correction:

To follow up on the results of the chemical levels in the blood (Cholinesterase) are below the normal limit found in contracted workers from CV. Gunung Krame, CV. Fanny& Co, CV. Hafidz dan CV. Bersama.

Corrective Action:

Coordinate between Pulau Mandi estate and contractors to establish a good working relationship.

Verification result:

Pulau Mandi estate provided evidence of letters to their contractors listing the contracted workers found to have blood cholinesterase levels above the safe limit (with medical test results attached) and responses from the contractors confirming that the workers were transferred to other types of work, e.g.:

- i) Letter to CV Gunung Krame dated May 2015 listing four workers found to have blood cholinestase results above the safe limit. CV Gunung Krame provided a response letter dated 21 June 2015 stating that the workers had been transferred to manual field maintenance work (digging unwanted palm saplings).
- ii) Letter to CV Fanny and Co. dated May 2015 listing one worker found to have blood cholinestase results above the safe limit. CV Fanny and Co. provided a response letter dated 20 June 2015 stating that the worker had been transferred to manual field maintenance work (palm circle maintenance)
- iii) Letter to CV Bersama dated May 2015 listing one worker found to have blood cholinestase results above the safe limit. CV Bersama provided a response letter dated 20 June 2015 stating that the worker had been transferred to manual field maintenance work (digging unwanted palm saplings).
- iv) Letter to CV Hafidz dated May 2015 listing one worker found to have blood cholinestase results above the safe limit. CV Hafiz provided a response letter dated 22 June 2015 stating that the worker had been transferred to manual field maintenance work (digging unwanted palm saplings).

Auditor Conclusions: Closed

Date of closure: 22 June 2015

Criterion 4.7.1 (Major indicator): A health and safety policy shall be in place. A health and safety plan covering all activities shall be documented and implemented, and its effectiveness monitored.

Non-conformance 06 of 11 (Major non-conformity):

Location : Sei Silau Palm Oil Mill, Pulau Mandi estate & Huta Padang estate
From the audiometric laboratory results from the Center for Occupational Health and Safety Medan No. 31A / LHU-KES / BK3-MDN / IV / 2014, found there are some employees who experience reduced hearing, as follows:

- 8 employees at the mill
- Field workers at Pulau Mandi estate
- 6 workers at Huta Padang estate

However, there has been no follow up action taken for these employees who have reduced hearing as stipulated in the Minister of Manpower Regulation No. 2 of 1980 on the Health Workforce in Implementation of Safety.

Correction:

To follow up on the results of the Hyperkes examination of the 8 workers from Pulau Mandi estate and 6 workers from Huta Padang estate.

Corrective Action:

Evidence of follow up the implementation of the results of the health of all employees are documented.

Verification result:

The company only provided evidence of audiometric tests done on workers and evidence of transfer of affected workers to other stations to prevent further hearing loss as follows;

- Sei Silau Palm Oil Mill: Audiometric tests were done on 12 November 2015 for 10 workers working at high noise areas, with 7 workers found to have hearing reduced heating. These workers were transferred to other work stations as seen in letter dated 23 April 2016 approved by the mill management.
- Huta Padang estate: For audiometric tests done on 20 March 2014 (prior to the certification audit) for 10 workers working at the genset, grass cutting, carpentry, workshop and as truck driver assistant, it was found 6 out of the 10 workers were found with reduced hearing loss. There is evidence of reassignment of these workers to other work as seen in letter of reassignment dated August 2015 and signed by the estate manager.
- Pulau Mandi estate: For audiometric tests done on 24 March 2014 (prior to the certification audit) for 10 workers working at the genset, carpentry, workshop, maintenance, welding and engine room, it was found 6 out of the 10 workers were found with reduced hearing loss. There is evidence of reassignment of these workers to other work as seen in letter of reassignment dated 18 April 2016 and signed by the estate manager.

Auditor Conclusions: Closed

Date of closure: 18 April 2016

Criterion 4.7.6 (Minor indicator): All workers shall be provided with medical care, and covered by accident insurance.

Non-conformance 07 of 11 (Minor non-conformity):

Location: Ambalutu Estate

The management unit has not shown enough evidence that the contracted workers have for accident insurance protection.

Correction:

To register contracted workers working at Ambalutu estate (KAMBT) for workplace accident insurance

protection.

Corrective Action:

To collect and register work accident insurance protection for every worker who works under contractor.

Verification result:

Ambalutu provided the evidence of calculation of insurance premium based on contract amount required to paid for insurance of contracted workers from several of the estate's contractors, i.e. CV Perisai, CV Puspasari Asahan, CV Mandiri, CV Rizki Utama, CV Davi Perkasa, CV. Tri Mutiara Indah, CV Zepanya, CV Deandra Namora Abadi. Total amount due was calculated to be RP 406,882. Sighted receipt of payment dated 19 June 2016 this amount for purpose of insurance payment of contract workers for the month of May 2015 to BJPS ('Badan Penyelenggara Jaminan Sosial' or the Social Security Administrator) Manpower.

Auditor Conclusions: Effectiveness of closure to be verified during next surveillance audit

Criterion 5.2.2 (Major indicator): *Where rare, threatened or endangered (RTE) species, or HCVs, are present or are affected by plantation or mill operations, appropriate measures that are expected to maintain and/or enhance them shall be implemented through a management plan.*

Non-conformance 08 of 11 (Major non-conformity):

Monitoring of HCV has not been done according to procedure 'HCV Management and Monitoring PK-3.01-08', for example, monitoring the diversity of fauna and measurement of water quality and quantity as indicated on HCV Monitoring Form at Division VII and IV has not been done according to procedure. The HCV management program has not been implemented fully.

Example: Huta Padang estate

Correction:

Perform monitoring in accordance with the company procedure for HCV Management and Monitoring, HCV PK-3.01-08, for example, monitoring the diversity of fauna and measurement of water quality and quantity as indicated on HCV Monitoring form for Division VII and IV.

Corrective Action:

To implement monitoring and management of HCV and document HCV monitoring activities in accordance with work instruction PK 3.01-08, and the HCV Management Program, and to carry out measurements of water quality and quantity in the appropriate form of monitoring.

Verification result:

Huta Padang estate provided evidence of HCV monitoring results using the company forms for HCV monitoring, i.e.:

- Form for monitoring sloped areas used for Division VII, for 1st and 2nd semester of year 2015
- Form for monitoring river riparian buffer zones for Division IV for 2nd semester of year 2015
- Form for monitoring of wildlife habitats used for Division IV and VII for 1st semester of year 2015
- Form for monitoring of water bodies used for Division IV for 2nd semester of year 2015

Auditor Conclusions: Closed

Date of closure: 26 August 2016

Criterion 5.3.2 (Major indicator): *All chemicals and their containers shall be disposed of responsibly.*

Non-conformance 09 of 11 (Major non-conformity):

1) There is no evidence on the record of collection of empty chemical containers (20L) at Ambalutu Estate that the steps were taken to ensure chemical containers are not disposed of in a place which is

improper or misused for other purposes

2) There was no evidence that used packaging chemicals (4 pieces of containers and 21 bottles) which was sent from Division II of Huta Padang estate, according to Form AU-58 No.0006567 has been received and stored in the hazardous waste warehouse.

Correction:

- 1) To record of receipt of chemical containers into the logbook and not misuse chemical containers.
- 2) To prepare the delivery note for the chemical containers (4 pieces cans and 21 bottles).

Corrective Action:

- 1) To maintain records of all used chemical containers up-to-date and ensure all used chemical containers are stored in the appropriate place and not misused for other purposes
- 2) All deliveries of used chemical containers must be with a delivery form and all deliveries shall be documented and maintained up-to-date

Verification result:

The company provided evidence of item delivery form used for Division II of Huta Padang estate to record number of outgoing chemical containers (4 pieces of containers and 21 bottles) and logbook showing the number of outgoing and incoming chemical containers. The number of outgoing and incoming used containers as well as areas where the items went to are recorded accordingly.

Auditor Conclusions: Closed

Date of closure: 26 August 2016

Criterion 5.3.3 (Minor indicator): A waste management and disposal plan to avoid or reduce pollution shall be documented and implemented.

Non-conformance 10 of 11 (Minor non-conformity):

Ambalutu Estate currently has not identified all sources of wastes and pollution and does not have a waste management and disposal plan to avoid or reduce pollution. Domestic waste is currently not collected or managed by the estate as workers at Sei Silau estate and Ambalutu estate informed that they dispose of waste directly as small holes dug behind their houses and occasionally carry out waste burning

Correction:

To dispose all domestic wastes in the collective landfill and not carry out any waste burning

Corrective Action:

To create an implementation and monitoring program and carry out briefings to workers to inform them to stop disposing of rubbish indiscriminately and that burning of waste is prohibited

Verification result:

Ambalutu estate provided evidence of a briefing done for 22 workers on 31 July 2015 at their housing area including signed attendance list, photos and a minutes of the briefing indicating that the workers had been informed to stop disposing of rubbish indiscriminately, and not to carry out waste burning and pollution of the environment. The workers were also informed to segregate their wastes to organic and inorganic wastes. The company provided photos showing separate landfills for organic and inorganic wastes that were prepared.

However, the company did not provide evidence of identification of all wastes and pollution sources and a document waste management and disposal plan. The availability of the plan will be verified during the next surveillance

Auditor Conclusions: Effectiveness of closure to be verified during next surveillance audit

Criterion 5.3.3 (Minor indicator): A waste management and disposal plan to avoid or reduce pollution shall be documented and implemented.

Non-conformance 11 of 11 (Minor non-conformity):

- a) Most of hazardous waste is stored in a place outside the permit granted. i.e: Pulau Mandi estate
- b) Based on waste logbook, collection of hazardous waste, i.e. old Sida up containers on March 2015 is different with the data on warehouse there are 26 jerry cans already distributed to divisions in Pulau Mandi estate on March 2015.

Correction:

- a) Storage of hazardous wastes shall only be temporary while waiting for delivery to the hazardous waste store with a permit
- b) To collect all old Sida Up containers and ensure the number collected is consistent with the amount delivered from the store.

Corrective Action:

- a) All hazardous wastes shall be stored at a designated place with permit and recorded in the hazardous waste collection and storage logbook LB3.
- b) To have all waste chemical containers returned to the store in accordance with the number of containers delivered from the store with respective delivery notes.

Verification result:

- a) The company informed that the current hazardous waste store with permit was not large enough to store all their hazardous wastes were stored in a store without permit and arrangements will be made to transport and hazardous wastes produced to a store with permit.
- b) Pulau Mandi estate provided evidence of request and delivery forms for all chemicals issued in month of March 2015 from the estate, however this is only showed the area and amount of chemicals requested, with no information on the number of containers issued. The estate also provided item delivery notes for delivery of 5 Sida up container and 59 starance bottles from Division II of the estate to the store, and another item delivery notes for 6 Glyphosat containers from Division III to the store. However, the summary of chemical containers received for March 2015 showed 76 container being kept that month. From the evidence received it is still not clear how the estate would monitor their chemical containers to ensure the number the chemical containers delivered to the field for spraying would be consistent with the amount of empty containers received back. The implementation of corrective action to ensure consistency between the amount of chemical containers delivered and the amount of empty containers received back will be further verified during next surveillance.

Auditor Conclusions: Effectiveness of closure to be verified during next surveillance audit

B) RSPO Supply Chain Certification Standard 2014

Clause E.1.1: Certification for CPO mills is necessary to verify the volumes of certified and uncertified FFB entering the mill and volume sales of RSPO certified producers. A mill may be taking delivery of FFB from uncertified growers, in addition to those from its own certified land base. In that scenario, the mill can claim only the volume of oil palm products produced from processing of the certified FFB as MB.

Non-conformance SCCS-01 of 04 (Major non-conformity):

Sei Silau Mill management has not prepared a mass balance simulation sheet that separates the reception of certified and non-certified FFB.

Correction:

To revise procedures and work instructions regarding acceptance of certified and non-certified FFB and prepare a mass balance simulation sheet

Corrective Action:

To document procedures and work instructions regarding acceptance of certified and non-certified FFB.

Verification result:

The company has revised work instruction (no.IK-3.03-12/01 rev.01) regarding preparation of a mass balance simulation sheet (FFB receipt) on trial period.

The mill has carried out simulation regarding SCCS implementation dated on 1 June 2015 from handling FFB receipt up until writing mass balance report. FFB delivery record with certified status has marked "CSPO" stamp whereas non-certified status has marked "Non CSPO" stamp as sampled from weighbridge tickets & FFB delivery notes dated on 1 June 2015 as follows:

- From Ambalutu estate (weighbridge ticket number : 0498209 and FFB delivery note : 3114092) marked as FFB certified status
- From Bandar Selamat estate (weighbridge ticket number : 0497137 and FFB delivery note : 37785) marked as FFB certified status
- From Sei Silau estate (weighbridge ticket number : 0497636 and FFB delivery note : 3KSSIL04.06.2015) marked as FFB certified status
- From Huta Padang estate (weighbridge ticket number : 0498229 and FFB delivery note : 02/VII/2015) marked as FFB certified status
- From Pulau Mandi estate (weighbridge ticket number : 0497072 and FFB delivery note : KPMDI/02/m/06/15) marked as FFB certified status,
- From supplier named CV Itsar Mandiri (weighbridge ticket number : 0493014 and FFB delivery note : 000500) marked as FFB non-certified status
- From supplier named CV Sama Suka (weighbridge ticket number : 0493015 and FFB delivery note : 0000710) marked as FFB non-certified status,
- From supplier named KPKS "Kesepakatan" (weighbridge ticket number : 0497898 and FFB delivery note : 001932) marked as FFB non-certified status
- From supplier named PT Anugerah Sumatera (weighbridge ticket number : 0495152 and FFB delivery note : 0000604) marked as FFB non-certified status
- From supplier named UD Bentasil (weighbridge ticket number : 0493012 and FFB delivery note : 029695) marked as FFB non-certified status
- From supplier named BS (weighbridge ticket number: 0495166 and FFB delivery note : 0003288) marked as FFB non-certified status
- From supplier named UD Tasyri (weighbridge ticket number: 0493010 and FFB delivery note: 00260) marked as FFB non-certified status

- From supplier named UD Bandik (weighbridge ticket number: 0493016 and FFB delivery note: 0000631) marked as FFB non-certified status.

Moreover, the mill has provided mass balance sheet for trial period dated on 1 June 2015. The MB sheet has information on the names of estates or supplier, their FFB certified or FFB non-certified status and their volume of FFB supplied. Information of name of estate or supplier and their volume & status on the mass balance report with weighbridge ticket and FFB delivery note is indicated.

During actual implementation of the system, the mill will input all information on FFB received from weighbridge into the commercial database/application form in the company's intranet system as mass balance report, for example daily report of FFB receipt (FFB certified and FFB non-certified has separated) per mill under PT Perkebunan Nusantara III (Persero).

The mill has carried out supply chain training and simulation of the system on 01 June 2015 and refresher training or re-briefing of RSPO SCCS requirement on 20 October 2015 at the Sei Silau mill meeting room. Participants of the supply chain training included all persons-in-charge of the supply chain system implementation. Whereas, participants of the refresher training or re-briefing was the manager, assistant manager, assistant administration and human resources, assistant laboratory/sortation, technical assistant, assistant process (I & II), weighbridge supervisor & operator, security, sortation supervisor & operator, production/processing supervisor and document control officer. Records of the supply chain training and refresher training or re-briefing in the form of photographs, content of training (supply chain model & work instruction or work procedure relate of the FFB receipt and selling product (CPO & PK)) and attendance list was available.

Auditor Conclusions: Closed

Date of Closure: 20 October 2015

Clause E.2.1: The estimated tonnage of CPO and PK products that could potentially be produced by the certified mill must be recorded by the CB in the public summary of the P&C certification report. This figure represents the total volume of certified palm oil product (CPO and PK) that the certified mill is allowed to deliver in a year. The actual tonnage produced should then be recorded in each subsequent annual surveillance report.

Non-conformance SCCS-02 of 04 (Major non-conformity):

Sei Silau Mill management has not prepared a mass balance simulation sheet that separates the production of certified and non-certified FFB

Correction:

To revise procedures and work instructions regarding production of certified and non-certified FFB and prepare a mass balance simulation sheet

Corrective Action:

To document procedures and work instructions regarding production of certified and non-certified FFB.

Verification result:

The company has revised work procedure (no.PK-3.07-41 rev.01 and no.PK-3.07-43 rev.01) regarding preparation of a mass balance simulation sheet (product processing until selling) during trial period.

The mill has provided a simulated mass balance sheet for trial period dated on 1 June 2015. The MB sheet included information on the names of estates or suppliers, their certified or non-certified status, their volume of product (CPO & PK) and value of extraction rate (OER & KER) for that day for the mill. Information of name of estate or supplier and their volume of product & status on the mass balance simulation sheet for processing product with mass balance simulation sheet for FFB receipt has been indicated.

During actual implementation of the system, the mill will input all information of processed products from sounding result on the commercial database/application form in the company's intranet system as mass balance report, as seen from sampled processed products (CPO & PK certified and CPO & PK non-certified has been separated) per mill & region under PT Perkebunan Nusantara III (Persero).

The mill has carried out supply chain training and simulation of the system on 01 June 2015 and re-

fresher training or re-briefing of RSPO SCCS requirement on 20 October 2015 at the Sei Silau mill meeting room. Participants of the supply chain training included all persons-in-charge of the supply chain system implementation. Whereas, participants of the refresher training or re-briefing was the manager, assistant manager, assistant administration and human resources, assistant laboratory/sortation, technical assistant, assistant process (I & II), weighbridge supervisor & operator, security, sortation supervisor & operator, production/processing supervisor and document control officer. Records of the supply chain training and refresher training or re-briefing in the form of photographs, content of training (supply chain model & work instruction or work procedure relate of the FFB receipt and selling product (CPO & PK)) and attendance list was available.

Auditor Conclusions: Closed

Date of Closure: 20 October 2015

Clause E.3.1a: The site shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. This shall include at minimum the following:

a) Complete and up to date procedures covering the implementation of all the elements in these requirements;

Non-conformance SCCS-03 of 04 (Major non-conformity):

Sei Silau Mill management has not done any simulation of the RSPO SCCS implementation starting from FFB delivery, FFB receipt and delivery of certified CPO / PK to ensure the readiness of the system

Correction:

To revise procedures and work instructions regarding acceptance of RSPO SCCS starting from FFB delivery, FFB receipt and delivery of certified CPO / PK

Corrective Action:

To document procedures and work instructions regarding acceptance of RSPO SCCS starting from FFB delivery, FFB receipt and delivery of certified CPO / PK

Verification result:

The company has revised their work instruction (no.IK-3.03-12/01 rev.01) and work procedure (no.PK-3.07-41 rev.01 and no.PK-3.07-43 rev.01) regarding preparation of a mass balance simulation sheet (FFB receipt, product process till sell) during the trial period.

The mill has carried out simulation on SCCS implementation on 1 June 2015 from handling FFB receipt until writing of mass balance report. FFB delivery record with certified status has been marked "CSPO" stamp whereas non-certified status has marked "Non CSPO" stamp. Whereas, oil palm delivery record with certified status has marked "CSPO – Mass Balance or CSPK – Mass Balance" stamp whereas non-certified status has marked "Non CSPO or Non CSPK" stamp.

The mill has provided a mass balance sheet for trial period dated on 1 June 2015. The MB sheet includes the name of estate or supplier, there FFB certified or FFB non-certified status and their volume of FFB. In addition, there is also information on the name of estate or suppliers, their certified and non-certified status and their volume of product (CPO & PK) and value of extraction rate (OER & KER) today in mill. Information of names of estate or supplier and their FFB volume & certified status on the mass balance report with weighbridge ticket and FFB delivery note was stated and with the mass balance simulation sheet for processing product was available with appropriate data.

During actual implementation of the system, the mill will input all information on FFB received from weighbridge into the commercial database/application form in the company's intranet system as mass balance report, for example for daily report of FFB received (FFB certified and FFB non-certified is separated) per mill under PT Perkebunan Nusantara III (Persero) and processed product (CPO & PK certified and CPO & PK non-certified is separated) per mill & region under PT Perkebunan Nusantara III (Persero).

The mill has carried out supply chain training and simulation of the system on 01 June 2015 and refresher training or re-briefing of RSPO SCCS requirement on 20 October 2015 at the Sei Silau mill meeting room. Participants of the supply chain training included all persons-in-charge of the supply

chain system implementation. Whereas, participants of the refresher training or re-briefing was the manager, assistant manager, assistant administration and human resources, assistant laboratory/sortation, technical assistant, assistant process (I & II), weighbridge supervisor & operator, security, sortation supervisor & operator, production/processing supervisor and document control officer. Records of the supply chain training and refresher training or re-briefing in the form of photographs, content of training (supply chain model & work instruction or work procedure relate of the FFB receipt and selling product (CPO & PK)) and attendance list was available.

Auditor Conclusions: Closed

Date of Closure: 20 October 2015

Clause E.3.1b: The site shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. This shall include at minimum the following:

a) The name of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the site procedures for the implementation of this standard.

Non-conformance SCCS-04 of 04 (Major non-conformity):

Not to everyone involved in the implementation of SCCS at Sei Silau mill has received training on RSPO SCCS, for example the Sei Silau mill manager and employees who will implement the RSPO SCCS. Training only joined by the Assistant Managers who are in charge of implementation of the RSPO SCCS at Sei Silau mill.

Correction:

To create a SCCS training program to conduct training to all personnel at Sei Silau mill involved in the implementation of the Supply Chain Certification Standard.

Corrective Action:

To conduct training to all personnel at Sei Silau mill involved in the implementation of the Supply Chain Certification Standard in accordance with the program and document the evidence of the training.

Verification result:

The company initially provided evidence of previous training done in March 2015 for mill personnel on RSPO and SCCS requirement, but this was not accepted to close the non-conformance as it was prior to the audit and did not include training for all current personnel involved in the implementation of SCCS at the mill. Sei Silau Mill provided evidence of training done on 20 October 2015 for 14 mill personnel involved in the implementation of SCCS at the mill, including signed attendance list, photos of the training and training materials.

Auditor Conclusions: Closed

Date of closure: 20 October 2015

3.3 Noteworthy Positive Components

No.	Related clause	Observations / Opportunities for improvement
1.	-	Good effort taken by the company in terms of maintenance of documents and also engagement of external contractors to develop the HCV Assessment, SIA and Greenhouse Gas Inventory and Calculation Report. The assessment reports are in-depth and describes the methodologies applied.

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2.	6.5	Some workers at Division 1 of Sei Silau estate and Division 2 of Ambalutu Estate were provided with new houses in year 2012. The houses are in good condition with adequate space, with only one family assigned to a house. The company should continue to replace all old wooden houses.
3.	6.5	Rice is given free to workers where amount of rice provided is based on number of dependants (wife and children)

3.4 Issues Raised by Stakeholders and Findings Pertaining to Issues

A) Issues Raised during Stakeholder Consultation Meeting

No.	Issues Raised	Management Response	Audit Verification
1.	<ul style="list-style-type: none"> The rivers that have an impact to the environment such as flood, please assist to prevent this We request for more aid to religious leaders and community leaders as has been already been implemented by Sei Silau estates and the mill If the home rehabilitation program can not be met according to the number in the survey, PTPN III is requested to please help village officials in explaining to the public about the number of houses that are prioritized for rehabilitation. 	<ul style="list-style-type: none"> The estates will identify the rivers that were in the estate area in accordance with their High conservation value (HCV) management document. To develop a management and planting program at the border of the river Assistance for religious leaders in the surrounding communities of PTPN III's area is an ongoing program of the office of the Board of Directors (during Ramadhan and Christmas). Housing rehabilitation program according to the number surveyed is a program of the office of the Board of Directors. 	<ul style="list-style-type: none"> The company has already developed a program for protection of rivers and natural waterways as described under Section 3.1 for CR 4.4. There is evidence of provision of aid for religious purposes and to the surrounding communities as explained under Section 3.1 for CR6.11. This is an additional initiative from the company. The status was not verified during this audit.
2.	A lot of assistance has been provided by PTPN III Sei Silau, for example, help to pave roads, employment opportunities, healthcare posts and food assistance to the poor	CSR activities and the partners will still be held on an ongoing basis to create a sense of concern of PTPN III to the surrounding community.	The positive comment was noted and confirmed that there is evidence of provision of aid to the surrounding communities as explained under Section 3.1 for CR6.11.
3.	The company's operations does not negatively impact the society because they help to create a workforce so that unemployment is reduced	PTPN III makes announcements and notices in writing about recruitment opportunities to all District Leaders and the manpower personnel	Noted as a positive comment
4.	Management Unit of PTPN III Sei Silau has assisted a lot in the development of cooperative	Capital for management of the cooperative is fully supported by all employees and management of the company	Noted as a positive comment
5.	PTPN III Sei Silau plantation is one of the best state-owned plantations	This is confirmed through the awards received by the company: ISO Environmental Choice and Quality, PROPER, Green Green Industry, Zero Accident Award and Innovation.	Noted as a positive comment

<p>6.</p>	<p>The negative impact of the company's operations is to ignore the road infrastructure and environmental pollution</p> <p>Positive Impact: PKS Sei Silau is a plant that has received a lot of FFB from farmer-owned plantations that surround the company.</p> <p>Expectations for the company:</p> <ul style="list-style-type: none"> • To be more concerned with infrastructure (roads) • More open in recruitment • More attention to the welfare of communities around the company through its CSR program • The willingness of the company to hold training on good plantings practices, • To receive FFB suppliers located far from the mill so that the welfare of communities living far from the mill is also increased. 	<p>The company / management PTPN III has done roadwork and consistently manage and control environment in accordance with regulations and environmental requirements.</p> <p>Sei Silau Palm Oil Mill receives FFB from farmers around both near and far (no mileage limit).</p> <ul style="list-style-type: none"> • Improvements to infrastructure (roads) is done according to the budgets of company annually. • PTPN III makes announcements and notices in writing about recruitment opportunities to all District Leaders and the manpower personnel • Program providing assistance to the surrounding villages around the estates in accordance with CSR Program / KBL Office of the Board of Directors. • The company is already implementing guidance and counseling programs for independent farmers through cooperation with Solidaridat PTPN III and Business World Indonesia (BWI). • Sei Silau mill does not specify any distance for who they receive crop from 	<p>It was confirmed that the company has a road maintenance program, e.g. Ambalutu Estate has a documented road maintenance program for every 3 months, as seen for January to March 2015.</p> <p>There is also evidence of provision of aid to the surrounding communities as explained under Section 3.1 for CR6.11.</p>
<p>7.</p>	<p>Newspaper subscription price has decreased from Rp40,000 to Rp20,000 a month and the company is requested to increase it to the same price as before (Rp40,000)</p>	<p>There is an efficiency of corporate compliance program No.3.08 SE / SE / 472/2014</p>	<p>No verification required</p>
<p>8.</p>	<p>Contracted workers' wages are below the minimum wage (UMR) established</p>	<ul style="list-style-type: none"> • PTPN III has made cooperation with contractors through contracts paid in accordance with the area in of their work • Contractors have in turn made agreements with their workers 	<p>It was confirmed that the management has provide information related to the minimum wage to the contractors who cooperate with the company, for example:</p> <p>Letter from Ambalutu estate manager Number KAMBT/X/59/2015 dated April 15, 2015 addressed to the contractors concerning minimum wage in Asahan District, for example: CV Puspa Sari Asahan, CV Perisai, CV Zepanya, CV Mutiara Indah so contractor employees comply with North Sumatera Gov-</p>

			error Decision Number 188.44/0972/KPTS/2014 dated December 12, 2014 regarding minimum wage statement for Asahan District year 2015 amounted Rp 1,625,000/month.
9.	<ul style="list-style-type: none"> The company's operations create a less healthy environment, as the dust from the mill containing granules so people do not dare to hang clothes outside this also interferes with breathing The management unit PTPN III Sei Silau in requested to be more transparency in their engagement of contractors Are the odours emitted from the palm oil mill tested? Information on FFB prices do not effectively reach farmers Need better monitoring by Disbun (Plantations Agency) to improve the quality of FFB from farmers 	<ul style="list-style-type: none"> The dust and dirt that is emitted from the mill is within control and still below the threshold and the surrounding communities affected by the mill's operations have been given assistance. PTPN III makes announcements and notices in writing about recruitment opportunities to all District Leaders and the manpower personnel Testing of odours is done twice a year by the Central Testing Laboratory Sei Silau Mill updates their FFB price information every day. Supervision and training to improve the quality of farmers TBS has involved the Plantation Agency of Asahan District 	<ul style="list-style-type: none"> The company has plans for reduction of pollution and emissions as described under CR5.6 of Section 3.1. However, the plan does not address the issue of complaints of dust from the mill, and should be included. This is noted as an observation The company has a contractor selection procedure with criteria for selection of contractors based on performance, price and quality. However, the transparency of the results could be improved as requested by stakeholders Test results of mill odours was not verified due to lack of time FFB information is displayed at the mill and disseminated at explained under CR6.10 of Section 3.1. However the information flow could be improved further based on this feedback Its is confirmed that the company carries out training programson occasion for teir independant farmers supplying FFB to the mill.
10.	<ul style="list-style-type: none"> In employment of new workers, Sei Silau's management is transparent as they make announcements online TBS price information has been announced on the bulletin board of the mill The environmental impact of the company's operations have been tested Relationship with the worker's unions is excellent 	<ul style="list-style-type: none"> PTPN III has made an announcement and a written notice to all District leaders and Manpower personnel on recruitment opportunities. Sei Silau Mill updates their FFB price information every day. Environmental monitoring results are reported in the RKL / RPL each semester by USU consultants. The company has provided office facilities and implement a joint agreement to increase the productivity and welfare of 	<ul style="list-style-type: none"> As described above As described above It was confirmed that the company prepares their RPL/RKL reports including environmental impacts monitoring results once every 6 months as required by law. See CR5.1 of Section 3.1 It was confirmed that the company maintains a good relationship with the union, as described

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		employees.	under CR6.6 of Section 3.1
11.	<ul style="list-style-type: none"> • Depreciation of the price of FFB often does not make sense since they are transported from the field directly to the mill • There is a need for more intensive training for farmers so their FFB yield can be increased • Money is deducted 2% by the company for waste management 	<ul style="list-style-type: none"> • All incoming FFB from company owned estate and third parties are weighed. • The company is already implementing guidance and counseling programs for independent farmers through cooperation with Solidaridat PTPN III and Business World Indonesia (BWI). • Deductions of as much as 2% are made in accordance with the Letter of Agreement for buying and selling FFB in article 3 paragraph 3.3 	<ul style="list-style-type: none"> • FFB price is dependant on the market, hence the main issue is the transparency of the price, which is publicly displayed at the mill and independent farmers have the ability to choose to sell to Sei Silau mill or go to another mill. • As explained above • Details of the letter of agreement were not verified due to lack of time
12.	Floods happen every year but the reason is unknown	Floods happens due to high rainfall and silting of rivers	Comment is too general and cannot be ascertained if the reason for floods is due to the company's activities or other reasons such as activities of other companies in the area.
13.	<ul style="list-style-type: none"> • The company has provided a lot of assistance to Pulau Mandi village such as the provision of heavy equipment. • Company is requested for office stationary • Staff village frequently communicate with the company and have even memorized the telephone number to call of the company • The village also helps to assist in the making the are of the company secure 	PTPN III was still waiting for a proposal from the village for provision of office stationary	No verification required as these are positive comments and requests to the company
14.	<ul style="list-style-type: none"> • We will come meet with the company for Development Planning consultative meetings • The company's CSR activities were developed as a result of these consultative meetings. • The company should prioritize hiring new workers from among local young people 	In recruitment, the company continues to give priority to the locals	Noted as input and evidence that the company provides CSR contributions based on consultation with stakeholders, as required under CR6.11
15.	In terms of employment, PTPNIII displays good corporate performance, with the following description: <ul style="list-style-type: none"> • Worker's wages are in accordance with the minimum wage, working time and rest periods are in accordance 	In carrying out our work, PTPN III remains guided by the Laws, Work Instructions, Work Procedures and Working agreements	No issues were found pertaining to payments of workers in accordance with minimum wage, OSH practices, protection of reproductiv rights, housing and areas of worship.

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	<p>with legal provisions, and workers are registered for social security</p> <ul style="list-style-type: none"> • OSH requirements are implemented, an OSH committee has been formed, PPE is provided to workers although workers often do not wear it, OSH reports are submitted periodically (there are almost zero accidents occurring at Sei Silau Palm Oil Mill) • Protection of women's reproductive rights (maternity leave, menstruation leave) is done • Relatively good housing, places of worship available. 		
16.	<ul style="list-style-type: none"> • Attention is needed for retired employees • Please continue to help the poor, orphans and the elderly 	<ul style="list-style-type: none"> • PTPNIII to coordinate with relevant sections • Assistance to the poor, orphans and the elderly remain in the form of scholarships awarded in accordance with the Memorandum Number: 3.00 / MO / 300/2014, while the elderly are given a place to stay. 	The company's CSR activities are as described under CR6.11 of Section 3.1
17.	<ul style="list-style-type: none"> • Support to communities should be also in the form of empowerment, not only the infrastructure so as to reduce the number of criminals • If there is a dispute with the community to immediately sought a solution that is beneficial to both parties 	<ul style="list-style-type: none"> • PTPN III has provided guidance and training to communities around the plantation such as sewing, motorcycle mechanics, farming of cattle, quail, catfish and others. • PTPN III has given compensation to land squatters who have given up their land to the company 	<ul style="list-style-type: none"> • The company's CSR activities are as described under CR6.11 of Section 3.1 • It was confirmed that squatters were compensated as described under CR 2.3 of Section 3.1

B) Issues Raised during Stakeholder Interviews On-site

No.	Issues Raised	Management response	Audit Verification
1.	<p>Comment from land squatter:</p> <ul style="list-style-type: none"> • Compensation for squattered land offered PTPN III does not correspond to the initial cost to cultivate the land and develop a palm oil plantation • Negotiations have been conducted several times, including the presence of the village head, but an agreement has not been reached 	<ul style="list-style-type: none"> • Ambalutu Estate had invited all squatters including this commenter to hold a compensation negotiation meeting to be witnessed by the Village Head Ambalutu pursuant to letter number: KAMBT / X / 23A / 2014 dated February 26, 2014 for those with whom the company has not reached an agreement with • Ambalutu Estate had invited back specifically this commenter for dis- 	It was confirmed that the company had carried out compensation of squatter through the Free, Prior, Informed Consent process with no evidence of coercion as described under CR 2.3 of Section 3.1.

	<ul style="list-style-type: none">• PTPN always friendly and prioritize consultative meetings with the squatters• Negotiations have been conducted since 2013	cussion pursuant to letter number: KAMBT / X / 38/2014 on March 28, 2014 to follow up on resolution of the issue. In the meeting, the squatter was willing to give back his land of 0,33Ha at a lower price which was agreed with PTPN III.	
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3.5 Acknowledgements of Internal Responsibility and Formal Sign-Off by Client

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

Signed on behalf of PTPNIII Sei Silau management unit

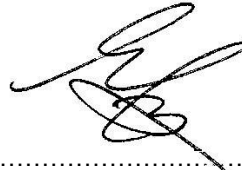


.....
Name:

Position: **AHMAD DIPONEGORO**

Date: **Kepala Bagian**

Signed on behalf of PT TUV Rheinland Indonesia



.....
Carol Ng Siew Theng

Lead Auditor

Date: 27 March 2017

APPENDICES

Appendix 1: Details of Certificate

Certificate

Standard : RSPO Principles & Criteria for Sustainable Palm Oil Production; Generic Standard year 2013 and RSPO Supply Chain Certification Systems: 2014

Certificate Registr. No. : 824 502 17058

Certificate Holder : PT TUV Rheinland Indonesia certifies :
PT Perkebunan Nusantara III (Persero)
Sei Silau Palm Oil Mill
Sei Silau Village, Buntu Pane Sub District
Asahan District - 21261
North Sumatera Province, Indonesia
and its company owned estates according to the annex

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

An audit was performed, Report No. 82450217058. Proof has been furnished that the requirements according to RSPO Principles & Criteria for Sustainable Palm Oil Production; Generic Standard year 2013 are fulfilled.
The due date for all future surveillance audits is 03.02 (dd.mm).

Validity: The certificate is valid from 03-04-2017 until 03-04-2022
The certificate shall remain valid in period stipulated above provided that the certificate holder mentioned here continues to comply with the RSPO P&C requirements. Status of compliance of the certificate holder shall be based on the annual inspections conducted by PT TUV Rheinland Indonesia.

RSPO registered parents company* : PT Perkebunan Nusantara III (RSPO Member No. : 1-0030-06-000-00)
* Name of the RSPO registered member company of which the certificate holder is a subsidiary (if applicable)

Date of first certificate : April 03, 2017


PT TUV Rheinland Indonesia
Director

Indonesia, 03-04-2017

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

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Annex to certificate

Standard : **RSPO Principles & Criteria for Sustainable Palm Oil Production; Generic Standard year 2013 and RSPO Supply Chain Certification Systems: 2014**

Certificate Registr. No.: 824 502 17058

Location: **PT Perkebunan Nusantara III – Sei Silau Palm Oil Mill**
 Address : Sei Silau Village, Buntu Pane Sub District
 Asahan District - 21261
 North Sumatera Province, Indonesia

Name of mill / estate	Location	GPS locations	
		Latitude	Longitude
Sei Silau Palm Oil Mill	Perkebunan Sei Silau village, Buntu Pane Sub District, Asahan District, 21261, North Sumatera	N 02° 54' 18"	E 99° 30' 32"
Sei Silau Estate	Sei Silau Barat village, Seisa Janji Subdistrict, Asahan District, 21261, North Sumatera	N 02° 55' 07"	E 99° 30' 42"
Pulau Mandi Estate	Buntu Pane village, Buntu Pane Subdistrict, Asahan District, 21261, North Sumatera	N 02° 52' 3.18"	E 99° 30' 4.98"
Ambalutu Estate	Ambalutu village, Buntu Pane Subdistrict, Asahan District, 21261, North Sumatera	N 02° 54' 37.40"	E 99° 25' 50.8"
Huta Padang Estate	Sei Nadoras village, B.Pasir Mandoga Subdistrict, Asahan District, 21261, North Sumatera	N 02° 53' 5"	E 99° 25' 5"

CPO Tonnage Total Production: 71,856 tonnes
 PK Tonnage Total Production: 14,545 tonnes
 Company Estates FFB Tonnages: 182,378 tonnes
 FFB Tonnages from other sources: 140,853 tonnes
 CPO Tonnage claimed for certification: 42,141 tonnes
 PK Tonnage claimed for certification: 8,207 tonnes

Scope of SCCS & supply chain model assessed :

FFB receipt, produce and delivery of CPO & PK with implementation of the following SCCS :

- Identity Preserved
 Mass Balance



Indonesia, 03-04-2017

PT TÜV Rheinland Indonesia
 Director

Issued by PT TÜV Rheinland Indonesia

100201 4.88E.04 B-153 TÜV Rheinland Indonesia, Ltd. (a German company) and its subsidiaries are not responsible for the content of this report.

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Appendix 2: Certification Audit Plan

Date / Time ⁽¹⁾	Organizational Unit and Processes	Auditor / Abbrev.	Interviewee	Procedure - EM/QM Element - Standard Chapter
Monday, 18 May 2015				
9.00pm (KUL)- 9.55pm (KNO)	Flight from KL to Medan	CN		Air Asia (QZ127)
8.00am – 9.00am 5.35am – 8.00am 08.30am – 11.00am	Travel to PTPNIII Head Office Flight from Jakarta to Medan Travel to Sei Silau POM	CN WWW, EH WWW, EH, DN		GA 0180
9.00am – 12.00pm Head Office PTPN III	<p>General requirements</p> <ul style="list-style-type: none"> Time bound plan Partial certification requirements <p>Document review</p> <ul style="list-style-type: none"> Area statement of estates – mature area, immature area, rubber area, other land use area Monthly FFB production data & 2014 – 2015 & yield per hectare – all estates Estate GPS maps – soil map, topography map, hydrology map, HCV & CSR map, etc Location maps of villages and stakeholders Review ongoing disputes and identified social issues AMDAL documents – all estates Land titles – all estates HCV report – all estates SIA – all estates & mill Information on new planted areas (if any) Companies policies – Labour policies, human rights policy, OSH policy, etc Sales & order document relate of SCCS 	CN	Top Management & Related Managers	Principle 1 Principle 2 Principle 3 Principle 4 Principle 5 Principle 6 Principle 7 Principle 8
11.00 – 11.30am	<ul style="list-style-type: none"> Opening Meeting Introduction by team leader. Presentation on Oil Mill sources and overview of estates by PTPNIII 	WWW, DN, EH	Top Management & Related Manager	
11.30am – 12.00pm Sei Silau POM	<p>Supply Chain Certification Audit</p> <ul style="list-style-type: none"> Supply Chain Management Manual, SOPs, & related records eTrace Transaction records, if any SCC training records Weighbridge slips <p>Land legality</p>	WWW	Mill top management and related assistant managers, staff	<p>Supply Chain Certification Standard 2014</p> <p>RSPO Principle 2 : IN 2.1.1 (Environment), IN 2.2.1 Principle 2: CR2.2</p>

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Date / Time ⁽¹⁾	Organizational Unit and Processes	Auditor / Abbrev.	Interviewee	Procedure - EM/QM Element - Standard Chapter
	<ul style="list-style-type: none"> Mill Land Title <p>Financial Viability</p> <ul style="list-style-type: none"> Business Management Plan <p>Environmental</p> <ul style="list-style-type: none"> POME and water quality analysis records Water management plan Waste management plan 			(2.2.1 – 2.2.3) Principle 3: all Principle 4 : CR 4.4 Principle 5 : CR5.3
11.30am – 12.00pm Sei Silau POM	<p>Social aspects – Workers, local communities, communication, CSR</p> <ul style="list-style-type: none"> Mill inspection Workers/ Contractor interviews Housing Local communities List of workers Contracts Working hour & overtime records, pay slips Land conflict (if any) 	EH	Mill manager / assistants /Local communities / workers	RSPO Principle 1: all Principle 2: CR 2.1 (Social), CR2.2 (2.2.4 – 2.2.6), CR2.3 Principle 6: all Principle 8 (social)
11.30am – 12.00pm Sei Silau POM	<p>Legal Requirements (OSH & Environment), OSH, Training, SOPs</p> <ul style="list-style-type: none"> Mill inspection Workshops & stores HIRARC OSH Committee & safety records Accident records Training & PPE issuance SOPs & Internal audit Legal requirements register and implementation EIA/ Aspects Impacts analysis Waste Energy efficiency plan and monitoring records 	DN	Mill manager / assistants/ workers	RSPO Principle 2 : CR2.1 Principle 4 : CR4.1, CR4.7, CR4.8 Principle 5 : CR 5.1, 5.3, 5.4
12.00pm - 1.00pm	Lunch break	CN, WWW, EH, DN		
1.00pm-4.00pm	Travel to Sei Silau POM	CN		
1.00pm - 5.30pm	Continue agenda previous	WWW, EH, DN		
4.00pm-5.30pm Sei Silau POM	<p>Mill supply base & production records</p> <ul style="list-style-type: none"> FFB reception records CPO & PK production records OER & KER <p>GHG Requirements & Continuous Improvement</p>	CN	Mill manager / assistants	RSPO Principle 5 : CR 5.6 Principle 8 : all

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Date / Time ⁽¹⁾	Organizational Unit and Processes	Auditor / Abbrev.	Interviewee	Procedure - EM/QM Element - Standard Chapter
	<ul style="list-style-type: none"> GHG analysis and management Continuous improvement plan 			
5.30pm	Summary of findings End of 1st day audit	All Auditor		
Tuesday, 19 May 2015				
9.00am – 11.00am	Stakeholder Consultation Meeting Sei Silau Palm Oil Mill	All Auditor		
11.00am - 12.30pm	Lunch break			
12.30pm– 5.30pm Sei Silau estate or Pulau Mandi estate	<p>Estate production data</p> <ul style="list-style-type: none"> Area statements FFB supply information Replanting program Smallholder/ outgrower certification plan (if applicable) <p>Transparency, best practices, Environment, GHG</p> <ul style="list-style-type: none"> List of publicly available documents Ethical conduct policy Soil fertility & management (sloped areas, marginal soils, peat areas, EFB application, etc) Water management plan Integrated pest management Energy efficiency monitoring and records GHG analysis and management New plantings best practices (if applicable) Continuous improvement plan 	CN	Estate manager / assistants	<p>RSPO</p> <p>Principle 1 (all)</p> <p>Principle 2 : IN 2.1.1 (Environment)</p> <p>Principle 4 : CR4.2, CR 4.3, CR 4.4 (except 4.4.2), 4.5</p> <p>Principle 5 : CR 5.4, 5.6</p> <p>Principle 7 (if applicable): CR 7.2, 7.4, 7.8</p> <p>Principle 8 : all</p>
12.30pm – 5.30pm Sei Silau estate or Pulau Mandi estate	<p>Financial viability, land legality, HCV, Environment</p> <ul style="list-style-type: none"> Land titles Business Management Plan & replanting programs Waste management Zero burning policy implementation for replanted or new planted areas (if applicable) HCV Assessment & management plan AMDAL & RKL/RPL for all areas including new plantings (if applicable) 	WWW	Estate manager / assistants	<p>RSPO</p> <p>Principle 2: CR2.2 (2.2.1 – 2.2.3)</p> <p>Principle 3 (all)</p> <p>Principle 4: IN 4.4.2</p> <p>Principle 5: CR 5.1, 5.2, 5.3, 5.5</p> <p>Principle 7 (if applicable): CR7.1, 7.3, 7.7</p>
12.30pm – 5.30pm Sei Silau estate or Pulau Mandi	<p>Social aspects – Workers, local communities, communication, CSR</p> <ul style="list-style-type: none"> Land conflict (if any) 	EH	Estate manager/ assistant manager/ local communities / workers	<p>RSPO</p> <p>Principle 2: IN 2.1.1 (social), CR2.2 (2.2.1 –</p>

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Date / Time ⁽¹⁾	Organizational Unit and Processes	Auditor / Abbrev.	Interviewee	Procedure - EM/QM Element - Standard Chapter
estate	<ul style="list-style-type: none"> Workers/ Contractor interviews & personnel records Labour policies Trade union representatives & records Housing Local communities Communication & consultation procedures/ complaints Contracts Working hour & overtime records, pay slips SEIA of new planting areas (if applicable) FPIC of local communities at new planting areas (if applicable) 			2.2.3), CR2.3 Principle 6: all Principle 7 (if applicable): CR7.1 (social), 7.5 & 7.6 Principle 8 (Social)
12.30pm – 5.30pm Sei Silau estate or Pulau Mandi estate	Legal Requirements (OSH & Environment), OSH, Training, SOPs <ul style="list-style-type: none"> Legal requirements register & implementation Field operations (spraying, harvesting, manuring) Worker interviews Chemical stores Workshops HIRARC OSH Committee & safety records Accident records Training & PPE issuance SOPs & Internal audit 	DN	Estate manager / assistants/ workers	RSPO Principle 2: CR2.1 Principle 4: CR4.1, 4.6, 4.7, 4.8
5.30pm	Summary of findings at respective estate End of 2nd day audit	All auditors		

Wednesday, 20 May 2015

8.00am – 12.00pm Ambalutu estate or Huta Padang estate	Estate production data <ul style="list-style-type: none"> Area statements FFB supply information Replanting program Smallholder/ outgrower certification plan (if applicable) Transparency, best practices, Environment, GHG <ul style="list-style-type: none"> List of publicly available documents Ethical conduct policy Soil fertility & management (sloped areas, marginal soils, peat areas, EFB application, etc) Water management plan Integrated pest management 	CN	Estate manager / assistants	RSPO Principle 1 (all) Principle 2 : IN 2.1.1 (Environment) Principle 4 : CR4.2, CR 4.3, CR 4.4 (except 4.4.2), 4.5 Principle 5 : CR 5.4, 5.6
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RSPO Certification Assessment Report

PTPNIII Sei Silau Palm Oil Mill

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Date / Time ⁽¹⁾	Organizational Unit and Processes	Auditor / Abbrev.	Interviewee	Procedure - EM/QM Element - Standard Chapter
	<ul style="list-style-type: none"> Energy efficiency monitoring and records GHG analysis and management New plantings best practices (if applicable) Continuous improvement plan 			Principle 7 (if applicable): CR 7.2, 7.4, 7.8 Principle 8 : all
8.00am – 12.00pm Ambalutu estate or Huta Padang estate	Financial viability, land legality, HCV, Environment <ul style="list-style-type: none"> Land titles Business Management Plan & replanting programs Waste management Zero burning policy implementation for replanted or new planted areas (if applicable) HCV Assessment & management plan AMDAL & RKL/RPL for all areas including new plantings (if applicable) 	WWW	Estate manager / assistants	RSPO Principle 2: CR2.2 (2.2.1 – 2.2.3) Principle 3 (all) Principle 4: IN 4.4.2 Principle 5: CR 5.1, 5.2, 5.3, 5.5 Principle 7 (if applicable): CR7.1, 7.3, 7.7
8.00am – 12.00pm Ambalutu estate or Huta Padang estate	Legal Requirements (OSH & Environment), OSH, Training, SOPs <ul style="list-style-type: none"> Legal requirements register & implementation Field operations (spraying, harvesting, manuring) Worker interviews Chemical stores Workshops HIRARC OSH Committee & safety records Accident records Training & PPE issuance SOPs & Internal audit 	DN	Estate manager / assistants/ workers	RSPO Principle 2: CR2.1 Principle 4: CR4.1, 4.6, 4.7, 4.8
8.00am – 12.00pm Ambalutu estate or Huta Padang estate	Social aspects – Workers, local communities, communication, CSR <ul style="list-style-type: none"> Land conflict (if any) Workers/ Contractor interviews & personnel records Labour policies Trade union representatives & records Housing Local communities Communication & consultation procedures/ complaints Contracts Working hour & overtime records, pay slips SEIA of new planting areas (if applicable) 	EH	Estate manager/ assistant manager/ local communities / workers	RSPO Principle 2: IN 2.1.1 (social), CR2.2 (2.2.1 – 2.2.3), CR2.3 Principle 6: all Principle 7 (if applicable): CR7.1 (social), 7.5 & 7.6 Principle 8 (Social)

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Date / Time ⁽¹⁾	Organizational Unit and Processes	Auditor / Abbrev.	Interviewee	Procedure - EM/QM Element - Standard Chapter
	<ul style="list-style-type: none"> FPIC of local communities at new planting areas (if applicable) 			
12.00am – 1.00pm	LUNCH			
1.00pm – 5.00pm	Continue document review	All auditors	Estate manager / assistants / Local communities / workers	
5.00pm – 5.30pm	Summary of findings at respective estate End of 3rd day audit			
5.30pm – 8.00pm	Travel back to Medan	All auditors		
Thursday, 21 May 2015				
9.10am – 11.05am 9.00am – 11.25am	Travel to Kuala Lumpur Travel to Jakarta	CN WWW, EN		Air Asia (AK 390) GA 183

Appendix 3: List of Abbreviations

AMDAL	Analisis Dampak Lingkungan & Sosial (Social & Environmental Impacts Assessment)
B3	Bahan Berbahaya dan Beracun (Hazardous wastes)
BPN	Badan Pertanahan Nasional (National Land Department)
BJPS	Badan Penyelenggara Jaminan Sosial (Social Security Administrator)
BWI	Business World Indonesia
CPO	Crude Palm Oil
CSR	Corporate Social Responsibility
EIA	Environmental Impact Assessment
ERTs	Endangered, Rare & Threatened species
ESH	Environmental Safety & Health
FFB	Fresh Fruit Bunches
EFB	Empty Fruit Bunches
GCG	Good Corporate Governance
HCV	High Conservation Value
HGU	Hak Guna Usaha (Land Use Rights)
IPM	Integrated Pest Management
K3	Keselamatan dan Kesehatan Kerja (Occupational Safety & Health)
KAMBT	Kebun Ambalutu (Ambalutu Estate)
KBDSL	Kebun Bandar Selamat (Bandar Selamat Estate)
KHTPD	Kebun Huta Padang (Huta Padang Estate)
KPMDI	Kebun Pulau Mandi (Pulau Mandi Estate)
KSDDP	Kebun Sei Dadap (Sei Dadap Estate)
KSSIL	Kebun Sei Silau (Sei Silau Estate)
LTA	Lost Time Accident
MSDS	Material Safety Data Sheets
NGO	Non-Government Organization
OSH	Occupational Safety & Health
P2K3	Panitia Pembina Keselamatan Kesehatan Kerja (Health & Safety Advisory Committee)
PKB	Perjanjian Kerja Bersama (Working Agreement)
PKO	Palm Kernel Oil
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
PSSIL	Pabrik Sei Silau (Sei Silau Palm Oil Mill)
PTPNIII	PT Perkebunan Nusantara III
RJPP	Rencana Jangka Panjang Perusahaan (Company Long Term Business Plan)
RKL	Rencana Pengelolaan Lingkungan (Environmental Management Plan)
RPL	Rencana Pemantauan Lingkungan (Environmental Monitoring Plan)
RSPO	Roundtable on Sustainable Palm Oil
SCCS	Supply Chain Certification System / Standard
SIA	Social Impact Assessment
SOP	Standard Operating Procedure
SPK	Surat Perjanjian Kerja (Working Contract)
UKL	Upaya Pengelolaan Lingkungan (Environmental Management Efforts)
UMR	Upah Minima Provinsial
UPL	Upaya Pemantauan Lingkungan (Environmental Monitoring Efforts)

Appendix 4: List of Stakeholders Interviewed and Contacted

No.	Name of Stakeholder	Institution / Position	Remarks
Stakeholders Interviewed during Public Consultation Meeting			
1.	S. Harahap SE	Head of Village Consultative Body	KA BIPD
2.	Helau Fauzi S.	Assistant of Buntu Pane Village Head	
3.	Imam Augustinus	Head of Piasa Ulu Village	
4.	Adianto	CV Zaedam	Contractor
5.	Samingan	Head of Sei Silau Timur Village	
6.	Sambya	CV Bersama	Contractor
7.	Alimaas Ya	Asahan Post Press	
8.	Edi Santoso	Head of Muslim Lawyers Team	Tim Pengacara Muslim
9.	Hulman	Local Development Body of Silau Maraja	
10.	Payo	Partner of PTPNIII	
11.	Soman Jaya	Peduli Negeri	Non-government body
12.	Ventuud	Partner of PTPNIII	
13.	Adenan Sitompol	Community Development Agency	LPM
14.	Syhabuddin	Village head	
15.	Heri Kusmiadi	Village Head of Ambalutu Villahe	
16.	Tukiman SH	Labour Department of Asahan	
17.	Khairil Amri HSB	CV Itsar Mandiri	FFB supplier middleman
18.	Bahrum	Reporter	
19.	Syahrizal Pulungan	Head of Sei Silau Mill Workers Union	SPBUN
20.	Syarifuddin Sirah	Head of Oil Palm Farmer Cooperative	Ketua KPKS
21.	Robert K. Manik	Pelita Village Unit Cooperative Manager	
22.	Ikbal Sinaga	Pelita Village Unit Cooperative Manager	
23.	Buyung Ali	LULI Newspaper	
24.	Azarfin Sinaga	Huta Padang Estate Worker's Union	
25.	MN Sebayang	Head of Huta Padang Estate Cooperative	
26.	Susiana	Ambalutu Village	
27.	Awardiando	Head of Sei Silau Estate Worker's Union	
28.	Arwan	Head of Sei Silau Tua Village	
29.	Ny Saptia Putri Arman	Team Leader of Family Welfare Program for Sei Silau Tua	
30.	Diana Syahfitri	CV Faris	Contractor
Stakeholders Interviewed On-Site			
1.	Andi	Contracted sprayer (CV Sinar Duna)	Sei Silau estate
2.	Edi Setiwan	Harvester	Sei Silau estate
3.	Norpa Sorayan	Harvester	Sei Silau estate
4.	Tukinam	Contracted female sprayer mandore (CV Cepaya)	Ambalutu estate
5.	Keling	Contracted female fertilizer application mandore (CV Tri Mutiara Indah)	Ambalutu estate
6.	Sariman	Sg. Silo resident and squatter at Division 4 of Sei Silau estate	
7.	Harna Kesuma	Squatter at Disivion III Block 121 of Sei Silau Estate	
8.	Rabo	Buntu Pane resident, Ekpolah Village, Dusun 11	

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Appendix 5: Observations and Opportunities for Improvement

No.	Observations / Opportunities for Improvement	Criteria
1.	The company applies their procedure for communication and consultation with stakeholders no. PK-3.00-03 last revised on 23 September 2014 for responding to stakeholder requests, however the procedure does not mention a specific maximum timeframe to respond to requests for stakeholders.	1.1
2.	Sei Silau HGU No. 01 year 1984 is valid until December 31, 2012. As the HGU has expired, the company has been in process to obtain a new HGU from the land department as seen in letter dated 19 March 2009 from the Land Department (Badan Pertanahan Nasional RI) stating that HGU for Sei Silau is one of 10 land plots which PTPNIII has requested to the Land Department to process the new HGU. The status of HGU application will be followed up during the next surveillance audit	2.2
3.	As seen from record for April 2015 for Ambalutu estate, total planned application for NPK and Dolomite was 1,013,814 kg of NPK and 350,697kg of Dolomite respectively. However the estate has not carried out the fertilizer application according to program, as amount applied that month was only 285,463 kg of Dolomite and no application of NPK carried out yet.	4.2.2
4.	Site visit was done at Block 82 of Ambalutu estate which was identified as a high slope area above 40% is an area planted in year 1993. It was noted that there was no terracing done at this area, however the area is planned for replanting in year 2015. The estate must ensure proper terracing is carried out at this area to avoid erosion	4.3.2
5.	Ganoderma infection in the field is quite significant, with highest infected area being year 2003 plantings at Division II and III (29.55% area infected), and percentage infection of 15.9% of year 2004 plantings and 11.19% of year 2005 plantings. As seen in letter from the estate manager of Ambalutu estate to the District Manager of Asahan, average Ganoderma infection rate at mature areas (not including area planned for replanting in year 2015) is 30,472 trees (9.09%) and they have requested the head office to advise on further action to be taken. The head office should assist in advising the estate further on this matter ASAP.	4.5
6.	Block 82 of Ambalutu estate which was identified as a high slope area above 40% is an area planted in year 1993. It was noted that there was no terracing done at this area, however the area is planned for replanting in year 2015. The estate must ensure proper terracing is carried out at this area to avoid erosion.	4.3
7.	During site visit to Ambalutu Estate chemical store, it was found that lubricant containers were kept in the same area, which is a safety hazard as the lubricant are highly flammable. The estate took immediate action and relocated the lubricants to another store.	4.6.6
8.	Working agreement between the company and contractors engaged to carry out spraying work states that the contractor shall ensure no pregnant women are engaged to carry out work with chemicals, however it should also state that no breast-feeding women shall be allowed to carry out work with chemicals.	4.6.12
9.	Contracted sprayer interviewed at Sei Silau estate Division 1 informed that he and his work team bring their spraying PPE home to wash and only occasionally wash and leave their PPE at the division office but usually bring it home to wash as well. The estate took immediate action to carry out training for 6 contracted sprayers on 20 May 2015. A documented summary of the training, photographic evidence and attendance list was sighted. There is also a letter from the Estate Manager dated 19 May 2015 informing personnel from all divisions to ensure sprayers and those handling chemicals do not bring their spraying equipment back home.	4.6.5
10.	During interview with contracted female sprayer from Ambalutu Estate, it was informed that no first aid kit available by their mandore. As this could not be confirmed on-site, it was noted as an observation.	4.7.5
11.	It was informed during interview with a harvester and his wife at Sei Silau estate Division 1 that they were only provided with bins to separate their wastes during dry	5.3

	season in order to reduce waste burning. Other times of the year, they still carry out waste burning.	
12.	Ambalutu estate has a similar monthly summary of hazardous waste collected, including used oil containers, used fertilizer bag, fuel filters and oil filters, 5 litre containers, inner plastic, and used batteries. The estate also maintains a separate logbook where records of each type of waste collected, location collected from, date of collection and amount collected is stated in litres or pieces. However, it is difficult to verify whether the amount stated in the summary is correct due to the different units stated (tonnes in the summary and litres or pieces in the logbook) and the logbook also does not clearly stated the amount collected for each type of waste to date and also does not state the amount converted into tonnes so it can be verified against the monthly summary	5.3
13.	The company has plans for reduction of pollution and emissions, however this does not include include any actions to reduce dust emissions from the mil. As there were some complaints regarding this issue, it should be included in the company's plans for reduction of pollution and emissions	5.6
14.	1) A wife of a harvester for Sei Silau estate informed that the company has not directly informed the wives of workers regarding the sexual harassment policy. The company should brief the wives of males workers regarding this policy even though they are not part of the company's workforce, so that the wives can also get assistance from the company in case of sexual harassment or domestic violence. 2) Female contracted workers at Ambalutu estate interviewed informed they had been informed on the estate's sexual harassment policy and know who to report to, however there is no female representative and no gender committee established to address womens' issues	6.9
15.	The company has not yet developed a plan for certification of their associated small-holders/outgrowers.	6.11.2