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Roundtable on Sustainable Palm Oil

Annual Surveillance Audit Report

Report no.: 1FU82450216044

1st Surveillance Audit against the

RSPO Principles & Criteria Indonesian National Interpretation 2016 &

RSPO Supply Chain Certification System year 2014

**PT Perkebunan Nusantara III
Sei Daun Palm Oil mill
Labuhan Batu Selatan
North Sumatera**

Date of assessment: 13 – 15 June 2017

Report prepared by:
Carol Ng Siew Theng
(RSPO Lead Auditor)

Certification decision by:
Abdul Qohar
(Director of TUV Rheinland Indonesia)

Certification Body:
PT TUV 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 ANNUAL SURVEILLANCE AUDIT

1.1 National Interpretation Used

The operations of the palm oil mill(s) and its supply base of FFB were assessed against of the RSPO Principles & Criteria Indonesian National Interpretations 2016 and the RSPO Supply Chain Certification Standard 2014 with selected Supply Chain Model – Mass Balance.

1.2 Type of Assessment

The main certification assessment was carried out on 1 and 2 estates under Sei Daun Palm Oil Mill owned i.e. Sei Daun estate and Bukit Tujuh estate by PT Perkebunan Nusantara III (PTPNIII).

1.3 Certification Details

The details of RSPO certification of PTPNIII Sei Daun Palm Oil Mill are as per the table below

Table 1: RSPO Certification details of PTPNIII Sei Daun Palm Oil Mill

RSPO Membership no.:	1-0030-06-000-00
RSPO Certificate no.:	824 502 16044
Date of first RSPO certificate & validity:	8 September 2016
Date of certification audit:	1 – 5 June 2015
Date of previous surveillance audit:	Not applicable
Date of revised RSPO certificate & validity (if applicable):	Not applicable
CPO tonnages claimed:	55,150 tonnes
PK tonnages claimed:	10,288 tonnes
Mill capacity	60 tonnes/ hour
Net GHG Calculation for year 2016 (tCO₂e/tCPO)	0.5

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1.4 Location and Maps

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

Name of mill / estate	Location	GPS locations	
		Latitude	Longitude
Sei Daun Palm Oil Mill	Meranti Village, Torgamba Sub District, South Labuhan Batu District, Propinsi Sumatera Utara 21464	1° 40' 35"N	100° 19' 7"E
Sei Daun estate	Sei Meranti Village, Torgamba Sub District, South Labuhan Batu District	1° 40' 11"N	100° 19' 32"E
Bukit Tujuh Estate	Bukit Tujuh Village Torgamba Sub District, South Labuhan Batu District	1° 34' 9"N	100° 13' 58"E



Figure 1: Location of Sei Daun Palm Oil Mill

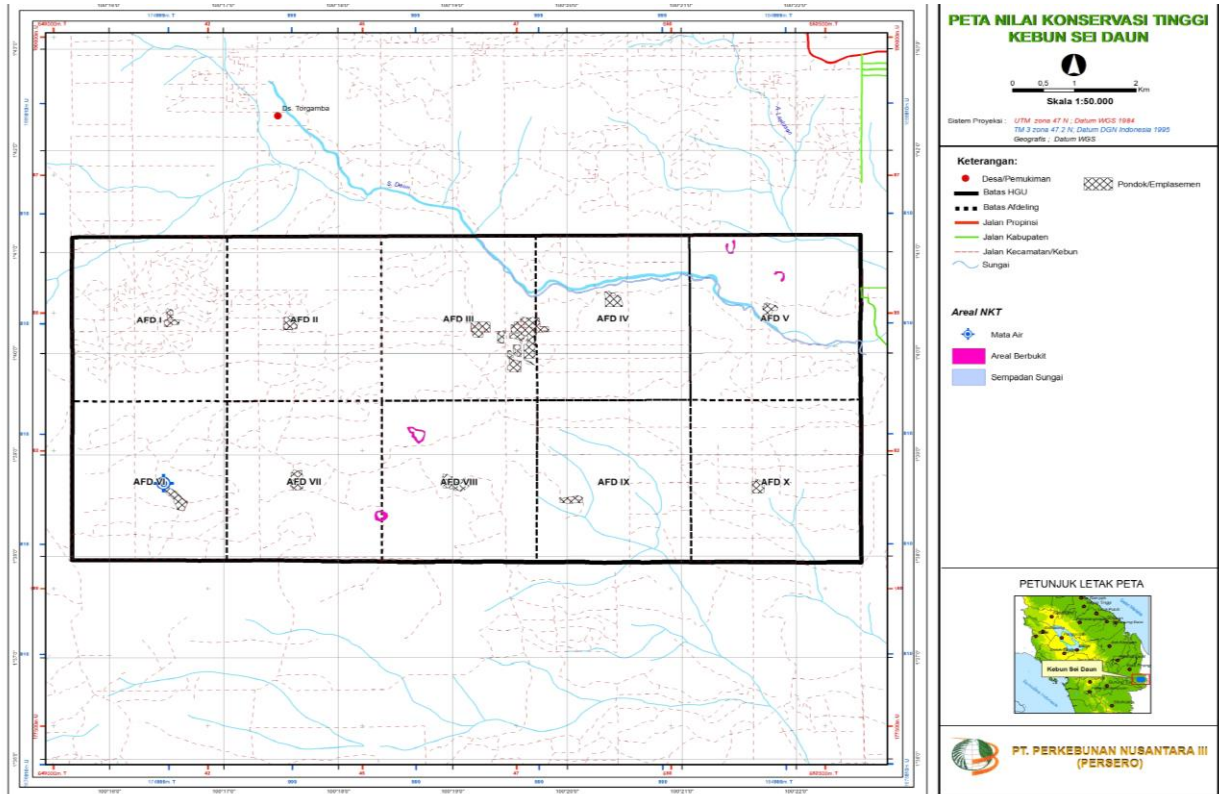


Figure 2: Sei Daun estate planted area and its conservation area.

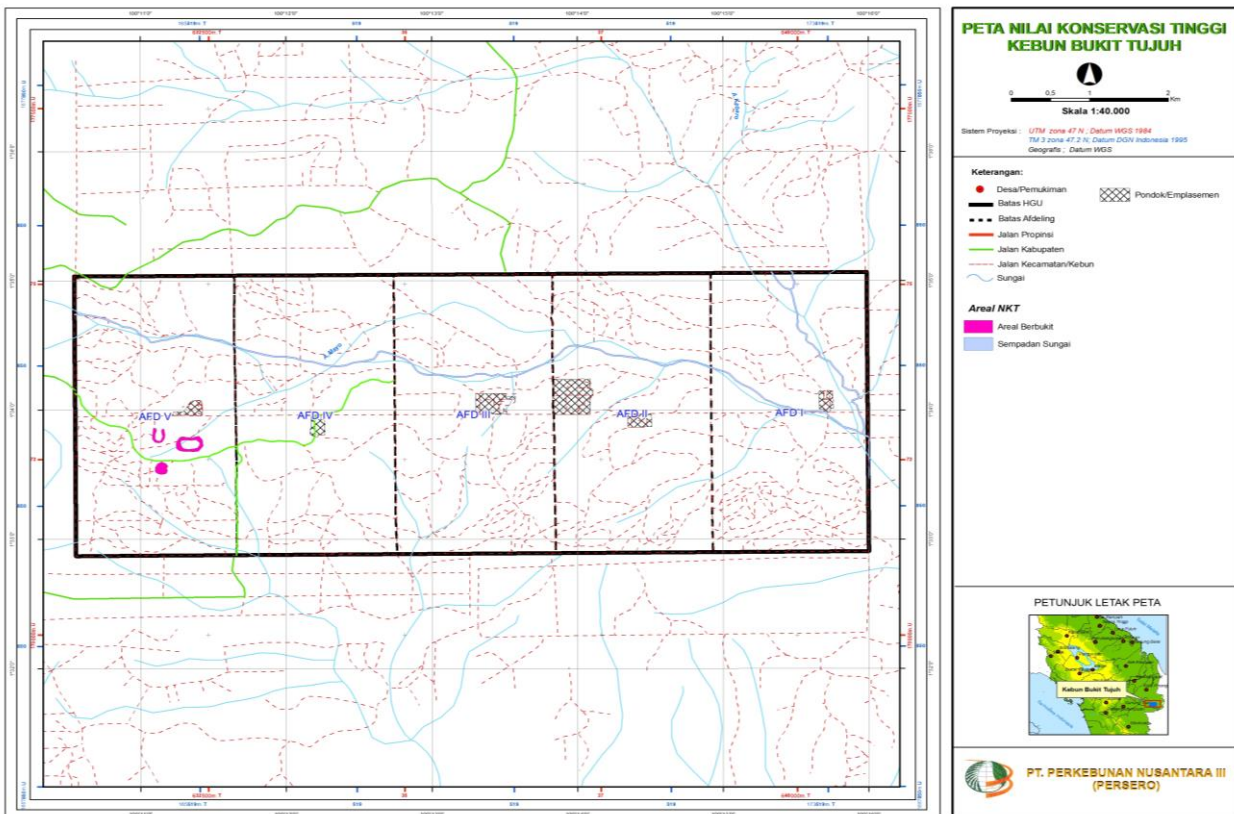


Figure 3: Bukit Tujuh estate and its conservation area.

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1.5 Organisational Information / Contact Person

PTPNIII Sei Daun unit has been established legally in accordance with land use rights title no. HGU No. 44 / HGU / DA / 80 dated 9 July 1980 which expired on December 31, 2010 covering an area of 25,593.74 hectares. The area of this HGU covers also other estates under PTPNIII, i.e. Torgamba estate and Sei Beruhur estate. The 3 estates have also received their Plantation Business Registration Letter ('Surat Pendaftaran Usaha Perkebunan' or SPUP) no. MK.350/771/DJ.Bun/XI/2001 which refers to their HGU above with approval for mill operations for 3 mills (one at each estates). For Sei Daun estate, the approved mill capacity is 60 tonnes/hour. The first planting at Sei Daun estate was in year 1981, and currently all plantings from year 1981 to 1984 are now 2nd generation replanted area. For Bukit Tujuh estate, the first planting was in 1984, and now all planted areas are currently all 2nd generation replanted area.

Sei Daun estate is divided into 10 divisions, while Bukit Tujuh estates has 5 divisions with an office at each location as well as worker's housing.

General information on Sei Daun mill supply base is as follows:

Details	Description	
	Sei Daun Estate	Bukit Tujuh Estate
Elevation	12.5 – 150 asl	62.5 – 125asl
Government administration	- South Labuhan Batu District (Torgamba and Bagan Simenbah subdistricts) - North Sumatera Province	-South Labuhan Batu District (Torgamba and Bagan Simenbah subdistricts) -North Sumatera Province
Regional local authorities	- Forestry and Agriculture Department of South Labuhan Batu and Rokan Hilir - Plantation Ministry of North Sumatera and Riau Province	- Forestry and Agriculture Department of South Labuhan Batu - Plantation Ministry of North Sumatera
Water tributaries	Rokan tributary	Rokan tributary
Bordering stakeholders	North: Sei Kebara estate & Torgamba estate (under PTPNIII) and Busuk River East: Torgamba estate and Sei Meranti estate (under PTPNIII), Bagan Baru/ Bagan Sari village South: Torgamba estate and Sei Meranti estate (under PTPNIII) West: Sei Kebara estate & Torgamba estate (under PTPNIII), and Ginjang-Ginjang Village	North: PT Torgamba Sibisa Mengatur Plantation East: PT Torgamba Sibisa Mengatur Plantation and Industrial Planting Forest ('Hutan Tanaman Industri') South: PT Torgamba Bukit Harapan Plantation and Industrial Planting Forest West: PT Torgamba Bukit Harapan Plantation and PT Mujur Plantation

Contacts details of the company are as follows:

Company Name:	PT. PERKEBUNANAN NUSANTARA III
RSPO Membership no.	1-0030-06-000-00 / 14-12-2006
Address:	Jln. Sei Batanghari No.2 Medan 20122 Kotak Pos 91 Propinsi Sumatera Utara, Indonesia
Contact Person:	Hj.Erwin Mierza Arief
Telephone:	+6281 2605 4015
Email:	ptb@email.ptpn3.co.id

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1.6 Description of Supply Base

Table 3: FFB Supply Information for Sei Daun Palm Oil Mill, year 2016 and 2017 (up until May 2017)

FFB Contributors	FFB processed in year 2016		FFB processed in year 2017 up until May 2017	
	Tonnes	%	Tonnes	%
Company owned estates:				
Sei Daun Estate	143,489.46	56.30	63,965.04	64.47
Bukit Tujuh Estate	36,058.04	14.15	18,913.26	19.06
Sub Total	179,547.50	70.45	82,878.30	83.53
Other company owned certified estates:				
Torgamba Estate	61,785.48	24.24	16,150.95	16.28
Sei Meranti Estate	194.85	0.08	194.88	0.20
Sub Total	61,980.33	24.32	16,345.83	16.47
7 Independent outgrowers				
CV. KDKD	4124.8	1.62	-	
CV. Torgamba Karya	2202.88	0.86	-	
UD. Monika Jaya	2,946.76	1.16	-	
UD. Berkat	1,932.16	0.76	-	
UD. Lasinah	35.34	0.01	-	
UD. Bekanta	1,227.5	0.48	-	
UD. Waskita Jaya	857.59	0.34	-	
Sub Total	13,327.03	5.23	-	
Total	254,854.86	100.00	99,224.13	100.00

1.7 Actual production volumes, tonnages and projected outputs.

Table 4: Certified tonnages purchased or sold, total and projected CPO and PK production Sei Daun Palm Oil Mill

Remarks	Amount (mt)		
	FFB	CPO	PK
Total product tonnages sold in RSPO PalmTrace*	-	19,000.00	2,555.55
Certified tonnage sold claimed under Green palm	-	-	-
Certified tonnages purchased	-	-	-
Actual Production for year 2016**			
Actual OER and KER for 2016	-	OER: 22.42%	KER: 3.69%
Total production for 2016	254,854.86	57,134.40	9,400.69
Total actual certified production	241,527.83	54,150.54	8,912.37
Projected Production for year 2017***			
OER and KER projection for 2017	-	OER: 22.84%	KER: 4.34%
Total projected production	267,040.80	60,999.96	11,577.57
Total projected certified production (Certified tonnages)	237,040.80	55,149.96	10,287.57

* Amount sold from certificate issuance until May 2017

**From Sei Daun Palm Oil Mill FFB production records for year 2016

*** From Sei Daun Palm Oil Mill Production Budget for year 2017

1.8 Dates of Plantings and Replanting Cycles

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

Table 5: Age and year of plantings of company estates supplying to Sei Daun Palm Oil Mill

Year of replanting	Oil palm planted area at each estate(ha)	
	Sei Daun Estate	Bukit Tujuh Estate
2014	14.35	9.85
2011	2,288.45	1,489.65
2010	1,919.15	854.65
2009	474.40	-
2008	793.25	-
2007	756.70	-
2006	845.40	746.60
2005	-	756.16
1997*	40.32	-
TOTAL	7,132.02	3,856.91

* All area above are in 2nd cycle of replanting except year 1997 planting which is still within the 1st generation of planting

The company currently has no replanting program for Sei Daun estate as none of the crop are due for replanting within the next 5 years.

1.9 Area of Plantation (Total, Planted and Mature)

Table 6: Oil Palm Planted Area Summary, FFB Production and Average yield/ha for company estates supplying to Sei Daun Palm Oil Mill

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
Kebun Sei Daun	7,555	7,132.02	7,117.67	14.35	157,956.81	22.192
Kebun Bukit Tujuh	4,000	3,856.91	3,847.06	9.85	88,053.35	22.88
TOTAL	11,555	10,988.93	10,964.73	24.20	246,010.16	22.43

Table 8: Land use data for Sei Daun Palm Oil Mill

Estate Name	Total area (ha)	Rubber Planted Area (ha)	Oil Palm Planted Area (ha)	HCV/ Potential HCV areas* (ha)	Land used for other purposes (ha)		
					Housing, mill, buildings & Roads	Other infrastructure*	Other Land*
Kebun Sei Daun	7,555	-	7,132.02	27.28	368.22	24.46	30.3
Kebun Bukit Tujuh	4,000	-	3,856.91	-	138.94	1.25	53.4
TOTAL	11,555	-	10,988.93	-	507.16	25.71	83.7

* Sei Daun estate: Other infrastructure includes electricity grid, schools, and football field, while other land includes graves, rivers, composting area, fruit planting area and HCV trenches.

Bukit Tujuh estate: Other infrastructure includes electricity grid, and other land includes rivers (2.90 ha) and conservation plantings areas (50.50 ha where planting is ongoing)

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1.10 Progress Against Time Bound Plan

As per the time bound plan below, there are a total of 2 management units under PTPNIII which are yet to be certified. As the time of this surveillance audit, the company however had not provided an updated timebound plan for remaining two uncertified management units. This was raised as part of **NCR no. RSPO01254**, which has now been closed with the updated timebound plan as below:

Table 9: Time Bound Plan of the Other Management Units

Name of Holding	Location	Date certified/ Time bound plan for certification	Status
Sei Mangkei Palm Oil Mill (PKSMK)	Sei Mangkei village, Bosar Maligas, Simalungun, North Sumatera, Indonesia	16 August 2010	In progress (public notification)
Aek Nabara Selatan Palm Oil Mill (PANAS)	Bilah Hulu, Labuhan Batu, North Sumatera, Indonesia	23 May 2014	Certified
Rambutan Palm Oil Mill (PRBTN)	Tebing Tinggi, Serdang Bedagai, North Sumatera, Indonesia	1 September 2016	Certified
Sei Silau Palm Oil Mill (PSSIL)	Asahan, North Sumatera, Indonesia	3 April 2017	Certified
Sisumut Palm Oil Mill (PSSUT)	Sisumut Village, Kota Pinang, Labuhan Batu, North Sumatera, Indonesia	15 October 2015	Certified
Aek Raso Palm Oil Mill (PPARO)	Aek Raso Village, Torgamba, Labuhan Batu, North Sumatera, Indonesia	30 June 2014	Certified
Torgamba Palm Oil Mill (PTORA)	Torgamba Village, Torgamba, Labuhan Batu, North Sumatera, Indonesia	7 September 2016	Certified
Aek Torop Palm Oil Mill (PATOR)	Aek Batu Village, Torgamba, Labuhan Batu, North Sumatera, Indonesia	17 June 2014	Certified
Sei Daun Palm Oil Mill (PSDAN)	Sei Daun/ Labuhan Batu, North Sumatera, Indonesia	8 September 2016	Certified
Sei Meranti Palm Oil Mill (PSMTI)	Meranti Makmur Village, Bagan Sinembah, Rokan Hilir, Riau, Indonesia	14 October 2016	Certified
Sei Baruhur Palm Oil Mill (PSBAR)	Sei Baruhur/ Labuhan Batu, North Sumatera, Indonesia	August 2017	In progress (audited)
Hapesong Palm Oil Mill	South Tapanuli, North Sumatera, Indonesia	2018	Planned

1.11 Compliance to Rules for Partial Certification

Compliance of the uncertified management units of PT Perkebunan Nusantara III (Persero) against the rules for partial certification according to RSPO Certification System clause 4.2.4 was assessed by verification of company's internal audit, however at the time of this surveillance audit, the company was unable to show the audit results/reports for internal audits conducted in year 2016 covering verification of RSPO partial certification requirements. This was raised as part of non-conformity **NCR no. RSPO01254**, and since been closed

The status of the company's compliance to partial certification requirements based on the assessment of the certification body as well as results of the company's internal audits are as follows:

Partial Certification Requirements	Audit Findings
(a) The parent organization or one of its majority owned and / or managed subsidiaries is a member of RSPO.	PTPN III is an RSPO member with ID No. 1-0030-06-000-00 (membership since 14 December 2006).
(b-d) A challenging time-bound plan for certifying all its relevant entities is submitted to the Certification Body (CB) during the first certification audit. The time-bound plan should contain a list of	Based on description on section 1.9 that the company has showed time bound but it is not update and not challenging & realistic so this was raised as non-conformity NCR no. RSPO01254 . Based on evidence of correction action that revision of time bound plan has stated on appendix 5.a & 5.b above. The time frame laid

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<p>subsidiaries, estates and mills.</p> <p>Any revision to the time-bound plan or to the circumstances of the company shall cause the plan to be reviewed. for whether it is still appropriate, such that changes to the time-bound plan are permitted only where the organisation can demonstrate that they are justified</p>	<p>out above is considered to be both challenging and realistic and up-date. Certification plan on behalf Hapesong POM has been revised from 2016 be 2018 because compensation and remediation process for Muara Opu & Ampolu areas still in-progress. Current position that the company has develop of compensation program proposal by third party but it has not been approved by top management and has not been submitted to RSPO Secretariat (c.q compensation panel).</p>
<p>(e) No replacement of primary forest or any area identified as containing High Conservation Values (HCVs) or required to maintain or enhance HCVs in accordance with RSPO criterion 7.3. Any new plantings since January 1st 2010 must comply with the RSPO New Plantings Procedure</p>	<p>HCV assessments for Sei Mangke POM & their supply base and Sei Baruhur POM & their supply base was carried out by third party. Whereas, issue of Muara Opu & Ampolu areas has stated their conservation liability amount of 1,324.31 ha (the company has carried out open land without HCV assessment) and current position is the company has develop a compensation program proposal by third party but it has not been approved by top management and has not been submitted to RSPO Secretariat (c.q compensation panel).</p>
<p>(f) Land conflicts, if any, are being resolved through a mutually agreed process, e.g. RSPO Grievance procedure or Dispute Settlement Facility, in accordance with RSPO criteria 6.4, 7.5 and 7.6.</p>	<p>Since year 2016, there are some land conflicts or potential land conflicts or occupation/claim/enclave areas by community on-going in other PTPN III's management units such as Batang Toru Estate (± 314.16 ha), Bangun Estate (± 435.28 ha), Gunung Para Estate (± 87.99 ha), Gunung Pamela Estate (± 566.47 ha) and Rambutan Estates (± 94.16 ha). The company has developed a conflict resolution mechanism/procedure (PK-3.06-03, PK-3.16-12 & PK-3.16-17) including procedures for mediation, persuasiveness, deliberation, compensation or "sugu hati" and settlement through legal way.</p> <p>The company has taken efforts to resolve the conflict through communication and informing the mechanism to the land claimants, who have agreed to the mechanism. Some conflicts were successfully resolved in year 2016 through compensation or "sugu hati", for example for land issues at Gunung Pamela estate (for conflict area of 3.32 ha), Gunung Para estate (for conflict area of 7.00ha), Bangun estate (for conflict area of 1.00 ha) and Batang Toru estate (for conflict area of 17.60 ha). Whereas, at Rambutan Estate, there is a land claimant who currently has not agreed with the company on the mechanism of conflict solving since year 2012 unil current, hence the issue has yet to be resolved.</p>
<p>(g) Labour disputes, if any, are being resolved through a mutually agreed process, in accordance with RSPO criterion 6.3.</p>	<p>No labour dispute issues were found in other PTPN 3 subsidiaries/units.</p>
<p>(h) Legal non-compliance, if any, are being resolved in accordance with the legal requirements, with reference to RSPO criteria 2.1 and 2.2.</p>	<p>The company has carried out evaluation of compliance to laws & regulations in accordance with procedure no. PK-3.18-01. The result of evaluation is some of PTPN III's other management units have not complied with certain legal requirements as example is :</p> <ul style="list-style-type: none"> • Timeframe for hazardous waste collection by licensed contractor from the mill and all estates all have exceeded the maximum permitted timeframe for storage of hazardous waste, which is 90 days for the mill and 180 days for the estates, • There is no evidence of recommendation from the relevant authorities for plantation business registration/permit changes in type of crop permitted to be planted at Gunung Para estate, Gunung Pamela estate and Rambutan estate, <p>The process to close the identified nonconformities is still ongoing.</p>

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1.12 Compliance to other RSPO Procedures

RSPO New Planting Procedure (NPP)	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 the new planting procedure verification conducted by Sucofindo in year 2012. There is no other identified new planting area within PTPNIII's area.
RSPO Compensation and Remediation procedure	The process of review and approval of the compensation and remediation plan for the Muara Opu & Ampolu areas by RSPO is still in-progress.
Areas subjected to sanction(s)	Currently no areas under PTPNIII are subjected to sanctions.

1.13 Compliance to RSPO Guidance on GHG calculation

During the audit, the audit team verified and confirmed the following information:

The RSPO PalmGHG Calculator used	The company records and monitors greenhouse gas emissions using the latest version of the PalmGHG tool version 3.0.1 last updated on 24 March 2017. The company has submitted their Palm GHG reports for several mills, including Sei Daun POM on 17 May 2017 as seen from email to the RSPO.
Accurate data has been put into the RSPO PalmGHG Calculator	As the mill has not received crop from independent smallholders since June 2016, data input is only from the company's own estates, including PTPNIII estates not within this certification scope but occasionally supplying to the mill (i.e. Torgamba estate and Sei Meranti estate, which is listed a group estate). Data used in the tool was cross checked with mill and estate data, and mostly found to be consistent, e.g. total diesel usage at Sei Daun estate was consistent with diesel usage records. However, actual planted area of Sei Daun estate is 7,132.02 ha but stated in the tool as 7218.12 ha. This was raised as an observation.
Net GHG Emission Figures (tCO ₂ e/tCPO)	0.5 tCO ₂ e/tonne of CPO product. 0.5 tCO ₂ e/tonne of PK product.

1.14 Progress of associated smallholders or outgrowers towards RSPO compliance

Not applicable as the mill does not have any scheme or associated smallholders. The company has program to support RSPO compliance for several independent out growers that supply FFB to Sei Daun Palm Oil Mill under group certification scheme, but this has yet to be implemented.

1.15 Revised Approximate Tonnages Certified

The tonnages certified have been revised from the previous amount stated in the RSPO certificate issued on 8 September 2016. The revised approximate tonnages certified (as per Appendix 1), based on projected production for year 2017 are as follows:

Crude Palm Oil (CPO) : 55,150 tonnes
Palm Kernel (PK) : 10,288 tonnes

1.15 Other Achievements and Certifications Held

Name of mill / estate	Certification / Award achieved	Certification Body / Awarder	Date Achieved
Sei Daun Palm Oil Mill	ISO 14001	TUV Rheinland Indonesia	TMT 01/08/2014 – 31/07/2017
	ISO 9001	TUV Rheinland Indonesia	TMT 01/09/2015 – 31/08/2018
	SMK3	SUCOFINDO	TMT 31/08/2015 – 01/07/2018

2.0 ASSESSMENT PROCESS

2.1 Certification Body

PT TUV Rheinland Indonesia is member of TÜV Rheinland Group, a global leader in independent testing and assessment services. TÜV Rheinland Group was established in 1872 with offices located at over 50 locations in 65 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.

2.2 Qualifications of Lead Assessor and Assessment Team

The assessment team members of this surveillance audit as follows:

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>
Rahayu Zulkifli	Auditor (Social)	<p>Education: LLB(Hons), John Moores University, Liverpool, UK (1988), Certificate in Legal Practice (CLP) examination (1992)</p> <p>Trainings attended: RSPO-endorsed Lead Auditors course (November 2014); RSPO P&C and Supply Chain Standard and System (SIRIM) (February 2016); Social Aspects of the RSPO P&C (SIRIM) (February 2016); ISO14001 Lead Assessor course (Exemplar Globalcertified) (March 2016); Techniques of Auditing (SIRIM) (January 2016); Trained and certified as a mediator by the Malaysian Mediation Centre (2014); Certified as a Translator by the Institut Terjemahan dan Buku Malaysia (2014)</p> <p>Working experience: Manager of Dispute Settlement Facility - RSPO, and Managed the RSPO Human Rights Working Group (HRWG) focusing in particular on Social Audits, Land Conflicts, Labour Rights and Human Rights (January 2014 –May 2015); Team Leader – Terengganu Turtle Conservation, WWF Malaysia (September 2003 – October 2013); Manager, Legal and Corporate Secretarial and Company Secretary – Crest Petroleum Berhad (March 2000 – August 2003); Deputy Manager, Legal and Corporate Secretarial and Assistant Company Secretary – Sistem Televisyen Malaysia Berhad (TV3) (June 1995 – March 2000); Legal Assistant – Shamsuddin & Co. Advocates & Solicitors (October 1994 – May 1995).</p>
Doni Mardoni	Auditor (social)	<p>Education: Master in Rural Sociology, Graduate School of Bogor Agricultural University completed in 2005.</p> <p>Trainings Attended: GIS Training, Auditor Training of Indonesian Sustainable Palm Oil (ISPO), Training of Participatory Mapping, Training of Document Preparation HCV and SIA, Auditor Training of Sustainable Production Forest Management (SFM),</p>

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		<p>Training and Up-Grading of SFM, Training of Mentoring technique for the Rural Farmers, Conflict Resolution Training and Journalism Training.</p> <p>Work Experience: Frequently conducted certification audits of RSPO and ISPO for Palm plantation, the certification audit of SFM (Sustainable Production Forest Management) for HPH and HTI, worked as a consultant for the National Development Planning Agency, Ministry of Environment and Forestry, Indonesian People Bank (BRI), Ministry of Rural Development (KPDT) and the Ministry of Public Works, Director General of Cipta Karya, JICA and UN-HABITAT and UNDP, HCVF document drafting team for the company of HTI, HPH and constituent team for documents of HCV / SIA for oil palm plantations. Since March 2016 till now, work at PT. TUV Rheinland Indonesia.</p>
Ibnu Prabudi	Auditor (OSH & environment)	<p>Education: Bachelor of Science in Agriculture (STIPER), majoring in Agro technology from Agriculture Faculty of Instiper Yogyakarta</p> <p>Trainings attended: ISPO Auditor, Lead Auditor RSPO Training, Inhouse training HACCP, Awareness SQMS Mc Donald, In House Training Green House Gas, Lead Auditor ISO 9001;2008, OHS Expert Training</p> <p>Working experience: Auditor in PT Mutu Agung Lestari (2010-2015), Internal Auditor in PT AEP Tasik Raja (2015-2017), and Auditor in PT TUV Rheinland Indonesia (2017-present).</p>

2.3 Assessment Methodology & Agenda

The surveillance audit was conducted between 13 to 15 June 2017 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 standard as endorsed for the country in which the assessment took place and recorded their findings.

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

All 2 estates and one 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 30 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 summarized 1st surveillance assessment agenda is as explained below. The complete audit plan is as per Appendix 2.

1st Surveillance Audit Agenda:

Date	Location/ Main sites	Main activities
13 June 2017	Sei Daun Palm Oil Mill	<ul style="list-style-type: none"> Opening Meeting and introduction Finalization of audit plan Document review of all related P&C Supply Chain Certification audit Site visits: Mill compound, workshop, stores, effluent treatment pond, mill workers housing Stakeholders Interviews: Sei Daun Village Head, villagers at Dusun Bagan Baru, mill weighbridge staff and SCC related personnel, security, mill workers
14 June 2017	Sei Daun Estate	<ul style="list-style-type: none"> Document review of all related P&C Site visits: Estate best practices implementation, land application sites, HCV areas (river riparian buffer zones, sloped areas), chemical and fertilizer stores, PPE washing and storage areas, waste disposal sites, workers housing Stakeholder interviews: Office staff, field workers and mandores, including harvesters (permanent workers) and contracted maintenance workers, village head and secretary of Torgamba village

<p>15 June 2017</p>	<p>Bukit Tujuh Estate</p>	<ul style="list-style-type: none"> • Document review of all related P&C • Site visits: Estate best practices implementation, land application sites, HCV areas (river riparian buffer zones, sloped areas), chemical and fertilizer stores, PPE washing and storage areas, waste disposal sites, workers housing Division V and III, estate clinic • Stakeholder interviews: Office staff, field workers and mandores, Division II harvesters (permanent workers) and contracted maintenance workers, Bukit Tujuh Village Head, Ujung Gading Julu Village Head, clinic staff • Preparation of findings • Closing meeting
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2.4 Stakeholder Consultation and Stakeholders Contacted

The stakeholder consultation involved both external and internal stakeholders. Stakeholder consultation took place in the form of meetings/visits to stakeholder locations and interviews, including visits to the local communities, interviews with land claimants and contractors, and inspections of worker amenities and infrastructure. 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.

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 the region. 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.

All stakeholder issues raised were recorded and forwarded to the management for their written reponse, and this is summarized in Section 3.4. The list of stakeholders interviewed during the assessment is included as Appendix 4.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

During this annual surveillance audit, the status of closure of previous audit findings were assessed with outcomes explained in section 3.2. A total of 20 nonconformities were assigned during this year's annual surveillance audit i.e. 12 Major nonconformities and 8 Minor nonconformities. 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 3.3. The observations & opportunities for improvement are listed in Section 3.4.

The following is a summary of findings made for the criteria listed in the RSPO Principles & Criteria Indonesian national Interpretation 2016.

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 Daun POM has all the documents required under applicable regulations (such as: land use rights (HGU) Certificate, the Environmental Impact Assessment (EIA) / Environmental Management and Monitoring plans (RKL / RPL), 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 Bukit Tujuh and Sei Daun Estate and Sei Daun POM the second half of 2016 there is a receipt of the Head of the Forestry and Plantation, Labuhan Batu Selatan rency on February 27, 2017.
- Corporate of PTPN3 Sei Daun Estate, Bukit Tujuh Estate and Sei Daun POM has submitted report of employment on 2017 to Agency of Social, Labour, and Transmigration in Labuhan Batu Selatan District on March 7, 2017.

The company responds to requests for information or data within 14 days after requests for information or responses received by management. The person in charge is the Head of Administration located in Kebun Sei Daun. The storage period of the document is 5 years.

The management unit showed evidence of a request for information from stakeholders as below:

Letter from Subdistrict Head of Torgamba Estetika Number. 205 / MD / 17 June 9, 2017 regarding willingness to be the management of Komte Torgamba Estetika for Torgamba Village community, addressed to leaders of Sei Daun Estate. Sei Daun estate Management responded to the letter and agreed to be a member of management committee of Torgamba Estetika.

Compliance status: Full Compliance

Compliance status:

Yes No

NCR No.: -

See observation no. 1 in Section 3.4

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 are publicly available in accordance circular letter from the Direc-

Compliance status:

Yes No

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tor of Marketing and Development Planning No. 3.00 / SE / 01/2015 April 8, 2015 are: Company profile, Annual report, Financial Statements, certificate of land use rights (HGU), building use rights (HGB) and management right (HPL), Good Corporate Governance (GCG) handbooks, evaluation results GCG by independent institutions, Information award, Company Registration Certificate ('Tanda Daftar Perusahaan' or TDP), EIA documents (RKL / RPL, UKL / UPL and DPPL), Corporate Social Responsibility (CSR) data, documentation of Occupational Safety & Health (OSH) program, policy management system PTPN III, objective/target of Environment Management System and OSH Management System of PTPN III The policy of environmental management systems and safety management systems (K3) PTPN III (Persero), Compulsary Labor Report, Achieving Company Program, document permitting such permit land application, final disposal area for hazardous wastes ('Bahan Beracun & Berbahaya' or B3) and License for incinerator operation, Hazardous Waste, and infectious waste, reports the monitoring and measurement, report production achievement, names estate / unit, Document program of continuous improvement (Results of management review meetings), Policy human rights, Document SIA, Document High Conservation Value (HCV), and the prevention of pollution reduction plan, Flow problem solving / conflict, Data public consultation and certification assessment report and data communications stakeholders.

There is evidence of socialization list of documents to the parties (public and employees) conducted on February 11, 2017 and was attended by 81 participants.

NCR No.: -

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 third edition authorized by the Board of Commissioners and Board of Directors. The code of conduct that is created as a guideline which is a standard of behavior for all individuals in the move both inside and outside the company. Document consists of goals and objectives, the benefits of code of conduct, values, business ethics and commitment to stakeholders, the basic attitude of the individual, the behavior of individuals inside and outside the company, the behavior of a superior, behavior as a subordinate, behavior towards fellow colleagues, commitments on specific issues such as liability salvage companies, trade transactions as a result of insider information, conflicts of interest, political activities, donations, commissions, kickbacks, gratuities control, handling whistleblowing, management and administration of property report kekayaan State administrators. Enforcement of the code of conduct such as monitoring the implementation of the code of conduct, reporting pelanggaran code of conduct, sanctions for violations of the code of conduct.

Policy of ethic in business has also been socialized to estate contractor on January 8, 2017 and POM contractor on January 11, 2017. For the third party (contractor), policy of business ethic was also stipulated on Letter of Working Agreement (SPK) for estate and POM contractor.

The result of the interview with the contractor management of CV Harka Jaya Mandiri, is known to understand the company's code of ethics is prohibited to giving gifts, corruption and fraud. In carrying out its business the contractor must be obey and comply to the employment agreement it has been agreed and should not accept bribes and cheats. Harvester in Bukit Tujuh estate also understands the code of ethics of the company, those are: should not do cheating and corruption.

Compliance status:

Yes No

NCR No.: -

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

Findings:

Sighted evidence of legal compliance, for example, Sei Daun estate and mill has a Plantation Business Registration Letter ('Surat Pendaftaran Usaha Perkebunan' or SPUP) no. MK.350/771/DJ.Bun/XI/2001 covering two other estates under PTPNIII as well, i.e. Torgamba estate and Sei Beruhur estate. The SPOP refers to their HGU with approval for mill operations for 3 mills (one at each estates). For Sei Daun estate, the approved mill capacity is 60 tonnes/hour. However, the company had not been able to show sufficient evidence related to the fulfilment of some legislation. Please see **NCR no. RSPO 1255**.

The company (Estate and Mill) has list of legal and other requirements covering relevant laws (UU), government regulations (PP), Instruction of President (Inpres), Minister Regulations (Permen), Local Regulations (Perda), Governor Regulations (Pergub) presented in list of regulation and law. The Law and regulation include OSH, plantation, labour and environmental. Mill and Estate maintain all copies of law and regulations. However, at all estates and mill being audited, the lists are incomplete. Several relevant laws are not included in the legal register. For example:

At Sei Daun POM the legal register has not listed the following laws:

- Law No 3/1992 (Social Security)
- Law No 7/2013 (Minimum Wage)
- Law No 102/2004 (Overtime Period & Wages)

At Sei Daun Estate the legal register has not listed the following laws:

- Law No 13/1999 (Human Rights)
- Law No 7/2013 (Minimum Wage)
- Law No 102/2004 (Overtime Period and Wages).

The company has a procedure for identification relevant law and regulation namely Procedure for identification and evaluation law and regulation, PK-3.18-01 revision 02, on date May, 2017. The procedure states that the legal section is responsible for identifying the law and regulation. Record of identification of law and regulation presented in document list of law and regulation, FM-3.18-01/01. To ensure compliance to legal the company has conducted an internal audit.

A documented methodology (e.g.: personnel in charge (PIC), source of info, frequency of update) for tracking changes and communication of changes to relevant sections of the legislation has described on Procedure for identification and evaluation law and regulation, PK-3.18-01 revision 02 on May, 2017. The procedure mentioned mechanism to update of new regulations to replace old rules, PIC (legal sections), information sources and their implementation.

The mechanism used in ensuring compliance with the relevant laws is through updates received from the Company headquarters in Medan, where the estates and mill would receive updates online. Tracking of any changes in the law is carried out by the Legal Department in PTPN III headquarters in Medan, and cascaded to the Mill via the office portal.

The estates and mill would then include into their respective legal register, and will evaluate if the relevant laws are complied with or otherwise. The evaluation for compliance is done annually. Bukit Tujuh Estate did its evaluation on 16 January 2017, followed by Sei Daun Estate on 18 January 2017, and Sei Daun

Compliance status:

Yes No

NCR No.:
RSPO01255

The company has not been able to show sufficient evidence related to the fulfilment of relevant legislation, for example:

a. Based on field observation at hazardous waste store of Sei Daun Palm Oil Mill and Sei Daun estate it is found that the installation of hazardous waste symbol and label not yet in accordance with the Ministerial Decree No. 14 of 2013 on hazardous waste Symbols and Labels.

b. Based on field observations at the Sei Daun estate Seed House Central Warehouse it is known that the installation of B3 symbol is not in accordance with the Ministerial Decree No. 3 of 2008 on Procedures for Symbol and Label B3.

c. Based on the result of field observation at hazardous waste store of Sei Daun Palm Oil Mill it is found that hazardous waste records not yet updated, a fire extinguisher was found to be damaged (nozzle part) and preparation of water for fire emergency use was not done. This is not yet in accordance with the company permit for hazardous wastes, permit number: 503/207 / DPMPPTSP-LS / 2017 dated February 20, 2017.

d. Based on the result of document observation and field visit, it is found that the provision of Personal Protective Equip-

Mill on 19 January 2017. Minutes of the evaluation meetings were sighted and verified, except for Bukit Tujuh Estate which had did not have the minutes of the meeting.

ment (PPE) equipment is not optimally applied such that workers in the field do not use PPE in accordance with the risk analysis that has been prepared. This is not in accordance with regulation Permenakertrans No. 8 of 2010.

e. Based on document observation, it is found that the company has not been able to provide sufficient evidence of health inspection of employees regularly in accordance with the Ministerial Decree no. 2 year 1980 and also specially related to chemicals in accordance with Permenaker No. 3 year 1986.

NCR No.: RSPO01256

The documented list of related regulations and regulations is not yet complete. For example, At Sei Daun POM the legal register has not listed the following laws:

- Law No 3/1992 (Social Security)
- Law No 7/2013 (Minimum Wage)
- Law No 102/2004 (Overtime Period & Wages)

While at Sei Daun Estate the legal register has not listed the following laws:

- Law No 13/1999 (Human Rights)
- Law No 7/2013 (Minimum Wage)
- Law No 102/2004 (Overtime Period and Wages).

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

Findings:

Sei Daun Estate

Basic of land tenure of PTPN III - Sei Daun Estate is based on Decree of Homeland Ministry Number: SK.44 / HGU / DA / 80. In the decree, the Home-

Compliance status:

Yes No

NCR No.:

land Ministry decides and assigns gave to the land use right located in Labuhanbatu Regency, North Sumatera Province covering ± 26,000 Ha. As known that the land use rights of Sei Daun Estate has expired since December 31, 2010. Details of Progress described as follow:

1. **Year 2008.** The company has made a letter (Number: 3.09/X/593/2008) to Head of Region of Land Agency North Sumatera Province on May 23, 2008. The company has attached the relevant document according with the related regulation (Government Regulation / PP Number 40/1996). This condition has comply with the regulation of land use rights (PP No. 40/1996). The regulation state that 2 years before the validity expired, the certificate holder should be propose for extension (article 10).
2. **Year 2009.** Head of Region of Land Agency North Province has issued the letter (Number: 1386-300.8/XII/2009) on December 31, 2009. This letter state that the land use rights of PTPN III (included Sei Daun Estate covering 7.555 Ha) there is a problem related to forest area. There was indicated that 14,382 Ha from the land use rights total areas included to the forest area based on Ministry of Forest Decree Number 44/2005.
3. **Year 2011.** Head of National Land Agency of Republic Indonesia has issued the letter (Number: 3590/14.3-300/IX/2011) on September 29, 2011. This letter state that the land use rights of PTPN III could be extension if there was a letter from Forest Agency state that the covering areal 14,382 Ha has accommodated from Production Forest to other use areas.
4. **Year 2014.** Last updated, Ministry of Forest Decree Number 44/2005 has revision become Ministry of Forest Decree Number 579/Menhut-II/2014) on June 24, 2014. Based on the Ministry of forest decree 579/Menhut-II/2014, all of 14,382 Ha (areas where indicated included to the forest area) was changed to other use areas.
5. **Year 2016.** Head of Region of Land Agency North Sumatera Province has made a letter of recommendation (Number: 522/287) on February 2016. This letter state that based on Ministry of Forest Decree Number 579/Menhut-II/2014 it is known that all of indicated included to the forest area (14,382 Ha) was changed from Production Forest Areas to other use areas.

Furthermore, Head of Land Agency North Sumatera sent the letter recommendation to The Head of National Land Agency of Republic Indonesia on June 23, 2016 through a letter number: 840/10-12.200/VI/2016.

6. **Year 2017.** The company has coordination with the National Land Agency of Republic Indonesia on January 30, 2017. Based on the coordination, National Land Agency of RI suggest that The Regional Land Agency of North Sumatera could be conducted field visit especially for observed the area indicated included to the forest areas (14,382 Ha).

Responding to that, the company has coordination with Head of Region of Land Agency North Sumatera on May, 12 2017. Based on the coordination, Land Agency North Sumatera Province would be conducted field visit on May 18, 2017. Furthermore, on May 18, 2017, Land Agency of North Sumatera Province has conducted field visit. This evidence was showed through Minutes of Events Number: 03/BA/PHTIP/HGU/V/2017. On the minutes of events state that all of areas (14,382 Ha) was clear and clean from forest areas.

On June 2, 2017 the company has got meeting with the National Land Agency of Republic Indonesia. The meeting attended by Directorate General of National Land, Head of Regional Land Agency of North Sumatera Province and President Director of PTPN III. In the meeting agreed some agreement regarding proposed of land use rights extension where in still process, i.e.:

- PTPN III was requested to apply for land use rights through the mechanism of renewal of rights.

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i) Based on document observation, it is known that Bukit Tujuh Estate has not been able to show map of land for the issuance of Decision Letter of HGU No. 54 / HGU / DA / 88 and / or 53 / HGU / DA / 88 indicating the location of HGU, its extent and boundaries.

ii) Furthermore, based on the results of field visits along the H1 - H20 Block, no HGU boundary was found (adjacent to Harapan Hill Estate - PT Torganda and Kawasan Hutan Tanaman Industri - PT Surya Raya Lestari).

See also observation no. 2 in Section 3.4

- National Land Agency of Republic Indonesia resend the proposal document of extension land use rights PTPN III to Regional Land Agency of North Sumatera. Furthermore, PTPN III re-proposed for the mechanism of renewal of rights.
- Responding to that, PTPN III has re-proposed with the mechanism of renewal of right through letter number: 3.19/X/440/2017 on June 13, 2017.

Bukit Tujuh Estate

Basic of land tenure of PTPN III – Bukit Tujuh Estate is based on Decree of Homeland Ministry Number: SK.53 / HGU / DA / 88 and Number: SK.54 / HGU / DA / 88 on June 29, 1988. In the decree, the Homeland Ministry decides and assigns gave to the land use right located in Labuhanbatu Regency, North Sumatera Province covering ± 9,987.4 Ha (included Bukit Tujuh Estate area covering 4,000 Ha). As known, during the audit that the land use rights certificate of Bukit Tujuh Estate was not be issued because the areas included forest areas. Details of Progress described as follow:

1. **Year 1988.** The company (at the time name of PTPN III still under management by PTPN IV Gunung Pamela) has been got permit of land tenure through Ministry of Homeland Decree Number 53/HGU/DA/88 and 54/HGU/DA/88 covering area 9,987.4 Ha. But, in the decree, the company should be apply for release of forest areas. The mechanism used for the process of releasing forest areas is to find a replacement with the ratio 1: 1 (i.e 11.000 Ha).
2. **Year 1986.** Letter of North Sumatera Governor Number: 522/2933 on November 14, 1986. In this letter, the Governor of North Sumatera ordered the Provincial Forestry Office to be able to find the replacement area. Responding to that, the company has transferred the cost of replacing of land through the Bank Export Import Medan Branch Office No. AC.518621479.
3. **Year 1989.** North Sumatera Provincial Forestry Office issued a letter (number: 522/4023) on May 18, 1989. In this letter state that the replacement areas was found still 4,565 Ha and still lacking 6,434.6 Ha. Furthermore, North Sumatera Provincial Forestry Office ordered the search for the replacement area to PTPN III and returns the remaining unused funds. In this case, the company doesn't agreed if the search of replacement areas to be responsible by company. Because based on Letter of North Sumatera Governor Number: 522/2933 on November 14, 1986 state that the Governor of North Sumatera ordered the Provincial Forestry Office to be able to find the replacement area. This condition continued until 2004 where the company has re-coordinated with the Provincial Forestry Office on February 24, 2004.
4. **Year 2004.** The company has re-coordinated with the Provincial Forestry Office on February 24, 2004. The conclusion of the meeting are:
 - Lacking of replacement areas to be responsible by PTPN III.
 - The cost of compensation for the lacking of replacement areas was responsible by PTPN III. The cost of compensation i.e 500,000 IDR / hectare.
5. **Year 2005.** The Provincial Forestry Office issued a letter number: 522/2338/III on April 19, 2005. This letter state that cost of compensation i.e 11,000 Ha x 500,000 IDR = 5,500,000,000 IDR responsible is PTPN III. But there was a difference between the amount of land that must be replaced with the permits based on Ministry of Homeland Decree Number 53/HGU/DA/88 and 54/HGU/DA/88.
6. **Year 2006.** PTPN III has re-proposed to Ministry of Forestry through Letter (Number: 3.09/X/621/2006) on July 10, 2006 regarding to progress of releasing of forest areas.
7. **Year 2007.** PTPN III has re-proposed to Ministry of Forestry through Letter (Number: 3.09/X/07) on April 3, 2007 and number: 3.09/X/1008/2007 on October 2, 2017 regarding to progress of releasing of forest areas.

Furthermore, on October 23, 2007, PTPN III sending to Supreme Court of Republic Indonesia (Mahkamah Agung RI) through letter (number: 3.09/X/1055/2007) regarding completion of Replacement Area of forest areas.

8. **Year 2008.** The company has conducted a meeting between President Director and Head of Provincial Forestry Office on June 18, 2008. The conclusion of meeting was that the Provincial Forestry Office shall coordinate this matter to the relevant agencies.
9. **Year 2009.** PTPN III has re-proposed to Ministry of Forestry through Letter (Number: 3.09/X/1126/2009) on November 13, 2009 regarding to progress of releasing of forest areas.

Governor of North Sumatra sent to Ministry of Forestry through letter number: 522/7585 dated October 7, 2009 regarding proposed Revision of Forest Area of North Sumatra Province.

10. **Year 2010.** The central government issued the new regulation i.e Government Regulation Number 10/2010 regarding Procedures for Changing Allocation and Function of Forest Area.
11. **Year 2011.** PTPN III has trying to search replacement areas at Aceh Province. President Director of PTPN III sent letter to Governor of Aceh through letter number: 3.09/X/93/2001 dated February 11, 2011.

On August 22, 2011 one of the director of PTPN III has conducted expose at Ministry of Forestry Office, Jakarta. At the time Ministry of Forestry (Planology Directorate) state that process of release of forest areas could be continued if the areas included as other use areas or production forest conversion areas based on North Sumatra Provincial Spatial Plan.

12. **Year 2014.** Ministry of Forestry issued the decree of Forest Area Determination (SK. 579/Menhut-II/2014).
13. **Year 2015.** PTPN III sent letter to Head of Provincial Forestry Office (number: 3.11/X/85/2015) on September 22, 2015 regarding Follow-up completion of forest areas based on Ministry of Forestry decree (SK. 579/Menhut-II/2014).
14. **Year 2016.** PTPN III sent letter to Ministry of Environment and Forestry (number: 3.18/X/83/2016) on June 10, 2016 regarding Follow-up completion of forest areas Sei Daun Estate and Bukit Tujuh Estate.
15. **Year 2017.** PTPN III sent letter to Ministry of Environment and Forestry (number: 3.18/X/83/2016) on June 10, 2016 regarding Follow-up completion of forest areas Sei Daun Estate and Bukit Tujuh Estate.

During the audit, progress of land tenure of PTPN III (Sei Daun Estate and Bukit Tujuh Estate) was still in process.

Sei Daun Estate has showed the monitoring of boundary pillars of land use rights. The monitoring of boundary pillars has conducted every six months. The data of monitoring has recorded in the form of monitoring boundary pillars. Based on field observation at boundary pillars Number 70, 71, 74, 75, 76 and 77 it is known was found and its condition is good.

However some issues were found as below.

i) Based on document observation, it is known that Bukit Tujuh Estate has not been able to show map of land for the issuance of Decision Letter of HGU No. 54 / HGU / DA / 88 and / or 53 / HGU / DA / 88 indicating the location of HGU, its extent and boundaries.

ii) Furthermore, based on the results of field visits along the H1 - H20 Block, no HGU boundary was found (adjacent to Harapan Hill Estate - PT Torganda and Kawasan Hutan Tanaman Industri - PT Surya Raya Lestari). This condition raised as non-conformity (**NCR RSPO01257**).

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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:

All Estates and Mill subject to this audit have valid HGU issued by the National Land Body (Badan Pertanahan Negara – BPN). Based on interviews with management, review of records available, including SIA Reports and verification made during the interviews with the local communities in Dusun Bagan Baru, Desa Torgano, Desa Bukit Tujuh, there is no land dispute. As such, this criterion is not applicable.

Compliance status:

Yes No

NCR No.: -

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

Findings:

Business management plans for 5 year period are developed by each respective mill and estate. The mill currently have a long term development plan for year 2014 to 2018 which include projected processing days, capacity, projected FFB received, projected production of CPO and PK, projected OER and KER, and expected expenses for processing, maintenance, salaries, insurance, and required no. of manpower.

Bukit Tujuh estate also has a long term management plan for year 2015 to 2019. The plan covers projected FFB, CPO and PK production, volume, prices, and other financial indicators, and expenses (including those related to housing and buildings, roads, bridges and waterways, operational activities and overhead), Both Sei Daun and Bukit Tujuh estate currently have no replanting program as both estates do not have any crops due for replanting within the next 5 years.

Compliance status:

Yes No

NCR No.: -

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

Findings:

Sei Daun mill has procedures and working instructions covering all activities from FFB reception to CPO despatch, including the following (as examples):

- Purchasing and Price Determination of FFB for third party suppliers (PK-3.11-12 revision 01)
- FFB reception at the mill (IK-3.11-12/01 revision 0.2)
- Mill cleanliness and equipment (IK3.11-03/01 revision 01)
- Usage of weighbridge (IK3.11-03/02 revision 01)
- FFB processing to PKO/PKM and product delivery of PKO/PKM (IK3.11-03/04 revision 04)
- CPO processing (IK3.11-03/08 revision 02)
- Processing and quality control of the mill (IK3.11-03/09 revision 01)
- FFB sortation (IK3.11-03/11 revision 01)
- FFB analysis (IK3.11-03/23 revision 01) and corresponding work instructions
- Product Delivery to Belawan Installation, PT Sarana Agro Nusantara, PT Industri Karet Nusantara (IKN), PKSMK (Kernel Oil Mill Sei Mangkei) and other parties (PK-3.11-08 revision 04)
- Monitoring and measurement of POME quality (PK-3.11-15 revision 02)

PTPNIII headquarters conducts internal inspections once every 3 months to check for implementation of the PTPNIII management system, including RSPO requirements, safety and environmental requirements and the mill and estate procedures and work instructions. The last internal inspection at Sei Daun mill and its supply base was done for the 1st quarter of 2017 as per re-

Compliance status:

Yes No

NCR No.: -

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port dated 12 May 2017, with 13 findings listed for Sei Daun POM, 16 findings listed for Sei Daun estate.

The mill maintains records of all third party sourced FFB. Prior to June 2016, the mill received FFB from third party sources as follows:

CV. KDKD
CV. Torgamba Karya
UD. Monika Jaya
UD. Berkat
UD. Lasinah
UD. Bekanta
UD. Waskita Jaya

However, since June 2016 up until the time of this audit, the mill had no longer received any third part sourced non-certified FFB as the amount from the company's own estates was sufficient to meet the mill capacity.

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

Findings:

There is evidence of regular soil and leaf analysis carried out in all estates. The last soil analysis in Sei Daun Estate was done on 7 February 2014 for 40 samples, while the last leaf analysis was carried out on 1 August 2016 over 287 samples by the Indonesian Oil Palm Research Institute (PPKS). Soil analysis is done at minimum once every 5 years, while leaf analysis is done annually.

Based on analysis results a fertilizer recommendation report is prepared annually by the institute, e.g. the latest version of this report was available for Sei Daun estate for year 2017. Fertilizer is applied according to the recommendation, although there are occasional delays due to lack of stock or unsuitable weather.

Sei Daun estate maintains records of fertilizer application at each division with monthly summary and amount applied to date. As sighted from the planned and actual fertilizer application records for Semester II year 2016 of Sei Daun Estate, status of fertilizer application compared to the recommendation was as follows:

- i) NPK: Total applied was 189.889 kg which did not meet the recommended amount fo 2,202.634 kg
- ii) Dolomite: Total applied was 868.421 kg which met the recommended amount
- iii) PHE/BIO-F supplement: Total applied was 15.125kg which met the recommended amount
- iv) Humega Liquid Supplement: Total applied was 27,420kg

Reason provided for failure to meet the NPK application was due to insufficient stock from the head office of PTPNIII. This was raised as a minor nonconformity.

Compliance status:

Yes No

NCR No.:
RSPO01258

From the planned and actual fertilizer application records for Semester II year 2016 of Sei Daun Estate, status of fertilizer application of NPK was 189.889 kg at end of Semester II which did not meet the recommended amount of 2,202.634 kg (below 10% of recommendation).

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

Findings:

There are no marginal soils identified within Sei Daun estate as identified in the map of marginal soil for the estate issued by PTPNIII's Business Transformation Department. The estates' soil consists of podzolic soils, i.e. Typic Hap-

Compliance status:

Yes No

NCR No.:

ludult (yellowish brown podzolic) and Typic Dystrudepts (latosols) at Sei Daun estate, which is not classified as a marginal soil, although it is prone to erosion at sloped areas. The estate has a soil system map which identified the two main soil systems within Sei Daun Estate as follows:

- i) SAR/ Aur River (Sedimentation overlays on hilly terrain; Soil: association ultisol, inceptisol and oxisol)
- ii) MBI/Muara Belity (Sedimentation on wavy land; Soil: association ultisol, inceptisol and oxisol)

Sloped area within Sei Daun estate is minimal, with highest elevation of about 175 above sea level at Division VI (as per estate topography map) and area above 25% covering only 8.34 ha (0.11%) of the total estate area (as per slope map in HCV report)

PTPN III has a work instruction for Land Preparation and Management of Plantings and Sloped Land and Lowland Areas (Work Instruction No. IK-3.09-02/06 revised 19 May 2016). Its practices description includes planting of leguminous cover crops once drainage is constructed and mechanical land management depending on the slope degree (i.e., 'benteng' (bunding) at sloped areas of less than 3°, 'tapak kuda' (horseshoe) method at sloped areas of 3°- 28°, and terracing or contouring at others of above 28°). Sei Daun and Bukit Tujuh Estates area consists of flat to undulating parts, while Sei Daun Estate generally consists of flat land. As sighted in Sei Daun and Bukit Tujuh Estates, the horseshoe or terracing and adequate ground cover methods in planted sloped areas are implemented, and no significant erosion has been found.

Estates were sighted to have annual road maintenance programs with record of implementation. As sighted from field visits, road were observed to be well maintained.

RSPO01259

Bukit Tujuh estate has a marginal soil map, but the map does not include a low water-ditched area (block G20) and an oblique area in blocks F3, E3 and E4. This has not been aligned with the corrective action plan for the previous year's NCR.

See also observation no. 3 in Section 3.4

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

Findings:

There is one main river running through Sei Daun estate named Busuk River which flows through Division III, IV and V of Sei Daun estate.

River water analysis is done once every 6 months by external accredited lab, i.e. Environmental Analysis Centre – Bogor Agriculture Institute ('Pusat Penelitian Lingkungan Hidup – Institute Pertanian Bogor' or PPLH-IPB). Results sighted for June 2016 and February 2017 show analysis results for river water quality, including BOD, pH, total dissolved solids, total suspended solids and chemical parameters are within the legal limits as stipulated in regulation PP no. 82 year 2001 class II. However, it was found that the upstream and downstream river water sampling points at Sei Daun estate are not appropriately located, as the current points are located at Division 4 and not at the actual upstream and downstream points of the estate, which are Division III and Division V respectively. This was raised as a minor **NCR no. RSPO01260**.

The mill has a documented water management plan for year 2017 which covers the following activities:

- Identification of allocation of usage of water
- To evaluate the usage of water
- To update the data on usage of water every month
- To conduct a report on the progress of the program

In addition, the mill implements best practices to reduce contamination of

The BOD analysis results of palm oil mill effluent discharged for land application are available in the latest RPL/RKL report of the mill, with results for past 3

Compliance status: Yes No

NCR No.: RSPO01260

The upstream and downstream river water sampling points at Sei Daun estate are not appropriately located, as the current points are located at Division 4 and not at the actual upstream and downstream points of the estate, which are Division III and Division V respectively.

NCR No.: RSPO01261

The mill maintains monthly records on usage of water by the mill, laboratory, office, housing, and transport washing, as well as annual

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months showing the BOD quality of POME used for land application is within the legal limit of 5000ppm. The mill also maintains monthly reports on usage of water by the mill, laboratory, office, housing, and transport washing, as well as an annual summary of water usage for year 2017 and year 2017 up until May 2017. However, monitoring of mill water usage per tonne FFB is not correctly done to be compared with identified standard for water usage at each area above. For example, standard for mill water usage per tonne FFB is stated as 1.5 -2.0 but records of water usage at the mill shows usage ranging between 16.038 tonnes in May 2016 to 46.16 tonnes in November & December 2016. This was raised as **NCR No.: RSPO01261**.

summary of water usage. However, monitoring of mill water usage per tonne FFB is not done

See also observation no. 4 in Section 3.4

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

Findings:

The company is using appropriate Integrated Pest Management (IPM) techniques. Some evidences showed to auditor team are:

- a. The certificate holder (CH) has made procedure related IPM (IK-3.01-17/14; revision 07; date May, 01 2014). This procedure described that before pest and diseases growing rapidly, the company should be conducted the Early Warning System (EWS). EWS implementation conducted with routine census activity. This result of census activity would be used for IPM recommendation. If the result of census showed level of pest and diseases attacking under the economic level, so control of pest and diseases were not use chemical material (can be use biological and or manual control). But if the result of census showed of pest and diseases almost and or over the economic level, control of pest and diseases could be use chemical material. But control with the chemical material should be accordance with the dosage recommendation from supplier.
- b. The CH was also developed beneficial plant such as *Turnera subulata*. *Sp*, *Antigono*. *Sp* and developed natural predator for rat (*Tyto alba*). Based on field visit at Division III Block DD23, there is found *Turnera subulata*, *Sp* was planted along the main road side.
- c. The CH has delivered IPM training on March 20, 2017 (refreshment) for 17 workers being person in charge in pest management or early warning system. Material issues on training were handling of pest and disease (caterpillar) by manual (hand picking and beneficial plant) or chemist and telling mechanism. The records of training were invitation letter, minute of meeting, attendance list and photograph.

Compliance status:

Yes No

NCR No.: -

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 company have recommendation for usage dangerous and poisoned agrochemical during year 2016 from Social, Labour and Transmigration agency (decree No.566/190/DSTKT/2016). The company allowed to use such as Herbicide are Ratgone, Orthene 75 SP, Agristik, Ally 20 WG, Decis, Posat 480 SL and Ripcord 50 EC All of pesticide are used by company registered and permitted by the Pesticide Commission.

The CH has recorded of pesticide used consistently. The record of pesticide explain specific to target (pests, weeds, or diseases), dosage recommendation, active ingredient, areas implemented. For example: Record of pesticide used in Sei Daun Estate, Division III:

Compliance status:

Yes No

NCR No.: -

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Name of Pesticide	Active ingredient	Dosage	Target	Areas implemented
Ally 20WDG	Methyl metsulfuron	100 – 200 gr/ha	Wide-leaved weeds	Block G23
Garlon 670 EC	Isopropyl amina glyphosate	0,75 - 1,5 l/ha	Wide-leaved weeds	Block F23

The use of pesticides is done by trained personnel. This is evidenced by the availability of recording training on the use of pesticides conducted on February 23, 2017 (refreshment training). During the audit, team auditor has not observed the sprayer in the field because spraying activity was not conducted. But the audit team has interviewing the sprayer in the estate office. Based on the interview conducted it is known that all of operator has been trained for pesticide handling, all of operator under managed by contractor (CV. Arka Jaya Mandiri). There is an info from spraying foreman that they still use gramoxone / paraquat a few months ago and the material of pesticide provided by contractor. Seeing this condition, the audit team clarified to the company. Result of the clarified with company are:

1. Based on the document pesticide used by company for period January – Mei 2017 it is known that there is no use gramoxone. The document has reported to the Head Office Medan.
2. Based on field visit at Sei Daun Chemical Storage it is known that stock of gramoxone was not found and based on Storage card was not found gramoxone use too.
3. According to the consideration above, audit team has taken a conclusion that there is no paraquat used by company.

Regarding with the storage of all pesticides, the company has provided a special chemical storage. Chemical storage areas not yet compliance with relevant regulations (Ministry of Environment No. 13 of 2014 regarding Symbol and Label Hazardous Material - See Criterion 2.1.1). But the other else company has completed the storage with MSDS, emergency response facilities (fire extinguisher, eye wash, alarm) etc. All of waste of pesticide packaging was stored in hazardous waste storage.

Based on document observation, field observation and interview with management, it is known that the company do not applied pesticide from aerial.

Based on document observation it is known that the company has not been able to show the annual medical year 2017 for all spraying worker. This was raised as a noncompliance under Criterion 2.1.1.

During field visit, there was found no pregnant, or breast feeding women working related to chemical.

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

Findings:

The CH (Sei Daun POM, Sei Daun Estate and Bukit Tujuh Estate) already has Commitment and Policy regarding Safety and Health. The commitment and policy explained regarding how to organization committed to comply with OSH Regulations and the related requirements was applicable, civilize OHS in every process and to minimize of all accident potential and or occupational diseases. The commitment and policy was signed by management representative of company and representative of worker (labor union) on January, 2017. The commitment and policy ing declared in Bahasa.

Compliance status: Yes No

NCR No.: RSPO01262
There is not enough evidence of follow-up to the internal inspection results at Sei Daun

The CH has also established OHS goals and OHS targets. The company has socialized to OHS commitment and policy for all of workers. Socialization conducted i.e:

- a. Active Socialization: conducted through meetings directly with employees on 10 - 11 February 2017.
- b. Passive socialization: conducted by installation of signboard regarding OHS policy on Sei Daun POM office, Sei Daun Estate office and Bukit Tujuh Estate Office.

As part of implementation of the OSH plan, the company also conducts internal safety inspections periodically. However, there is not enough evidence of follow-up to the internal inspection results at Sei Daun Palm Oil Mill. For example: in the results of the second quarter inspection date of June 6, 2017 there are 5 aspects that need to be improved namely: protective guard for machines with rotating parts, provision of adequate PPE (especially gloves and shoes), and to prepare keys for equipment. This was raised as **NCR No.: RSPO01262**.

Based on field visit and interview with part of worker were found, it is known that all of worker are interviewed understood regarding the OHS policy. They could be explained one of goals of the OHS policy is reducing the accident.

The company has established a risk analysis document that explains the potential risks from all operations in Estate and Mill. The document also explains how the identified risk control measures have potential risks for each operation. The risk analysis document was reviewed every 1 year. The latest reviewed by company on February 2017.

The company maintains records of OHS related trainings conducted (see CR 4.8 below for details). Based on document observations and field visits (eg Afdeling II - Telling Workers and Afdeling III - Harvester) Sei Daun Estate, it is known that the provision of Personal Protective Equipment (PPE) is not maximally applied so that workers in the field do not use PPE in accordance with the analysis risks that have been prepared. This condition raised as non-conformity (**NCR RSPO01263**).

The company has defined the responsible organization to implement OHS. The organization called OHS Committee (Panitia Pembina Keselamatan dan Kesehatan Kerja or P2K3). The OHS committee has meeting for 1 month to discuss how to improve the OHS implementation in the operational estate and mill. Sei Daun POM has not been able to show evidence of the follow-up to the extension of the OHS expert as a person responsible for the implementation of OHS in the field. This condition raised as non-conformity (**NCR RSPO01264**).

The organization has established procedures for response accidents and emergencies situations, include of fire, chemical spillage, explosion, natural disaster, flood, sabotage, and etc. The procedure was documented as "Prosedur Kerja Kesiagaan Tanggap Darurat", document no. PK-3.12-08, Revision 0, and flowchart of emergency response plan. The procedures made in Bahasa.

Records of accident were available in estate and POM. The records included information of Lost Time Accident (LTA) metrics.

Palm Oil Mill. For example: in the results of the second quarter inspection date of June 6, 2017 there are 5 aspects that need to be improved namely: protective guard for machines with rotating parts, provision of adequate PPE (especially gloves and shoes), and to prepare keys for equipment

NCR No.: RSPO01263

Based on document observations and field visits (e.g. Division II - Telling Workers and Division III - Harvest Workers) Sei Daun estate, it is known that the provision of Personal Protective Equipment (PPE) equipment is not optimally applied such that field workers do not use PPE in accordance with the analysis the risks that have been prepared.

NCR No.: RSPO01264

The company - Unit Sei Daun Palm Oil Mill has not been able to show evidence of follow up of the license renewal of the General OSH Expert for personnel responsible for the implementation of OSH in the field.

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

Findings:

Sei Daun Palm Oil Mill and the estates have a documented training plan for

Compliance status:

Yes No

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year 2017, including training plan for OSH hazard and risk identification, workplace safety inspections, first aid training, hazardous waste management, and emergency response training. The estate has documented list of workers identified that requires training. Bukit Tujuh Estate training programme for year 2017 has also been observed, including harvesting, fire emergency and pest management trainings.

Some of the OHS training conducted by company such as:

- a. Training for Welder → 2 persons, conducted on 2013. This is evidenced by the operator licenses from government.
- b. Training for Wheel Loader → 3 persons, conducted on 2011 (1 person), 2013 (1 person) and 2014 (1 person). This is evidenced by the operator licenses from government.
- c. Training for Hoisting Crane → 3 persons, conducted on 2014 (1 person) and 2016 (2 persons). This is evidenced by the operator licenses from government.
- d. Training for Generator set → 6 persons, conducted since 2014. This is evidenced by the operator licenses from government.
- e. Training for Steam Plant (Boiler and Sterilizer) → 10 persons, conducted on 2014 (2 persons) and 2015 (8 persons). This is evidenced by the operator licenses from government.
- f. Training for OHS Expert special for Chemical handling → 2 persons, conducted since 2016. This is evidenced by the operator licenses from government.
- g. Training for OHS Expert → 1 person, conducted since 2013. This is evidenced by the operator licenses from government.
- h. Training for Electrician → 1 person, conducted since 2016. This is evidenced by the operator licenses from government.
- i. Training for Fire Officer → 1 persons, conducted since 2016. This is evidenced by the operator licenses from government.

While the estates, records of training on operational activities were also sighted, e.g

- a. Record of training on the use of pesticides conducted on February 23, 2017 (refreshment training) at Sei Daun estate.
- b. The CH has delivered IPM training on March 20, 2017 (refreshment) for 17 workers being person in charge in pest management or early warning system. Material issues on training were handling of pest and disease (caterpillar) by manual (hand picking and beneficial plant) or chemist and telling mechanism. The records of training were invitation letter, minute of meeting, attendance list and photograph.

NCR No.: -

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:

Consistent with the certification audit, during the audit there is no revision of EIA Document and there is no change the activity of plantations and mill. History of EIA document described as follow:

- ❖ The Company has conducted an Environmental Impact Assessment through the Environmental Impact Evaluation Reference (KA-SEL) conducted in 1992. The KA-SEL document has been approved by the AMDAL Commission of the Ministry of Agriculture No. 865 / AMDAL / IV / 1993 dated April 12 1993. After carrying out the impact analysis through KA-SEL, the Environmental Management Plan / RKL (approval from EIA Commission Ministry of Agriculture RI Number: RC.220 / 908 / B / V / 1994 dated May 24, 1994) and Environmental Monitoring Plan / RPL (approval from EIA Commission Ministry of Agriculture RI Number: 008 / SEL / RKL-

Compliance status:

Yes No

NCR No.: -

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RPL / BA / IV / 94 dated 26 September 1994). All of KA-SEL, RKL and RPL documents are on behalf of PT Perkebunan IV (Persero) Gunung Pamela with the types of impacts analyzed covering oil palm and rubber plantations and processing plants. The study scope covers 6 Estates (Torgamba Estate, **Sei Daun Estate**, Sei Meranti Estate, Sei Kebara Estate, Sei Baruhur Estate and **Bukit Tujuh Estate**) with an area of ± 37,671 Ha. The compilation of the document is based on Law no. 4 of 1982 on Basic Provisions on Environmental Management and Government Regulation No. 29/1986 on Environmental Impact Assessment (AMDAL) junto PP. 51 of 1993.

- ❖ Then in 2006 revisions were made to EIA documents. Revisions are made due to changes in commodity types and changes in corporate entities. The new EIA document has approved by local EIA commission according to Decree Number 660/608/BPDL-LB/2006 dated 22 December 2006.

All estates have prepared RPL/RKL implementation report every 6 (six) months to comply with legal requirements. The last report of implementation of Environment Management plan and environment monitoring could be show for smester II year 2016. The report has been submitted to the related agency. On the Sei Daun Estate and Bukit Tujuh Estate report in December 2016 includes reports on air quality, emissions from generator, groundwater and soil quality, odor levels, hazardous waste management, noise, analysis of employment opportunities, local community perception and CSR. For the environment monitoring it is known that result of analysis indicate no excess towards legally permitted standards in both estates and Mill.

On this report was also evaluation of Environment Management plan and environment monitoring every six months. In the evaluation chapter, the company has done evaluation of effectiveness of Environment Management plan and environment monitoring.

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:

HCV assessments for each estate was conducted by the Center for Biological Resources and Biotechnology Research (PPSHB) Institute for Research and Community IPB with report dated year 2012 for Sei Daun estate and year 2013 for Bukit Tujuh estate. The HCV assessment team comprised of 12 team members, including one team leader, Dr. A Machmud Thohari, 6 team members and 5 assistants and supporting staff. It was checked from the Assessor Licensing Scheme website and it was confirmed that the team leader is a licensed assessor (it is also not that the HCV assessment was completed prior to enforcement of requirement that HCV assessors must be licensed under the ALS scheme).

For each assessment, all identified flora and fauna are identified according to class, family, common name, location and CITES as well as IUCN protected status. From the results of the identification wild animal in Sei Daun estate identified 6 species categorized as protected under PP 7 In 1999, CITES and IUCN among which leopard cat (*Pronailurus bengalensis*); Black winged kite (*Elanus caeruleus*); white breasted kingfisher (*Halcyon smyrnensis*) white collared kingfisher (*Halcyon chloris*) and sunbird (*Antreptes malacensis*). Wildlife found in the Bukit Tujuh estate listed in CITES Appendix II include namely mouse eagle (*Elanus caeruleus*), crested serpent eagle (*Spilornis cheela*); monitor lizard (*Varanus salvator*) and cobra (*Naja sumatrana*). There were no endangered species identified in either estate. The company has

Compliance status:

Yes No

NCR No.: -

communicated to workers on requirements to not carry out any hunting of any animal species. For example, last briefing to estate workers was done on 20 Februari 2017 for harvesters, with photo and attendance list sighted. Signboards warning against hunting are put up and around the estates.

For Sei Daun estate, there was identified HCV area covering 27.28 ha, or by 12:36% of the total estate area (7555 ha), which consisting of the following:

- i) HCV 1.3 and 4.1: River riparian buffer zone of Busuk River covering 16:34 ha
- ii) HCV 4.1 and HCV 5 area: Water spring located Block JJ16 covering 3.80 ha
- iii) HCV 4.2: Sloped area of > 40% (1) covering 2.36ha
- iv) HCV 4.2: Sloped area of > 40% (2) covering 2.55ha
- v) HCV 4.2: Sloped area of > 40% (3) covering 1.01ha
- vi) HCV 4.2: Sloped area of > 40% (4) covering 1.22 ha.

For Bukit Tujuh estate, there has been identified three types of HCV is HCV 1.3, 4.1 and HCV 4.2 covering 36.67 ha of the estate, and consisting of the following:

- i) HCV 1.3 and 4.1: River riparian buffer zones (Barak River and Kabaro River) located at blocks A18-F20 covering 7.20ha
- ii) HCV 4.1: River riparian buffer zones located at blocks B1-E20 covering 21.94 ha
- iii) HCV 4.2: Sloped area of > 40% (1) covering 3.74ha (block E4)
- iv) HCV 4.2: Sloped area of > 40% (2) covering 1.56ha (Block E3)
- v) HCV 4.2: Sloped area of > 40% (3) covering 2.23ha (Block F3)

Sei Daun estate also has 5 staff who have attended internal training on HCV management and monitoring done on 18 March 2013. In addition, the estate has a monitoring and management plan for HCV areas identified, which primarily include installing HCV signboards, establishment and monitoring of conservation plantings at all HCV areas, establishment and monitoring of Greenbelt poles, monitoring and update of inventory of fauna. Monitoring results and status are updated once every 6 months in HCV monitoring reports including update on status of conservation plantings, erosion levels, fauna inventories and conditions of signboards and Greenbelt poles. It was verified in the field, i.e. at downstream river sampling point located at BB31/32 located at Division 4, and also the upstream sampling point, water spring at JJ16 and sloped area at Division VIII, block HH24, that activities have been carried out according to the HCV management plan, including installation of HCV signboards and warning signs, planting of conservation plants, and installation of buffer zones indication poles at the river riparian buffer zones. In addition, adequate cover crop is maintained at river riparian buffer zones to minimize erosion.

Bukit Tujuh estate also a documented compilation of monitoring results of HCV areas for period of July to December 2016. Some activities listed included the following:

- Monitoring of flora and fauna variety through updating inventory of flora and fauna once every 6 months and recording sighting of animals including footprints, markings, etc
- Restoration by maintaining data of live, dead, diseased, stunted or pest infested plants, marking and measuring all tree, including type, height and diameter, evaluating growth of conservation plants at 1 month, 6 months and 12 months
- Measurement river water quality of Barak and Kabaro river
- Measurement of erosion levels using 50cm sticks and recording erosion levels during rainy days
- Measurement of disturbances such as unapproved tree felling, fire, and natural disasters

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<ul style="list-style-type: none"> - Monitoring condition of installed HCV signboards - Demarcation of green belt - Monitoring changes to the width of the rivers - Measuring distribution and sex ratio of animal species in sampling squares <p>Evidence of HCV monitoring activities conducted once every 3 months as per the monitoring plan above were sighted and recorded at each Bukti Tujuh estate division and recorded in forms for monitoring of river riparian buffer zones and animal habitats, e.g For Divisions I, III and IV, monitoring records are available for March, June, September and December 2016</p>	
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Criterion 5.3: Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner

Findings:

The company has list of waste, source of waste and pollution. The company has inventory of chemical source and containers and kept in the hazardous and toxic waste storage licensed.

The company has temporary storage licenses to kept the hazardous and toxic waste, i.e. Sei Daun Mill: Decree of Department of Investment and Integrated Licensing Service of South Labuhan batu District Number: 503/207/DPMPPTSP-LS/2017 dated February 20, 2017 about temporary storage permit of hazardous and toxic waste material PT Perkebunan Nusantara III Sei Daun Mill. The decree valid until 5 years from the date of register. The permit states that it does not store hazardous and toxic waste over a 90-day period and if the waste produced is less than 50 kg per day it can be stored for 365 days.

The company has management and disposal plan to reduce pollution. It is explain about identification and monitoring source of waste and pollution, management and disposal co-operation with third parties. The company has been realize the management and disposal plan cooperation with CV Amindy Barokah.

The company has records of waste monitoring/analysis, such as monthly report for hazardous waste and waste balance (include manifest), solid waste and solid waste (monitoring of POME to land application areas). The record of waste monitoring has reported to the related agency (Environmental agency of South Labuhanbatu) every trimester (3 months). The last report reported on April 10, 2017.

Compliance status:

Yes No

NCR No.: -

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

Findings:

Sei Daun Palm Oil Mill is maintaining records of renewable energy production including usage of shell and fibre per tonne of FFB. For year 2017 until month of May 2017, data sighted showed total fibre usage between January to May 2017 was 9,922.413 tonnes and total shell usage was 3,968.965 tonnes with FFB processed amounting to 99,244.13 tonnes. Fibre usage/ tonne FFB is calculated to be 0.1, while shell usage per tonne FFB is calculated to be 0.04. This is found to be consistent for each month. However this is not recorded in usage per tonne FFB or per tonne CPO. This data was provided later during the audit, and should be ensured that monitoring of shell and fibre usage per tonne FFB is done consistently. This was noted as an observation.

The mill and estates also maintain monthly records of diesel usage. Records of diesel usage at the mill are maintained for the genset and all vehicles, including cars, truck, tractors and wheel loaders. The total diesel usage in year 2016 was recorded at 73,363 litres. However, monthly usage of diesel at the mill is not calculated in litres used in per tonne FFB. This was noted as an observa-

Compliance status:

Yes No

NCR No.: -

See observation no. 5 in Section 3.4

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tion.

For Sei Daun estate total diesel usage was recorded for internal vehicles for FFB transport and miscellaneous transport of staff & visitors, and also external vehicles transporting EFB and transport of fertilizer by suppliers. For Sei Daun estate, total diesel usage for year 2016 was 137,348.67 tonnes, while usage of diesel per tonne of FFB processed each month in year 2016 ranged from 0.69 in September to 1.31 in January 2016.

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:

Consistent with the previous audit, the company has a zero burning policy, during the audit the company showed good improvement regarding implementation of zero burning policy as required by RSPO P&C, there is no evidence of waste burning activity.

Based on document observation and interview with the management it is known that there is no new development of plantations.

Compliance status:

Yes No

NCR No.: -

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

Findings:

The company has identified sources of greenhouse gases from the estate as including fertilizer application, usage of trucks, motorcycles and other vehicles, usage of machinery, genset and grass cutter and usage of electricity.

The company records and monitors greenhouse gas emissions using the latest version of the PalmGHG tool version 3.0.1 last updated on 24 March 2017. As the mill has not received crop from independent smallholders since June 2016, data input is only from the company's own estates, including PTPNIII estates not within this certification scope but occasionally supplying to the mill (i.e. Torgamba estate and Sei Meranti estate, which is listed a group estate). The summary of emission calculated from the tool is 0.5 tCO₂e/tonne of CPO product and 0.5 tCO₂e/tonne of PK product. Data used in the tool was cross checked with mill and estate data, and mostly found to be consistent, e.g. total diesel usage at Sei Daun estate was consistent with diesel usage records. However, actual planted area of Sei Daun estate is 7,132.02 ha but stated in the tool as 7218.12 ha. This was raised as an observation.

The company has submitted their Palm GHG reports for several mills, including Sei Daun POM on 17 May 2017 as seen from email to the RSPO.

Compliance status:

Yes No

NCR No.: -

See observation no. 6 in Section 3.4

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:

For all the Estates and Mill under the scope of this audit, the Social Impact Assessment (SIA) Report was carried out in 2012. There is evidence that the assessments were conducted with the participation of affected parties. These consultations were attended by community heads, local communities, youth representative, religious heads, etc. The assessments were done via participatory rural appraisal, SWOT analysis and focus group discussions. methods.

Sg Daun Palm Oil Mill: Following the SIA reports, an Action Plan was tabulated in 2014 containing a list of proposals received from workers of the Sei Daun

Compliance status:

Yes No

NCR No.: RSPO01265

The social impacts management and monitoring plan does not have clear timelines and no identified responsible

estate and mill. It contains the proposals, requirements for realisation and when the proposed implementation was to be completed. However, no responsibilities for implementation was identified. Major **NCR No.: RSPO01265** was issued under Indicator 6.1.3.

Sg Daun Estate: An Action Plan dated 26 November 2015 is available, but there is no evidence that it was prepared in consultation and with inputs received from the local community as there are no minutes of meetings of this consultation. Minor **NCR No.: RSPO01266** was issued under Indicator 6.1.4.

Bukit Tujuh Estate: The Action Plans were prepared in 2015 and 2017. However, these were not timetabled and no responsibilities for implementation. **NCR No.: RSPO01265** was issued under Indicator 6.1.3.

Although the Action Plan was reviewed every 2 years, there is no evidence that it was reviewed in consultation with the local communities. A minor NCR was issued under Indicator 6.1.4.

Sei Daun Estate: The SIA Evaluation (Evaluasi Pengelolaan SIA) 2015 was carried out on 26 November 2015. However, this Action Plan did not include the proposal received from the village head of Sei Meranti on 3 September 2015 on the proposal for 3 house renovations for Sartini, Sujarwo, and Supriati. There has been no further updates of the SIA Action Plan. Minor **NCR No.: RSPO01266** was issued under Indicator 6.1.4.

There is no smallholder schemes involved.

personnel.

NCR No.: RSPO01266

There is insufficient evidence that the social impacts management and monitoring plan that have been implemented involved the participation of all affected parties.

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 company has Communication Procedure Document No PK-3.08-03 Revision No 04, Revised Dated 3 April 2017 entitled Stakeholder Communication and Consultation.

Each of the Estate and Mill has official(s) responsible for consultation and communications with stakeholders are they are:

Sg Daun Palm Oil Mill: The person appointed was Ismed Akhyar, appointed on 20 April 2017. The letter of appointment has no specific terms of reference for his duties and responsibilities. Interview with Ismed Akhyar reveals that he thinks his duties and responsibilities are mainly towards the workers, to explain any new developments. He does not understand this own role because it has not been specified in his letter of appointment. This was raised as an Observation.

Sg Daun Estate: The person appointed was the Asisten Personalia Kebun, Pak Bistari. The Job description includes creating and maintaining harmonious relationship with all stakeholders, manage, monitor and facilitate continuous communication with all stakeholders.

Bukit Tujuh Estate: The person appointed was Mohammad Fajrin who was appointed on 7 January 2017, whose responsibilities include being the liaison person between the estate and local communities.

The list of stakeholders for the Mill and Estates are available, but they are incomplete. For example, at the Sg Daun Mill, only Desa Sei Meranti is included in the list, but not Desa Toganda, and Dusun Bagan Baru.

At Sg Daun Estate, the list of stakeholders contains relevant government

Compliance status:

Yes No

NCR No.:
RSPO01267

The list of stakeholders owned by the company is not yet complete.

a) For example, stakeholders missing from stakeholders list of Bukit Tujuh Estate are:
- PT Sibisa Mengator Torganda (oil palm)
- PT Mujor Plantation (oil palm); and
- PT Riang Lestari (HTI - Industrial Plantation Forest)

b) Stakeholders missing from stakeholders list of Sei Daun Palm Oil Mill are Torganda Village and Dusun Bagan Baru

c) For Sei Daun Estate, of the 65 stakeholders

agencies, village heads, bomba, army, NGO, schools, media, contractors. However, out of the 65 stakeholders, 37 do not have complete information (missing contact person, address, telephone number).

At Bukit Tujuh Estate, the list of stakeholders are also incomplete. According to the Code of Conduct of PTPN Edition III, stakeholders include competitors. Two other palm oil plantations companies, namely PT Sibisa Mengator Torganda, PT Mujor Plantation and a neighbouring business entity, namely PT Riang Lestari are not included in the stakeholder list.

Although there are records of communications with external stakeholders, there is no complete confirmation of receipt and no evidence of efforts to ensure understanding by affected parties. For example, a letter received by the Sg Daun Palm Oil Mill from Dinas Perhutanan dan Perkebunan Kabupaten Labuhanbatu Selatan dated 24 November 2016 requesting participation at a tree-planting ceremony and donation of souvenirs was not responded to. Similarly, at Sg Daun Estate, a request for funding was received from Perwiridtan Al Hidayah dated 29 March 2017. However, there no record of communication or response was sent to the latter.

Therefore, minor **NCR No.: RSPO01267** was raised under Indicator 6.2.3.

listed, 37 does not have complete address.

The company has recorded every communication (letter) received, but in some cases the company does not provide a response or response. For example, Sei Daun Palm Oil Mill, there is a letter from the Forestry and Estate Crops Office, Labuhanbatu Selatan dated November 24, 2016 which was not responded to.

See also observation no. 7 in Section 3.4

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:

All the estates and palm oil mill under this audit have a procedure for dealing with complaints and grievances, namely, Document No: PK-3 1/8-12 No Rev 02, Revised on 3 April 2017. This procedure is applicable for all grievances between the company and external stakeholders. The procedure also specifies that where a resolution is not found mutually, there is a process for complaints to be brought to the RSPO Complaints System. Additionally, a grievance mechanism is also contained Collective Labor Agreement Chapter XIV Settlement of Disputes Article 67. However, the company has not been able to show any evidence of socialization/briefing done on the Communication and Consultation Procedures no. PK-3-08-03 to all levels of employees. The results of interviews with harvesters of Division I EF 19 Bukit Tujuh Estate showed that they do not understand the procedure of grievance procedure (communication and consultation procedure). This was raised as **NCR No.: RSPO01268**.

Whistleblowers are accorded anonymity by the Company's Guidelines to Whistleblowing.

As of the date of the audit, there is no evidence of any dispute recorded, although during interviews it was found some complaints from workers. The company has not been able to show the records of employee complaints and the process of handling them. From results of interviews with harvesters Division I EF 19 Bukit Tujuh estate, it was found that they had complained about the roof leaking at their house about 6 months back (December 2016), but until now there has been no action taken. In addition, there is no evidence of monitoring of the suggestion box has been shown. This was raised as **NCR No.: RSPO01269**.

Compliance status: Yes No

NCR No.: RSPO01268

The company has not been able to show any evidence of socialization/briefing done on the Communication and Consultation Procedures no. PK-3-08-03 to all levels of employees. The results of interviews with harvesters of Division I EF 19 Bukit Tujuh Estate showed that they do not understand the procedure of grievance procedure (communication and consultation procedure).

NCR No.: RSPO01269

i) The company has not been able to show the records of employee complaints and the process of handling them. From results of interviews with harvesters Division I EF 19 Bukit

	<p>Tujuh estate, it was found that they had complained about the roof leaking at their house about 6 months back (December 2016), but until now there has been no action taken.</p> <p>ii) No evidence of monitoring of the suggestion box has been shown.</p>
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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:

The company has PTPN III Directors Decree No. 3:11 / SKPTS / 01/2015 dated March 31, 2015 on Guidelines for the implementation of compensation ('Sugu Hati') for land dispute areas under the estates of Unit PTPN III.

The management unit also has working procedure for identifying legal, customary or user rights is contained in Document No: PK-3 1/8-12 No Rev 02 Date of Revision 3 April 2017, which is accompanied by a process flow. The scope of work procedures is the resolution of conflicts in the working area of PTPN III which includes the handling of conflicts of land conflict area, and defines the relationship between the company and stakeholders, except employees.

In the area of PTPN III Sei Daun Unit, there are no known land conflicts between the communities surrounding land with Sei Daun Estate and Bukit Tujuh Estate, hence there have been no claims or compensations made.

Compliance status:

Yes No

NCR No.: -

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:

Directors Decree No.3.17/SKPTS/R/14/2017 on Employee Salary Increase PTPN III in accordance with the North Sumatra Governor's Decree No. 188.44 /623/KPTS/2016 dated October 20, 2016 on Minimum Wage North Sumatra 2017 IDR 1,961,354,69. Staff and workers receive salary payment receipts (monthly pay slips) in a timely manner. Management staffs are paid through bank transfer, while workers paid in cash, Example: Efri Ramadan (harvester), category 1A/1, basic salary and allowances (IDR 1,968,049). However, there are some Sei Daun Palm Oil Mill workers who work overtime for 3 (three) hours or more, but the company has not provided food and drink at least 1,400 calories (as required in Kepmenakertrans No. 102 year 2004, Article 7). This was raised as **NCR No.: RSPO01270**.

The company has documented working agreements called Joint Employment Contract ('Perjanjian Kerja Bersama' or PKB) 2016-2018 that regulate the rights and obligations of employees/workers and still was approved by Labour Official Government.

The company has a Collective Labor Agreement 2016-2017 period, have included: responsibilities of each parties, employers and workers union relations, changes and additions to the agreement, facilities recognition and guarantee, labor relations, working time, education and training, remuneration, permit not come to work and leave, work safety, sanction rules, termination, settlement of

Compliance status:

Yes No

NCR No.: RSPO01270

There are some Sei Daun Palm Oil Mill workers who work overtime for 3 (three) hours or more, but the company has not provided food and drink at least 1,400 calories (as required in Kepmenakertrans No. 102 year 2004, Article 7).

NCR No.: RSPO01271

i) The company has evaluated the partners / contractors (quality, delivery, environment, safety, safety and employment), but there is not enough evidence that the evaluation has covered

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complaints. Socialization of PKB Period of 2016 -2017 to all level of workers in estate of Sei Daun was conducted on 25, May 2017, in Kebun Bukit Tujuh Estate on May 19, 2017, at Sei Duan POM on May July 28 2017.

The company has evaluated the partners / contractors (quality, delivery, environment, safety, safety and employment), but there is not enough evidence that the evaluation has covered the application of their contracted workers' rights pertaining to employment contracts and benefits. See details under **NCR No.: RSPO01271**.

The company already provide proper facilities to all workers, i.e workers housing, sports facilities etc. Water supply for worker obtained from well-bore/electric water pump in each worker house (include in electricity allowance). Company has worker Cooperative it's provide household goods for workers and their families, and company allow the workers to sell household goods at worker housing. Company provides facility and infrastructure for personnel, such as worship facility, mosque, primary health service, sport field, water collection facility, soccer field, personnel hall, child care, personnel health post and clean water source. Based on field visit to housing facility in Sei Daun Estate, its known that company provides sufficient housing and health facility for its personnel. Emplacement department is in charge on maintaining the facility and infrastructure for personnel. Company provides medical clinic that provides medical service for personnel.

Unit management provide facilities and infrastructure employee benefits in full, for example: facilities and infrastructure in the Sei Daun estate consisting of: Housing employees: employees' housing-led 11 units, Afdeling I as many as 68 door, Afdeling II as many as 70 door, Afdeling III 80 door , Afdeling IV as many as 82 door, Afdeling V as many as 68 door, Afdeling VI sebanyak56 door, Afdeling VII as many as 58 door, Afdeling VIII sebanyak62 door, Afdeling IX as many as 70 door, Afdeling X as many as 66 door, Emplasmnt many as 56 door, Hall (1 unit in emplasmnt), Hall Employees 10 units located in, afdeling and emplasmn, Church of 10 units located in the department and emplasmn, Kindergarten 1 unit located in emplasmn, School TPI 1 unit located in emplasmn, Mesjid 11 units located at afdeling and emplasmn, Church of 1 unit in emplasmnt, tennis 1 unit, field volleyball 3 unit, a football field 1 unit, School JSS 1 unit located in emplasmn, primary School 1 unit located in emplasmn, Babysitting as many as 10 unit is located in the department, Polyclinic 1 unit, 1 unit in emplasmnt Cooperative, clean water pump 10 units in section.

Efforts are being made entrepreneurs in particular regarding access of workers to decent food, and reasonably affordable price to make the policy:

- The provision of rice / natura,
 - An impromptu market in the estate every week (the price is cheaper compared to the prices in the city)
 - The cooperatives provide goods needs of employees at a bargain price.
- Inviting merchants daily necessities enter the housing estate or mill, as well as provide a vehicle for shopping to the market for the employees every month one so as to reduce transportation costs for employees.

However, during field visits and interviews with the harvesters of Bukit Tujuh estate Division I EF 19, it was found several issues pertaining to the facilities and benefits of workers:

- Part of the roof of a worker's house is broken.
- Found shoes that have been perforated and torn still worn by the worker. PPE is provided once a year, if damaged within a less than a year, the workers can not ask for a new set.
- If treated at the estate clinic, some medication is not available
- The contents of the first aid box for the harvesting mandore are not in ac-

the application of workers' rights. Some related evidence is found as follows:

- Interview with casual workers (BHL) of CV Harka Jaya Mandiri (partner of Sei Daun estate), it is known that they do not have any work contracts between their contractors to their workers, working from 07.00-11.00 per day given Rp. 35,000, pay for social security (BPJS) with own money, and receive no no pay slips.
- The result of interview with the manager of CV Surya Abadi Makmur (partner of Bukit Tujuh estate) it was found that the workers do not have a work agreement between the contractor and the workers, work from 07.30 to 13.00 per day given the wage of Rp. 30.000 / person, does not have social insurance (BJPS). Bukit Tujuh estate also does not have a list of casual workers.
- Found from interviews with an ex-contractor at Sei Daun Garden that he used to work under CV Sibagading Tua, but has no employment contract and does not receive pay slips
- Ex-female contractor at Sei Daun housing also informed that she worked for several years ago to do manuring work but quit her job in April 2017 because her contractor (CV Sibagading Tua) failed to pay her wages on time every month, and also failed to provide all the appropriate PPE, so the workers must buy their own

cordance with the applicable regulations.

- No health checks on a regular basis (2016-May 2017).

During field visits and interviews with the staff of Bukit Tujuh estate clinic, it was found that:

- The broken tensimeter can not be used.
- The supply of medicine is limited. Applied for the procurement of new medicine was done on March 29, 2017 but until now there has been no action taken.
- Found medicine that have expired (June 16, 2017)
- There is no ambulance for medical needs.
- Found several fire extinguishers are not functioning

This was raised as **NCR No.: RSPO01272**

shoes and gloves.

ii) The company has not been able to show evidence that the Collective Bargaining Agreement (PKB) for the Period 2016-2017 has been socialized to all levels of workers. The results of interviews with employees of Sei Daun Palma Oil Mill and Bukit Tujuh estate shows that there are still workers who do not understand the contents of the PKB 2016-2017.

NCR No.: RSPO01272

During field visits and interviews with the harvesters of Bukit Tujuh estate Division I EF 19, it was found several issues pertaining to the facilities and benefits of workers:

- Part of the roof of a worker's house is broken.
- Found shoes that have been perforated and torn still worn by the worker. PPE is provided once a year, if damaged within a less than a year, the workers can not ask for a new set.
- If treated at the estate clinic, some medication is not available
- The contents of the first aid box for the harvesting mandore are not in accordance with the applicable regulations.
- No health checks on a regular basis (2016-May 2017).

During field visits and interviews with the staff of Bukit Tujuh estate clinic, it was found that:

- The broken tensimeter can not be used.
- The supply of medicine is limited. Applied for the procurement of new medicine was done on March 29, 2017 but until

	<p>now there has been no action taken.</p> <ul style="list-style-type: none"> - Found medicine that have expired (June 16, 2017) - There is no ambulance for medical needs. - Found several fire extinguishers are not functioning <p>See also observation no. 8 in Section 3.4</p>
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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 to support the existence of unions and LKS Bipartit, the support is listed at PKB Article 5 (Recognition Organization), Article 6 (Facility's Unions PTPN III), Article (Facility Management Trade Unions PTPN III), Article 8 (Negotiations between the Board of Directors of PTPN III and Plantation Workers Union PTPN III). Implementation of policies, including:

- The management unit showed evidence of mutilation States Plantation Workers (SP-BUN) PTPN III Sei Daun POM (in accordance with article 2 paragraph 1 of the Decree of the Minister of Manpower and Transmigration No. Kep, 16 / Men / 2001 dated February 15, 2001 on the Procedure for Registration of Trade Unions / Labour Union. Proof of registration No. 560/26 / DSTKT / 2013 dated June 28, 2013.
- Decree of the Head of Social Affairs, Labor and Transmigration of South Labuhan Batu District No. Kep560 / 19 / TK / 2015 dated May 28, 2015, on the Establishment and Appointment of members of bipartite cooperation agencies in PTPN III

Plantation Workers Union (SP BUN) and LKS Bipartit show the minutes of the meeting:

- On March 17, 2017, an internal meeting of SPBUN, the agenda is evaluation of insurance premium of Plant and factory. Internal meeting results have been reported to the company PTPN3 Sei Daun and it has been agreed that the insurance premium of plants and factories will be provided according to the agreement between the company and SPBUN. The company gives freedom to the workers to join the labor union or other workers' organizations.

Results interview with the chairman of the POM union Sei Daun Estate showed that the company strongly supports the existence of the union. The company gives freedom to the workers to join the labor union or other workers' organizations.

Compliance status:

Yes No

NCR No.: -

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 on the checklist of documents and interviews in the field known that the management unit of PTPN III Sei Daun POM and Bukit Tujuh POM not receive employee under 18 years old. Based on data from permanent employees PTPN III Sei Daun POM and Bukit Tujuh Estate and known no employee

Compliance status:

Yes No

NCR No.: -

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whose age under 18 years, employees of the youngest in the name of Parlin Sidabutar born July 24, 1994, and was hired on January 1, 2014 (at the age of 20 years).

Since 2016 until the audit took place, the management of PTPN 3 Sei Daun (estate and POM) and Bukit Tujuh does not accept new employees, because the company is conducting efficiency.

The results of interviews with harvester in Bukit Tujuh Estate are known that the company not accepting workers under the age of 18 years. The same thing is expressed by the contractor foreman of CV Harka Jaya Mandiri, it is known that contractors are prohibited for employing children below 18 years old.

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

Findings:

There is no discrimination in PTPN III unit Sei Daun POM. This can be evidenced from:

- Proof of jobs as employees Implementing Harvesters Palm in PTPN III (Persero). The committee pointed LPP Medan Campus as a consultant in carrying out the recruitment and selection of candidates for executive employees (labor palm harvesters). There are several requirements requested (such as date of birth, educational requirements, residency around the estates, following the selection by LPP Medan), as well as information flow admission selection (such as the date of receipt of applications from employees, receiving applications, the announcement of the selection and administration, and admission tests be employee).
- The management unit showed a circular regarding the recruitment of prospective employees executing 3:08 Number / SE / 96/2014 dated March 11, 2014. In the circular described certain provisions, Among them: the mechanism and the passing standard on each stage of selection is in accordance with the provisions of the LPP Campus Medan.

Based on the results of the public consultation with unions and communities that exist around the company did not reveal any kind of discrimination against migrant workers, local communities and women. This can be evidenced from the origin of the employees were very be-diversity, namely:

- Origin area employees: Medan, Huta Baru, Gunung Sitoli, Bukit Tujuh, Dolok Hilir, Karang Mulia, Timbaan, Lush, Sukoharjo, Seragen, Huta Raja, Rantau Prapat, Purba Tua, Bela-wan, Tanjung Maraja, Aek korsik, Deli old, Sidamanik, Central Java, Tebing Tinggi,
- Batak, Javanese and Padang.
- Christianity and Islam.

Results of interviews with employees in Sei Daun Estate and Bukit Tujuh Estate known that the respective read and understand the agreement before it signed, applying for jobs themselves to companies without their agents, their clear career path, the facility obtained from the company in the form of health insurance and employment, in accordance with his training and getting awards for job performance are made, and never getting unfair treatment from the company. POM Sei Daun showed document of position promotion for 3 employees on January 1, 2017. Position promotion is based on competency evaluation, performance and discipline, in according to evaluation from their boss/leader.

Compliance status: Full Compliance

Compliance status:

Yes No

NCR No.: -

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 policies contained in the policy:

- Code of conduct Ethics Code Chapter IV Section C No. 12 that is not sexual misconduct such as sexual harassment, defamation superiors and subordinates and their families.
- PKB Chapter XIV of Article 68 of the Procedure for Settlement of Complaint and Grievance.

Evidence of implementation of the policy is as follows:

- The management unit showed evidence of sexual harassment socialization dated February 11, 2017, which was attended by executive employees and line managers in Sei Daun Estate, dated 19 February 2017 in Sei Daun POM and dated 5 March 2017 in Bukit Tujuh Estate. Material socialization includes the basic attitude of the individual, the behavior of individuals at companies such as not exert pressure or intimidation, humiliation or harsh words, harassment or provocation and to keep and respect the personal nature of employees such as religion, status, ethnic / racial and family, conduct as boss, the behavior of a superior and subordinate behavior. Socialization harassment and violence in the family was attended by 97 employees.

It's available a gender committee organization of Sei Daun Estate in 2017. Chairman: Firiana Budi Darma; Secretary: Rotua Evelina. Assisted by the protection section, investigative section, PR section, section of education. The gender committee includes POM of Sei Daun and Bukit Tujuh Estate.

Result of interview with woman workers in Kebun Sei Daun, it was stated that no sexual harassment happened to woman workers.

However, there is evidence of lack of communication of the company's grievance mechanism for sexual harassment & abuse to all employees' families living in the estate, i.e. housewives interviewed at Divison VI of Sei Daun estate were not aware of the sexual harassment policy and the company's grievance mechanism. This was raised as **NCR No.: RSPO01273**.

Compliance status:

Yes No

NCR No.: RSPO01273

There is evidence of a lack of socialization of the company's complaints mechanism regarding sexual harassment or violence to all families of employees living on plantations, i.e. housewives interviewed in AFD VI, Sei Daun Gardens not yet aware of the sexual harassment policy and corporate grievance mechanisms.

See also observation no. 9 in Section 3.4

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

Findings:

The management unit has a pricing policy of oil as follows:

- Work procedures of purchase and pricing of Third Party FFB Palm Oil, No. PK-3.03-12. FFB purchase by a third party is the acceptance of fruit bunches of other parties not owned by PTP Nusantara III compensation / payment with pricing set by:
 - Forecast and palm kernel oil extraction
 - Actual selling price (auction) oil and palm kernel Last
 - Cost though purely average RKAP year (USD / kg m + I)
 - Cost of Sales CBP year and commercial section (Rp / Kg M + I)
- Memorandum of Chief Commercial number 3:07 / MO / 84/2015 dated 30 April 2015 regarding pricing information of 3rd party FFB. Memorandum refers to the Directors Circular Letter No. 3:05 / SE / 01/2009 dated February 12, 2009, regarding the formulation of pricing FFB purchase the All-III / Plasma and cost of sales.

Chronology of the purchase procedure and processing of oil palm FFB 3rd party are as follows:

- POM proposed tonnage, FFB criteria and prospective suppliers
- Ditrik SPJ publishes purchase and purchase price guidelines of FFB
- Commercial section provides information CPO prices and core,

Compliance status:

Yes No

NCR No.: -

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- The accounting department to formulate a purchase price FFB 3rd party,
- POM make purchases and summarize purchase and publish the minutes
- District make payments for FFB 3rd party and report the results and evaluate the purchase
- The technology evaluation and monitoring.

The results of interviewed with Sei Daun Manager of Palm Oil Mill are known that since August 2017 did not buy or receive FFB from smallholders and independent growers or suppliers. All FFB comes from Estate Sei Daun Estate and Bukit Tujuh Estate.

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

Findings:

Identification of community needs has been carried out by PTPN3 Sei Daun, which is contained in the SIA report. Contributions are made based on the participatory identification of community needs. Companies contributing to local development through its CSR program, Community development and taxes or levies.

- Renovation of house in Dusun Bagan Sari, Sei Meranti Village Each of 2 people are Supriati, Idrus Rijal and Sujarwo.
- PPh Article 21 Employees, the leaders / executor of POM Sei Daun, March 2017 amount IDR 1,477,688, Transferred through Mandiri Bank on April, 5, 2017.
- PPh article 23 Employees, the leaders / executor of POM Sei Daun, January 2017 amount IDR 1,671,502 transferred through Mandiri Bank on February, 7, 2017.
- Loans local businessman / trained partners UD Sinar Sriwerdani of Rp. 20,000,000.
- Entrepreneurship training dates 14 to 15 March 2014 (Memorandum Director of Human Resources and General No. 3:10 / MO / 09/2014 dated January 17, 2014 regarding the Partnership Program Loan Disbursement Period TW-I / 2014

Compliance status:

Yes No

NCR No.: -

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

Findings:

The management unit showed evidence of job applications and letters of intent or letters of appointment which illustrates the lack of labor trafficked and forced in any form. Cover letter contains for employment, a letter of good conduct from the police, health certificate, diploma, transcripts. The management unit showed letters of intent (SPK), which depicts the two sides both employers and prospective employees understand their rights and obligations. HRD Department have responsibility to select workers under the age of 18-year-old, not recruit, and not employ trafficking labor and illegal labor. Result of interview with HRD and Labor Union, it was known that all employee is legal, no illegal workers. Result of tracking in corporate employee list on May 2017, it was known that no employee is trafficked and no foreign workers.

Compliance status:

Yes No

NCR No.: -

Criterion 6.13: Growers and millers respect human rights.

Findings:

The management unit has a policy to respect human rights as follows:
Circular of the Board of Directors of PTPN III No. 3:08 / SE / 245/2011 dated June 28, 2011 on the socialization of human rights. The socialization material contains information that women's right to obtain the protection of human rights

Compliance status:

Yes No

NCR No.: -

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such as the right to life, the right to equality, the right to liberty and security of person, the right to equal protection of the public, the right to services and physical and mental health as well as possible, the right to decent work and good working conditions, the right to further education and the right not to be abused or forms of cruel treatment or torture is inhumane and arbitrary.

There is evidence of socialization which took place on March 15, 2017, February 18, 2017 which was attended by 84 employees, representing various divisions. Policy information is also listed on the information board. Result of interview with management side, it was known that socialization of Human Right policy was conducted by representative of management, workers union, and security. The company has also conducted socialization of human rights to contractors on March 17, 2017.

Principle 7: Responsible development of new plantings

Findings:

Principle 7 is not applicable to the supplying estates of Sei Daun POM. For Sei Daun estate, all areas of the estate planted after year 2005 are 2nd generation plantings of replanted oil palm, with 40.32 ha of year 1997 planting remaining from 1st generation. Hence there are no new planting areas within the estates.

Compliance status:

Not applicable

NCR No.: -

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:

Continuous improvement plans pertaining to environment as per the company's Environmental Management and Monitoring plans (RPL/RKL), of which progress reports are done once every 6 months and submitted to the environmental authority as per legal requirements. The plans cover the following:

- Reduction of usage of chemicals through use of IPM techniques, and ceasing usage of paraquat
- Management and disposal plan to reduce pollution. It is explain about identification and monitoring source of waste and pollution, management and disposal co-operation with third parties. The company has been realize the management and disposal plan cooperation with CV Amindy Barokah.

Continuous social improvements for the Sg Daun Palm Oil Mill, Sg Daun Estate & Bukit Tujuh Estate are contained in Environmental Management and Monitoring Report of Sei Daun POM, Sei Daun estate and Bukit Tujuh estates. Semester II/2016 issued in February 2017. They include:

- Job opportunities and increase in local community income, where Bukit Tujuh Estate, Sei Daun Estate and Sei Daun Palm Oil Mill are in a position to provide jobs and business opportunities to the local communities in the form of jobs at the estates and mill and small business loans (bantuan mitra binaan).
- Increased collaboration with local community by way of implementation of CSR programmes through small business loans, and program kemitraan bina lingkungan (KBL).

The company's current practice to optimize yields are focused more on implementation of best practices, e.g. fertilizer, EFB and POME application, as described under CR4.2.

Compliance status:

Yes No

NCR No.: -

The following is a summary of findings made for the criteria listed in the RSPO Supply Chain Certification 2014 with selected supply chain model Mass Balance.

Module E: RSPO Certification System Section 5: General Chain of Custody System Requirements for the Supply Chain

E.1. Definition

Findings:

Sei Daun Palm Oil has established a supply chain management system referring to RPSO SCCS standard year 2014. Considering the nature of incoming material which includes FFB come from the company's owned supply base, other certified estates under PTPN 3 and independent outgrowers, company decided to implement Mass Balance Module E with non physical separation.

To support implementation of RSPO Supply Chain, Sei Daun Palm Oil Mill has a complete standard operation manual and standard operation procedure about supply chain for all strategic operation units.

Sei Daun Palm Oil Mill is subsidiary of PT Perkebunan Nusantara III.

PT Perkebunan Nusantara is RSPO member with membership number 1-0030-06-000-00.

Compliance status:

Yes No

NCR No.: -

E.2. Explanation

Findings:

The actual tonnage of CPO and PK products produced by Sei Daun Palm Oil in year 2016 Mill and projected tonnages for year 2017 has been recorded as mentioned on the table 2 to 3 in the section 1 above.

This figure represents the total volume of certified palm oil product (CPO and PK) that Sei Daun palm oil mill is allowed to deliver in a year. The actual tonnage produced has been recorded in this report and will be reported also on each subsequent annual surveillance report, as stated on PTPN 3 Director Decree letter No. 3.03/SKPTS/01/2014 dated June 16, 2014. It is stated in the letter which is made publicly available that Sei Daun palm Oil Mill selects RSPO SCCS with Mass Balance module. The company implement non physical segregation for incoming FFB from company's owned estate and out growers.

PTPN 3 has already registered to the RSPO approved IT platform, the mill also meet all registration and reporting requirements for the appropriate supply chain through the RSPO supply chain managing organization.

Compliance status:

Yes No

NCR No.: -

E.3. Documented Procedure

The company has revised their set of standard operation procedure pertaining to Supply Chain Certification covering incoming material (CSPO) until product dispatch. The company has a procedure for implementation of SCCS requirements. There are a set of existing procedures consisting of :

- Supply Chain Mechanism (PK-03.11-11 revised 19 May 2016)
- Usage of Weighbridge (IK-3.11-03/02 revised 19 May 2016)
- Process and quality control of Palm Oil Mill Production (IK-3.11-03/09 revised 19 May 2016)
- FFB Sortation (IK-3.11-03/11 revised 1 March 2017)
- FFB reception at the mill (IK-3.11-12.01 revised 19 May 2016)
- Product Delivery to Belawan Installation, PT Sarana Agro Nusantara, PT Industri Karet Nusantara (IKN), PKSMK (Kernel Oil Mill Sei Mangkei) and other parties (PK-3.11-08 revised 19 May 2016)

Compliance status:

Yes No

NCR No.: -

All standard operation procedures and working instruction are listed on master list document, all documents were kept maintained by administration officer in the mill.

All activities from CPO received, storage until dispatches were recorded on “working sheet oil stocking format” everyday. The company also makes monthly report for CPO received and sold. All records are kept maintained properly, some records were sight during main audit such as weighbridge (WB) and expedition slip records, unloading material (CPO) book, bill of lading. There is product transfer document and summary of weighbridge notes including the manifest and invoice documents to inform about all transaction from Sei Daun Palm Oil mill.

Mill manager has authority and having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements has been assigned as stated in the mill’s SCCS procedure PK-03.11-11. The mill manager has responsibility for overall implementation of RSPO SCCS in Sei Daun palm Oil Mill and is also responsible for daily, monthly, tri-monthly and annual reporting to the Technology Department. The Head of PTPNIII’s Technology Department is responsible for arranging distribution of CSPO and non-CSPO FFB to all mills, revision of transportation related work instructions and evaluation of production reports and CPO, PK and CPKO.

E.4. Purchasing and goods in

Findings:

Sei Daun palm oil mill documents all volumes of certified and non certified FFB received. For certified material the mill will receive certified FFB from 2 supply base estates i.e. Bukit Tujuh estate and Sei Daun estate, and currently also receives crop from 2 other mills under PTPNIII, i.e. Torgamba estate and Sei Meranti estate. At the time of this audit, there had been no receipt of FFB from non-certified sources since June 2016 up until the time of this audit.

As mentioned on IK-03.11-11, every incoming FFB must be accompanied by FFB delivery note (PB-25) from supplier, they have to inform clearly FFB source (estate and division) including year of planting, quantity, harvesting date, block number, driver and vehicle details, loading time and signed by the estate manager or supplier (estate assistant or third parties). The FFB net and gross weight is recorded on the delivery note after load is delivered and truck weighed before exiting. This data is input into the weighbridge system which auto generates a report on ‘Report of Receipt of Raw Material Every Hour’ (Laporan Kelancaran Penerimaan Bahan Baku Masuk Setiap Jam). This data is then recorded manually to a form ‘Raw Material Received’ (Penerimaan Bahan Baku) which is then provided to the mill production office. The production office will then key in the FFB received data into a logbook of FFB received and then the complete FFB received in the previous day is input into the electronic system the following morning to produce a daily, monthly and annual summary report.

FFB is received according to the mill capacity and production time, the time limit for receiving FFB from third party is 18.00 pm. Loading ramp worker will grade the FFB following of IK-3.11-03/11 and record the result into FM-3.11-03/11 “Check Sheet Mutu dan criteria/sortation of FFB Kelapa sawit. When receiving RSPO certified material, weighbridge operators will verify the claimed category of the material under MB model, name of supplier, whether the supplier has RSPO certificate or not, ensure quality and quantity of products.

The mill has a working instruction of traceability for CPO and PK production which includes mechanism for handling of non-conforming material/documents.

Compliance status:

Yes No

NCR No.: -

See also observation no. 10 in Section 3.4

E. 5. Records Keeping

The mill has a mass balance form to record and balance all RSPO certified and certified CPO receipts and RSPO certified CPO shipments every three months, but has not used them since the mill is no longer receiving non-certified FFB receipts since June 2016. At the time of this audit, the production office, the mill can show the mass balance form which has been filled and the information is found to be true to participate in the same production record with DO submission. The mill is required to ensure the continued use of this form while implementing the SCCS Mass Balance system. This is was noted as an observation.

The mill outsources kernel crushing to it's company own kernel crushing plant at Sei Mangkei Kernel crushing mill (PKSMK) which is own by PTPNIII, hence it does not require a separate agreement. The kernel crushing plant is currently certified by TUV Rheinland since January 2015 as per certificate no. 824 503 14007.

Compliance status:

Yes No

NCR No.: -

See also observations no. 11 and 12 in Section 3.4

3.2 Status of Previously Identified Non-conformities

During the certification assessment, a total 13 nonconformities were assigned, i.e. 10 Non conformities related to RSPO P & C with 7 Major non compliance were assigned again major indicators and 3 minor nonconformities were assigned against Minor Compliance Indicators. A remaining 3 major non conformities were assigned again to RSPO SCCS Module C. During this surveillance assessment, it was found that there was lack of evidence to close 3 of the 13?? nonconformities, and these have been raised to Major Non-conformities under Section 3.3. The following is a description of the evidence of action taken to close the non-conformities raised during the previous assessment, as well as auditor's conclusions on the status of the non-conformities.

NCR No.	Clause & status	Nonconformity	Auditee response		Verification result during this audit	Conclusion
			Correction	Corrective Action		
2015-01 of 13	IN 2.2.1 Major	The handling of HGU certificate extension for Sei Daun Estate and for Bukit Tujuh Estate and Sei Meranti Estate can be showed on delivery letter No. 3:11 / X / 104/2014 concerning the issuance of a letter dated October 31, 2014 to the Chief of the Forest Service province of North Sumatera, however evidence of the progress on the follow-up to the legal processing of the land until the month of June 2015 is not yet available in the office of Sei Daun Estate, Bukit Tujuh Estate and Sei Meranti Estate.	Issuing a letter to the Head of North Sumatera Provincial Forestry Officer to ask for information related to a follow-up letter of PTPN III Number: 3:11 / X / 104/2014 tgl.31 October 2014.	To documenting all the documents related to the concession certificate.	PTPN III has been showed progress regarding the HGU Certificate extension. Some evidences showed the progress: 1. 2008 → The company has sent the letter to propose for HGU certificate extension through letter number: 3.09/X/593/2008 dated May 23, 2008. 2. 2009 → There was a letter from National Land Agency Regional North Sumatera. The letter described that there is a problem for land use rights areal (included forest area). 3. Year 2011. Head of National Land Agency of Republic Indonesia has issued the letter (Number: 3590/14.3-300/IX/2011) on September 29, 2011. This letter state that the land use rights of PTPN III could be extension if there was a letter from Forest Agency state that the covering areal 14,382 Ha has accommodated from Production Forest to other	Closed with observation

					<p>use areas.</p> <p>4. Year 2014. Last updated, Ministry of Forest Decree Number 44/2005 has revision become Ministry of Forest Decree Number 579/Menhut-II/2014) on June 24, 2014. Based on the Ministry of forest decree 579/Menhut-II/2014, all of 14,382 Ha (areas where indicated included to the forest area) was changed to other use areas.</p> <p>5. Year 2016. Head of Region of Land Agency North Sumatra Province has made a letter of recommendation (Number: 522/287) on February 2016. This letter state that based on Ministry of Forest Decree Number 579/Menhut-II/2014 it is known that all of indicated included to the forest area (14,382 Ha) was changed from Production Forest Areas to other use areas.</p> <p>Furthermore, Head of Land Agency North Sumatra sent the letter recommendation to The Head of National Land Agency of Republic Indonesia on June 23, 2016 through a letter number: 840/10-12.200/VI/2016.</p> <p>6. Year 2017. The company has coordination with the National Land Agency of Republic Indonesia on January 30, 2017. Based on the coordination, National Land Agency of RI suggest that The Regional Land Agency of North Sumatra could be conducted field visit especially for observed the area indicated included to the forest areas (14,382 Ha).</p> <p>Responding to that, the company has coordination with Head of Region of Land Agency North Sumatra on May, 12 2017. Based on the coordination, Land Agency North Sumatra Province would be conducted field visit on May 18, 2017. Furthermore, on May 18, 2017, Land Agency of North Sumatra Province has conducted field visit. This evidence was showed through Minutes of Events Number: 03/BA/PHTIP/HGU/V/2017. On the minutes of events state that all of areas (14,382 Ha) was clear and clean from forest areas.</p> <p>7. On June 2, 2017 the company has got meeting with the</p>	
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					<p>National Land Agency of Republic Indonesia. The meeting attended by Directorate General of National Land, Head of Regional Land Agency of North Sumatera Province and President Director of PTPN III. In the meeting agreed some agreement regarding proposed of land use rights extension where in still process, i.e.:</p> <p>a. PTPN III was requested to apply for land use rights through the mechanism of renewal of rights.</p> <p>b. National Land Agency of Republic Indonesia resend the proposal document of extension land use rights PTPN III to Regional Land Agency of North Sumatera. Furthermore, PTPN III re-proposed for the mechanism of renewal of rights.</p> <p>c. Responding to that, PTPN III has re-proposed with the mechanism of renewal of right through letter number: 3.19/X/440/2017 on June 13, 2017.</p> <p>Bukit Tujuh</p> <p>Basic of land tenure of PTPN III – Bukit Tujuh Estate is based on Decree of Homeland Ministry Number: SK.53 / HGU / DA / 88 and Number: SK.54 / HGU / DA / 88 on June 29, 1988. In the decree, the Homeland Ministry decides and assigns gave to the land use right located in Labuhanbatu Regency, North Sumatera Province covering ± 9,987.4 Ha (included Bukit Tujuh Estate area covering 4,000 Ha). As known, during the audit that the land use rights certificate of Bukit Tujuh Estate was not be issued because the areas included forest areas. Details of Progress described as follow:</p> <p>16. Year 1988. The company (at the time name of PTPN III still under management by PTPN IV Gunung Pamela) has been got permit of land tenure through Ministry of Homeland Decree Number 53/HGU/DA/88 and 54/HGU/DA/88 covering area 9,987.4 Ha. But, in the decree, the company should be apply for release of forest areas. The mechanism used for the process of releasing forest areas is to find a replacement with the ratio 1: 1 (i.e 11.000 Ha).</p>	
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					<p>17. Year 1986. Letter of North Sumatra Governor Number: 522/2933 on November 14, 1986. In this letter, the Governor of North Sumatra ordered the Provincial Forestry Office to be able to find the replacement area. Responding to that, the company has transferred the cost of replacing of land through the Bank Export Import Medan Branch Office No. AC.518621479.</p> <p>18. Year 1989. North Sumatra Provincial Forestry Office issued a letter (number: 522/4023) on May 18, 1989. In this letter state that the replacement areas was found still 4,565 Ha and still lacking 6,434.6 Ha. Furthermore, North Sumatra Provincial Forestry Office ordered the search for the replacement area to PTPN III and returns the remaining unused funds. In this case, the company doesn't agreed if the search of replacement areas to be responsible by company. Because based on Letter of North Sumatra Governor Number: 522/2933 on November 14, 1986 state that the Governor of North Sumatra ordered the Provincial Forestry Office to be able to find the replacement area. This condition continued until 2004 where the company has re-coordinated with the Provincial Forestry Office on February 24, 2004.</p> <p>19. Year 2004. The company has re-coordinated with the Provincial Forestry Office on February 24, 2004. The conclusion of the meeting are:</p> <ul style="list-style-type: none"> - Lacking of replacement areas to be responsible by PTPN III. - The cost of compensation for the lacking of replacement areas was responsible by PTPN III. The cost of compensation i.e 500,000 IDR / hectare. <p>20. Year 2005. The Provincial Forestry Office issued a letter number: 522/2338/III on April 19, 2005. This letter state that cost of compensation i.e 11,000 Ha x 500,000 IDR = 5,500,000,000 IDR responsible is PTPN III. But there was a difference between the amount of land that must be replaced with the permits based on Ministry of Homeland Decree Number 53/HGU/DA/88 and</p>	
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				<p>54/HGU/DA/88.</p> <p>21. Year 2006. PTPN III has re-proposed to Ministry of Forestry through Letter (Number: 3.09/X/621/2006) on July 10, 2006 regarding to progress of releasing of forest areas.</p> <p>22. Year 2007. PTPN III has re-proposed to Ministry of Forestry through Letter (Number: 3.09/X/07) on April 3, 2007 and number: 3.09/X/1008/2007 on October 2, 2017 regarding to progress of releasing of forest areas.</p> <p>Furthermore, on October 23, 2007, PTPN III sending to Supreme Court of Republic Indonesia (Mahkamah Agung RI) through letter (number: 3.09/X/1055/2007) regarding completion of Replacement Area of forest areas.</p> <p>23. Year 2008. The company has conducted a meeting between President Director and Head of Provincial Forestry Office on June 18, 2008. The conclusion of meeting was that the Provincial Forestry Office shall coordinate this matter to the relevant agencies.</p> <p>24. Year 2009. PTPN III has re-proposed to Ministry of Forestry through Letter (Number: 3.09/X/1126/2009) on November 13, 2009 regarding to progress of releasing of forest areas.</p> <p>Governor of North Sumatera sent to Ministry of Forestry through letter number: 522/7585 dated October 7, 2009 regarding proposed Revision of Forest Area of North Sumatera Province.</p> <p>25. Year 2010. The central government issued the new regulation i.e Government Regulation Number 10/2010 regarding Procedures for Changing Allocation and Function of Forest Area.</p> <p>26. Year 2011. PTPN III has trying to search replacement areas at Aceh Province. President Director of PTPN III sent letter to Governor of Aceh through letter number: 3.09/X/93/2001 dated February 11, 2011.</p> <p>On August 22, 2011 one of the director of PTPN III has conducted expose at Ministry of Forestry Office, Jakarta. At the time Ministry of Forestry</p>	
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					<p>(Planology Directorate) state that process of release of forest areas could be continued if the areas included as other use areas or production forest conversion areas based on North Sumatera Provincial Spatial Plan.</p> <p>27. Year 2014. Ministry of Forestry issued the decree of Forest Area Determination (SK. 579/Menhut-II/2014).</p> <p>28. Year 2015. PTPN III sent letter to Head of Provincial Forestry Office (number: 3.11/X/85/2015) on September 22, 2015 regarding Follow-up completion of forest areas based on Ministry of Forestry decree (SK. 579/Menhut-II/2014).</p> <p>29. Year 2016. PTPN III sent letter to Ministry of Environment and Forestry (number: 3.18/X/83/2016) on June 10, 2016 regarding Follow-up completion of forest areas Sei Daun Estate and Bukit Tujuh Estate.</p> <p>30. Year 2017. PTPN III sent letter to Ministry of Environment and Forestry (number: 3.18/X/83/2016) on June 10, 2016 regarding Follow-up completion of forest areas Sei Daun Estate and Bukit Tujuh Estate.</p> <p>During the audit, progress of land tenure of PTPN III (Sei Daun Estate and Bukit Tujuh Estate) was still in process.</p>	
2015-02 of 13	IN 2.2.2 Minor	The boundary stone from BPN could not be found along the boundary between Bukit Tujuh Estate blocks A1 to A20 with HTI PT Surya Raya Lestari	To identify and inventory the entire BPN stakes between Block A1 to A20 and report the condition of the stakes and make sure the entire BPN stakes are always be available.	To caring for and maintaining the existence of the existing pillars markers along the boundary between Block A1 to A20 bordering with HTI PT SRL.	<p>Recurring Minor Non-compliance. Upgrading to Major Non conformity.</p> <p>Bukit Tujuh Estate has showed the monitoring of boundary pillars of land use rights. The monitoring of boundary pillars has conducted every six months. Based on data of monitoring period semester II year 2016 it is known that the boundary pillars along at Block H1 till H20 (bordering with PT Torganda, Bukit Harapan Estate – other company) and PT Surya Raya Lestari – Industrial Forest Company) it was not found.</p>	Open and raised to Major NCR no. RSPO01257
2015-03 of 13	IN 3.1.1 Major	No documents found for the next 3 years work plan for Sei Daun POM. Provided only RKAP 2015 alone.	To create a Long-Term Plan document for the next three years and ensure compliance with RKAP 2015, (for Sei Daun	To documenting the Document of Long-Term Plan for the next 3 years.	Business management plans for 5 year period are developed by each respective mill and estate. The mill currently have a long term development plan for year 2014 to 2018 which include projected processing days, capacity, projected FFB received, pro-	Closed

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			Mill)		ected production of CPO and PK, projected OER and KER, and expected expenses for processing, maintenance, salaries, insurance, and required no. of manpower.	
2015-04 of 13	IN 4.1.4. Major	Sei Daun POM receive the fruits of 17 agencies which collecting palm fruit. Each agency has been collecting pieces of information about the list of farmers who became suppliers, and also land documents the farmers who became his supplier. But when checking the fruit received on May 30, 2015 against the fruit of CV KDKD and UD Karya Mandiri, the information source of the fruit was not listed in the document Letter of FFB that accompanying fruit coming, so it can not be ascertained that the fruit comes from the list of farmers that has been delivered by the agents. CV Makmur Jaya is also a supplier of Sei Daun POM which is not sending the list of farmers who became their suppliers.	To include the source of fruit (FFB) in the cover Letter of fruit received in the POM to all suppliers of FFB to Sei Daun POM. Completing the farmer's list names of CV.Makmur Jaya as requested in the PK-3.03-09.FFB	The available cover letter has to attach the acknowledgment of the source of fruit received by POM. To documenting all documents on behalf of CV. Makmur Jaya farmers in accordance with PK-3.03-09.	It was confirmed from mill records that there has been no delivery of FFB to the mill from independent sources from June 2016 up until the time of this audit, hence there is no necessity to implement the corrective action.	Closed
2015-05 of 13	IN 4.1.4. Major	No evidence of the verification process of independent FFB suppliers periodically conduct once a year as required by the relevant SOP on Management / Development FFB Supplier and Out Grower (PK3.03.09). In SOP is said that POM has a verification team that will conduct regular verification of the out growers FFB	To verify the entire FFB supplier accordance with PK 3.03-09 and follow up the results of the verification and form a verification team signed by the District Manager FFB.	To document all the results of the verification made to all available suppliers.	It was confirmed from mill records that there has been no delivery of FFB to the mill from independent sources from June 2016 up until the time of this audit, hence it was not required to conduct annual verification of outgrowers.	Closed
2015-06 of 13	IN 4.3.1 Major	From the results of the field visit identified there are some marginal soil such as sandy land, land that is inundated by water, such as in blocks (G.20); section 1, land slope as steep as in block F3; E 4, but there is no map of the distribution of marginal soil in the Bukit Tujuh Estate.	To identify marginal area such as sandy soil, water flooded area and slope area especially for area in Block G20, Afdeling I, Block F3 and block E4, the company make map of marginal soil distribution.	To documenting marginal soil distribution maps.	Bukit Tujuh estate has a marginal soil map, but the map does not include a low water-ditched area (block G20) and an oblique area in blocks F3, E3 and E4. This has not been aligned with the corrective action plan for the previous year's NCR.	Open and raised to Major NCR RSPO01259
2015-07 of 13	IN 4.4.1 Major	Permit the use of water inside Sei Daun Estate concession as stated on decree letter of head of South Labuhan Batu regency, i.e. No. 503/157 / BPPPTPM-LS / 2014 to PTPN III Kebun Sei Daun is only one point in emplasment	Identify and inventory the entire existing point of the ground water (wells) and take care of the water use permits	To ensure all well water points are used comes with its use permit.	The permit for use of water has expired and estate is in process to apply for a renewed permit as well as additional one for the additional well. The local legal authority has done two visits and application is still pending the process of	Closed with observations

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		Sei Daun Estate. ¾ inch and 20 liters / minute, but at this time in the Sei Daun Estate there is more than one point in the water wells.			completion of the reports from the local authority	
2015-08 of 13	IN 4.6.5 Major	From the interviews with the sprayers' team in section VI Sei Daun Estate, the spraying has not received formal training related material handling of pesticides.	Implement handling of chemicals training / pesticides in accordance with the PK-3.08-08 to all sprayers.	To documenting the entire of training results document in accordance with PK-3.08-08.	The use of pesticides is done by trained personnel. This is evidenced by the availability of recording training on the use of pesticides conducted on February 23, 2017 (refreshment training).	Closed
2015-09 of 13	IN 4.6.7 Minor	Found the sprayers were not using PPE in the Sei Daun Estate afdeling1267 VI	To completing PPE to all sprayers and to disseminate the use of PPE.	To documented evidence of socialization according IPK-3.08-08.	Implementation of PPE by workers has been raised as NCR no. RSPO01255 during the audit (ASA-01). Address for indicator 2.1.1 point is regard fulfillment with the regulations. RSPO01255	Open and raised to NCR no. RSPO01255
2015-10 of 13	IN 5.2.4 Minor	There is inconsistency between HCV management program that has been made for 2015 and its realization as not yet done for maintenance activities of conservation plant; Monitoring of water quality and erosion measurements. The monitoring results were recorded in the area of monitoring Form river banks, creeks, ditches and channels but the realization does not exist and not as planned in the program	Develop program of HCV monitoring and management and performs monitoring according to program.	To document monitoring results against HCV management such as Plant Conservation monitoring, Water Quality, Erosion Measurement according to the plan on the HCV management Program.	Sei Daun estate has a monitoring and management plan for year 2017 for HCV areas identified, which primarily include installing HCV signboards, establishment and monitoring of conservation plantings at all HCV areas, establishment and monitoring of Greenbelt poles, monitoring and update of inventory of fauna. Monitoring results and status are updated once every 6 months in HCV monitoring reports including update on status of conservation plantings, erosion levels, fauna inventories and conditions of signboards and Greenbelt poles. It was verified in the field, i.e. at downstream river sampling point located at BB31/32 located at Division 4, and also the upstream sampling point, water spring at JJ16 and sloped area at Division VIII, block HH24, that activities have been carried out according to the HCV management plan, including installation of HCV signboards and warning signs, planting of conservation plants, and installation of buffer zones indication poles at the river riparian buffer zones. In addition, adequate cover crop is maintained at river riparian buffer zones to minimize erosion.	Closed
2015-11 of 13	SCC S E.1.1 Major	Some work procedures and work instructions are still included SG models which is not within their own RSPO SCCS 2014 that removes SG models for POM, such as: PK-3:03:11 PK-3:03:08.	Revise Business Process and Related SCCS Work Instructions to eliminate segregation models and distribute PK and IK revisions to the	To documenting PK and IK related SSCS model changes and ensure PB and IK are understood and applied.	All SCCS related procedures and work instruction have been updated and no longer includes any reference to Segregation as a mass balance model	Closed

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2015-12 of 13	SCC S E.1.1 Major	PK-3.03-8 parts 7:14 it is said that the recipient of palm oil, namely PT SAN Belawan must be certified RSPO SCCS, but have found no evidence of PT SAN has been RSPO SCCS certified	entire Work Unit. To revised SOP PK-3.03-8 parts 7:14, PTPN 3 not required but only support PT SAN into the certification scope of PTPN III.	To communicate with PT SAN for SCCS certification	The procedure for Product Delivery to Belawan Installation, PT Sarana Agro Nusantara, PT Industri Karet Nusantara (IKN), PKSMK (Kernel Oil Mill Sei Mangkei) and other parties (PK-3.11-08 revised 19 May 2016 has been revised at clause 7.14 to state that the company shall support the certification of PT SAN Belawan. At time of this audit, PT SAN Belawan was audited by PT TUV Rheinland Indonesia to check compliance to the RSPO SCCS requirements.	Closed
2015-13 of 13	SCC S E.5.1 Major	There was no evidence of RSPO SCCS training for workers at the weighing, Ramp fruit, Processing, CPO dispack, grading and other related parts. Training is only given to laboratory personnel only.	Provide the SCCS training / socialization to workers at the weighing, Ramp fruit, Processing, CPO dispack, grading and other related division.	To documenting the results of SCCS the training / socialization in accordance with PK-3.08-08	SCCS Training was last done on 29 May 2017 including 8 personnel from the weighbridge, production, sortation, lab assistant and mandore, loading ramp, process. However, there is one weighbridge personnel working the night shift who has not attended the SCCS training. This is noted as an observation	Closed

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

During this annual surveillance audit, a total of 20 nonconformities were assigned i.e. 12 Major nonconformities and 8 Minor nonconformities. For the major non-conformances, the company has taken the necessary corrective action to close these non-conformances within 60 days of completion of the assessment, and this was verified by the audit team checks of documents submitted by the company. For the minor non-conformances, the company has submitted their planned corrective actions and the status of 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:

3.3.1. Major non-conformities

It is recommended by the lead auditor to award the system of the company with a certificate pursuant to the above-mentioned RSPO standards after eliminating the non-conformities below which are all rated as "major".

NCR No.	Clause	Nonconformity	Auditee response		Verification result	Conclusion & Date of closure
			Correction	Corrective Action		
RSPO 01254	RSPO Certification System 4.2.4	The company has not yet submitted the current time bound plan and supporting evidence for compliance with the requirements of the letter e-h for uncertified management unites	Implement partial certification for management units that have not been certified RSPO in PTPN III (Persero) and create a time bound plan against the management units to be certified.	Annually conducts partial certification for management units not yet certified by RSPO at the time of internal audit.	The company has submitted a new time bound plan and internal audit results for all uncertified management units.	Status: Closed Date: 10 August 2017
RSPO 01255	2.1.1	The company has not been able to show sufficient evidence related to the fulfilment of relevant legislation, for example:	To install hazardous waste symbols and labels according to the type of	Ensure hazardous waste stores have installed hazardous waste symbols and la-	The company provided evidence of actions taken to close all these issues, i.e.:	Status: Closed Date: 10 August 2017

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		<p>a. Based on field observation at hazardous waste store of Sei Daun Palm Oil Mill and Sei Daun estate it is found that the installation of hazardous waste (B3) symbol and label not yet in accordance with the Ministerial Decree No. 14 of 2013 on hazardous waste Symbols and Labels.</p> <p>b. Based on field observations at the Sei Daun estate Central Warehouse it is known that the installation of B3 symbol is not in accordance with the Ministerial Decree No. 3 of 2008 on Procedures for Symbol and Label B3.</p> <p>c. Based on the result of field observation at hazardous waste store of Sei Daun Palm Oil Mill it is found that hazardous waste records not yet updated, a fire extinguisher was found to be damaged (nozzle part) and preparation of water for fire emergency use was not done. This is not yet in accordance with the company permit for hazardous wastes, permit number: 503/207 / DPMPTSP-LS / 2017 dated February 20, 2017.</p> <p>d. Based on the result of document observation and field visit, it is found that the provision of Personal Protective Equipment (PPE) equipment is not optimally applied such that workers in the field do not use PPE in accordance with the risk analysis that has been prepared. This is not in accordance with regulation Permenakertrans No. 8 of 2010.</p> <p>e. Based on document observation, it is found that the company has not been able to provide sufficient evidence of health inspection of employees regularly in accordance with the Ministerial Decree no. 2 year 1980 and also specially related to chemicals in accordance with Permenaker No. 3 year 1986.</p>	<p>hazardous waste present in hazardous waste store according to LH Regulation No. 14 of 2013.</p> <p>To install hazardous waste symbols and labels in a central warehouse in accordance with Ministerial Decree No 3 of 2008 on the procedure of giving hazardous waste symbols and labels</p> <p>To complete the recording of stored hazardous waste, replacing the damaged fire extinguisher for hazardous waste store and ensure the availability of emergency facilities and infrastructure.</p> <p>To provide complete PPE in accordance with the demand and risk regulated and arranged in Permenakertrans No. 8 of 2010</p> <p>To schedule and conduct Workers Health Check in accordance with Permenaker No. 2 of 1980 and Special Rapporteur pursuant to Ministerial Decree No. 3 of 1986.</p>	<p>bels according to LH No. 14 of 2013.</p> <p>Each hazardous waste storage warehouse shall be equipped with hazardous waste symbols and labels in accordance with the Ministerial Decree No 3 of 2008.</p> <p>To maintain monthly updated records of hazardous waste, and conduct checks of fire extinguishers and emergency facilities.</p> <p>Annually execute inventory on the completeness and feasibility of PPE to execute repeated requests</p> <p>Document evidence of employee health examination results in accordance with the schedule.</p>	<p>a. Photos of B3 waste labels done for all b3 waste at Sei Daun POM and estate</p> <p>b. Photos of B3 waste labels done for all b3 waste at Sei Daun central warehouse</p> <p>c. B3 waste records at the mill have been updated up to waste collected in June 2017 with records provided. The damaged sink at the store has been replaced with a functional one with running water while the damaged fire extinguisher has been replaced with a functional one as well.</p> <p>d. The company provided records of provision of appropriate PPE to harvesters including safety boots, safety helmets and goggles to harvesters, as previously the goggles were not consistently provided.</p> <p>e. The company provided evidence of health examinations done for workers at the estates and mill, i.e. with evidence as follows:</p> <ul style="list-style-type: none"> - Sei Daun POM: Medical checks were done at Sri Torgamba hospital for total of 28 mill workers, with reports dated 7 July 2017 for 9 workers, 8 July 2017 for 9 workers and 10 July 2017 for 10 workers, showing all workers at good health. - Sei Daun estate: 7 workers sent for medical checks at Sri Torgamba hospital with report dated 10 July 2017 showing all workers at good health. The estate provided a plan for medical checks to be done for all workers in stages, e.g. for July to December 2017, number of workers to be sent for checks each month is identified including their names - Bukit Tujuh estate: 9 workers sent for medical checks at Sri Torgamba hospital with re- 	
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					port dated 11 July 2017 showing all workers at good health. The estate provided a plan for medical checks to be done for all workers in stages, e.g. for year 2017, 54 workers to be sent for checks each month until December 2017, with namelists of identified workers attached.	
RSPO 01257	2.2.2	<p>i) Based on document observation, it is known that Bukit Tujuh Estate has not been able to show map of land for the issuance of Decision Letter of HGU No. 54 / HGU / DA / 88 and / or 53 / HGU / DA / 88 indicating the location of HGU, its extent and boundaries.</p> <p>ii) Furthermore, based on the results of field visits along the H1 - H20 Block, no HGU boundary was found (adjacent to Harapan Hill Estate - PT Torganda and Kawasan Hutan Tanaman Industri - PT Surya Raya Lestari).</p>	<p>Provide Estate Map in accordance with the issuance of Decree of HGU No 54 / HGU / DA / 88 or 53 / HGU / DA / 88 for Bukit Tujuh Estate.</p> <p>Conducting reconditioning of boundary markers along H1-H20 Block adjacent to Bukit Harapan estate, PT. Torganda, and Industrial Area Forest Plantings of PT. Surya Raya Lestari</p>	<p>Documenting the Bukit Tujuh Estate Map in accordance with HGU No 54 / HGU / DA / 88 and No 53 / HGU / DA / 88 for Kebun Bukit Tujuh.</p> <p>Ensure that the boundary markers are available at the borders of Bukit Harapan estate, PT. Torganda, and Industrial Area Forest Plantings of PT. Surya Raya Lestari</p>	<p>i) The company provided an updated GPS map showing the actual estate HGU boundaries including boundary stone locations</p> <p>ii) The company provided photo evidence of the boundary stone reconditioning activity being done at H1 - H20 Block</p>	<p>Status: Closed</p> <p>Date: 10 August 2017</p>
RSPO 01259	4.3.1	Bukit Tujuh estate has a marginal soil map, but the map does not include a low water-ditched area (block G20) and an oblique area in blocks F3, E3 and E4. This has not been aligned with the corrective action plan for the previous year's NCR.	Make a map of the land in the low and sloping areas located throughout Bukit Tujuh Estate.	Documenting land maps of low-land and sloped areas.	The marginal soil map of Bukit Tujuh estate has been updated to indicate all marginal soil areas.	<p>Status: Closed</p> <p>Date: 10 August 2017</p>
RSPO 01262	4.7.1	There is not enough evidence of follow-up to the internal inspection results at Sei Daun Palm Oil Mill. For example: in the results of the second quarter inspection date of June 6, 2017 there are 5 aspects that need to be improved namely: protective guard for machines with rotating parts, provision of adequate PPE (especially gloves and shoes), and to prepare keys for equipment.	Following up on the results of the second quarter inspection on June 6, 2017 where there are 5 aspects were improved namely: protective guard for machines with rotating parts, adequate PPE (especially gloves and shoes), and preparation of keys for equipment.	To discuss the results of the general inspections carried out every quarter at the OSH meeting so that the necessary follow-up of the inspection results can be carried out immediately.	<p>The mill provided photos and documented evidence of actions that had been taken to reissues found during internal inspection, i.e.:</p> <ul style="list-style-type: none"> - Protective guards placed at rotating parts of mill machines - Records of previous provision of PPE, including safety shows provided to all mill workers on 26 March 2016 and gloves provided on 24 April 2017 to all mill workers including signature indicating receipt. - Keys for machine equipment have been prepared 	<p>Status: Closed</p> <p>Date: 10 August 2017</p>
RSPO 01263	4.7.3	Based on document observations and field visits (e.g. Divi-	Briefing was held to distrib-	Supervise and inspect the use		<p>Status: Closed</p>

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		sion II - Telling Workers and Division III - Harvest Workers) Sei Daun estate, it is known that the provision of Personal Protective Equipment (PPE) equipment is not optimally applied such that field workers do not use PPE in accordance with the analysis the risks that have been prepared.	ute PPE to telling and harvesting officers in Afd. III Sei Daun Estate	of PPE in the field every month, to ensure the feasibility of PPE conditions used by workers.		Date: 10 August 2017
RSPO 01264	4.7.4	The company - Unit Sei Daun Palm Oil Mill has not been able to show evidence of follow up of the license renewal of the General OSH Expert for personnel responsible for the implementation of OSH in the field.	Conduct renewal of licenses of General OSH Expert to the local Manpower Office according to PK-3.17-08 points 7.1.5.6	To guarantee OSH Licensed personnel in PSDAN has had their licenses extended before expiry	The company submitted evidence of letter received from the Labour Department of South Labuhan Batu, dated 19 June 2017. The letter informed that their request for extension of certificate of the company's OSH expert was well received and had been submitted to the regional labour department office for approval and still in process. The evidence of action taken was accepted to close the nonconformity.	Status: Closed Date:
RSPO 01265	6.1.3	The social impacts management and monitoring plan does not have clear timelines and no identified responsible personnel.	To establish social impact management and monitoring plans with clear timelines and assign personnel responsible.	To annually make plans and programs for social impact monitoring and management.	The social impacts management and monitoring plans of the mill and estate now indicate clear timelines and identified responsible personnel.	Status: Closed Date: 10 August 2017
RSPO 01268	6.3.1	The company has not been able to show any evidence of socialization/briefing done on the Communication and Consultation Procedures no. PK-3-08-03 to all levels of employees. The results of interviews with harvesters of Division I EF 19 Bukit Tujuh Estate showed that they do not understand the procedure of grievance procedure (communication and consultation procedure).	To conduct socialization to all employees about the procedure of complaint submission in accordance PK-3-08-03	Every year socialization to all employees and documenting evidence of socialization	A briefing on the communication and consultation procedure had been conducted by Bukit Tujuh estate on 3 July 2017 with participation of 54 workers. Evidence sighted included signed attendance lists and photos of participants and summary of the briefing conducted.	Status: Closed Date: 10 August 2017
RSPO 01269	6.3.2	i) The company has not been able to show the records of employee complaints and the process of handling them. From results of interviews with harvesters Division I EF 19 Bukit Tujuh estate, it was found that they had complained about the roof leaking at their house about 6 months back (December 2016), but until now there has been no action taken. ii) No evidence of monitoring of the suggestion box has been shown.	To follow up on employee complaints and fix leaking employee homes. To monitor suggestion boxes and document any complaints.	Any incoming letter from the employees concerning the submission of a complaint is to be immediately acted upon. To make sure the suggestion box is monitored monthly.	i) The company provided photographic evidence of follow up action taken to resolve the worker's complaint on the damaged roof, and has repaired the roof. ii) Records of monitoring of the suggestion box was provided including a list of suggestions and comment received since January 2017 to July 2017.	Status: Closed Date: 10 August 2017
RSPO 01270	6.5.1	There are some Sei Daun Palm Oil Mill workers who work overtime for 3 (three) hours or more, but the company has not provided food and drink at least 1,400 calories (as required in Kepmenakertrans No. 102 year	Provide food and drink at least 1,400 calories (extra voeding) to employees who work 3 overtime	Ensure employees who work 3 hours or more are given food and drinks according to company regulations	The mill provided records of overtime performed by mill workers in month of June 2017 as well as records of amount of containers of food received by	Status: Closed Date: 10 August 2017

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		2004, Article 7).	for hours or more.	and collective bargaining agreement	each mill workers who worked overtime for months of April to June 2017, including eggs, milk and green beans.	
RSPO 01271	6.5.2	<p>i) The company has evaluated the partners / contractors (quality, delivery, environment, safety, safety and employment), but there is not enough evidence that the evaluation has covered the application of workers' rights. Some related evidence is found as follows:</p> <ul style="list-style-type: none"> o Interview with casual workers (BHL) of CV Harka Jaya Mandiri (partner of Sei Daun estate), it is known that they do not have any work contracts between their contractors to their workers, working from 07.00-11.00 per day given Rp. 35,000, pay for social security (BPJS) with own money, and receive no pay slips. o The result of interview with the manager of CV Surya Abadi Makmur (partner of Bukit Tujuh estate) it was found that the workers do not have a work agreement between the contractor and the workers, work from 07.30 to 13.00 per day given the wage of Rp. 30.000 / person, does not have social insurance (BJPS). Bukit Tujuh estate also does not have a list of casual workers. o Found from interviews with an ex-contractor at Sei Daun Garden that he used to work under CV Sibagading Tua, but has no employment contract and does not receive pay slips o Ex-female contractor at Sei Daun housing also informed that she worked for several years ago to do manuring work but quit her job in April 2017 because her contractor (CV Sibagading Tua) failed to pay her wages on time every month, and also failed to provide all the appropriate PPE, so the workers must buy their own shoes and gloves. <p>ii) The company has not been able to show evidence that the Collective Bargaining Agreement (PKB) for the Period 2016-2017 has been socialized to all levels of workers. The results of interviews with employees of Sei Daun Palm Oil Mill and Bukit Tujuh estate shows that there are still workers who do not understand the contents</p>	<p>To conduct performance evaluations of partners / contractors pertaining to the rights of their hired casual workers.</p> <p>To socialize the PKB 2016-2017 to all levels of employees with documented evidence</p>	<p>To ensure requirements for quality, delivery, environment, safety, and employment are met by the company's partner / contractors when commencing the work and monitoring it until the job is completed in accordance with the contract.</p> <p>To socialize the PKB annually to all workers.</p>	<p>i) The company provided evidence of evaluation of contractors provision of wages to their workers by requesting records of payment made by contractors to their workers. Payment records were sighted for month of June 2017 for workers of CV Sibagading Tua, and CV Harka Jaya Mandiri, including acknowledgement of receipt by workers. The company also provided evidence of evaluation of contractors and identification of areas requiring improvement, such as lack of provision of contracts and pay slips. The company has provided sample contract templates to contractor and guiding them on the usage for their workers, with samples of completed employments sighted.</p> <p>ii) The company conducted socialization of the PKB to all mill and Bukit Tujuh estate workers on 22 May 2017, as seen from briefing minutes, signed attendance lists and photos of briefing participants.</p>	<p>Status: Closed</p> <p>Date: 10 August 2017</p>

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		of the PKB 2016-2017.				
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3.3.2. Minor non-conformities

The deadline for closure of minor non-conformities is one year. The planned correction and corrective actions to close the minor noncompliances have been provided by the auditee as below and are accepted by the audit team. The effectiveness of implementation of all minor non-conformities identified shall be audited again during the next surveillance audit in line with the required timeframe.

NCR No.	Clause & status	Nonconformity	Auditee Action Plan		Audit team remarks (if any)
			Correction	Corrective Action	
RSPO0 1256	2.1.2	The documented list of related regulations and regulations is not yet complete. For example, At Sei Daun POM the legal register has not listed the following laws: - Law No 3/1992 (Social Security) - Law No 7/2013 (Minimum Wage) - Law No 102/2004 (Overtime Period & Wages) While at Sei Daun Estate the legal register has not listed the following laws: - Law No 13/1999 (Human Rights) - Law No 7/2013 (Minimum Wage) - Law No 102/2004 (Overtime Period and Wages).	To complete the documented list of laws and regulations with the missing regulations	To identify and evaluate legislation relating to company operations annually pursuant to PK-3.18-01 "Identification and Evaluation and Compilation of Legislation".	The mill and Sei Daun estate provided an updated legal requirements register, including the addition of the following regulations: - Law No 13/1999 (Human Rights) - Law No 7/2013 (Minimum Wage) However, some improvement is still required and will be checked further during next surveillance.
RSPO0 1258	4.2.2	From the planned and actual fertilizer application records for Semester II year 2016 of Sei Daun Estate, status of fertilizer application of NPK was 189.889 kg at end of Semester II which did not meet the recommended amount of 2,202.634 kg (below 10% of recommendation).	To carry out fertilizer application in the second half of 2016 that was delayed in the first half of 2017.	Implement fertilizer application in accordance with the recommended dose of fertilization.	A letter from the planting division head was provided to all estate managers on 9 May 2017 with instructions to optimise fertilizer application according to recommendations. The implementation will be checked further during next surveillance.
RSPO0 1260	4.4.1	The upstream and downstream river water sampling points at Sei Daun estate are not appropriately located, as the current points are located at Division 4 and not at the actual upstream and downstream points of the estate, which are are Division III and Division V respectively.	To establish locations for sampling of water points for upstream and downstream of the river ie in Division III and Division V	Accompany the team of consultants performing water sampling points at a predetermined point in the upstream (Division III) and downstream (Division V) of the river.	The company provide photos of the relocated sampling points including sampling point markers, and memorandum dated 21 June 2017 on the action taken. The implementation will be checked further during next surveillance.
RSPO0 1261	4.4.4	The mill maintains monthly records on usage of water by the mill, laboratory, office, housing, and transport washing, as well as annual summary of water usage. However, monitoring of mill water usage per tonne FFB is not done	To create a water monitoring report per ton of FFB per month.	To report monitoring of water usage per ton of FFB to the Technology Section Each month.	Corrective action plan accepted and implementation will be checked further during next surveillance.

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RSPO0 1266	6.1.4	There is insufficient evidence that the social impacts management and monitoring plan that have been implemented involved the participation of all affected parties.	To implement monitoring and management of social impacts involving the participation of all affected parties.	To develop plans and programs for monitoring and managing social impacts by involving the participation of all affected parties each year.	The company provided evidence of stakeholder consultation meeting done at Sei Meranti Village and Torgamba village on 22 and 24 July 2017 including photos of participants. However, no meeting minutes or evidence of stakeholder input being incorporated into the SIA management plan was provided. Implementation will be checked further during next surveillance.
RSPO0 1267	6.2.3	<p>The list of stakeholders owned by the company is not yet complete.</p> <p>a) For example, stakeholders missing from stakeholders list of Bukit Tujuh Estate are: - PT Sibisa Mengator Torganda (oil palm) - PT Mujor Plantation (oil palm); and - PT Riang Lestari (HTI - Industrial Plantation Forest)</p> <p>b) Stakeholders missing from stakeholders list of Sei Daun Palm Oil Mill are Torganda Village and Dusun Bagan Baru</p> <p>c) For Sei Daun Estate, of the 65 stakeholders listed, 37 does not have complete address.</p> <p>The company has recorded every communication (letter) received, but in some cases the company does not provide a response or response. For example, Sei Daun Palm Oil Mill, there is a letter from the Forestry and Estate Crops Office, Labuhanbatu Selatan dated November 24, 2016 which was not responded to.</p>	<p>To complete data of all stakeholders including with complete addresses.</p> <p>Follow up on all the letters received from stakeholder in writing.</p>	<p>To document stakeholder data and make updates every year.</p> <p>Each letter from the incoming stakeholders will be responded and be well documented.</p>	<p>The stakeholder lists for Bukit Tujuh estate and Sei Daun Palm Oil Mill were updated with the missing stakeholder. However, evidence of stakeholder list provided for Sei Daun estate still did not include the full addresses of all stakeholders.</p> <p>In addition, no evidence was provided yet of response to communications received.</p> <p>The implementation of the corrective action plan will be checked further during next surveillance.</p>
RSPO0 1272	6.5.3	<p>During field visits and interviews with the harvesters of Bukit Tujuh estate Division I EF 19, it was found several issues pertaining to the facilities and benefits of workers:</p> <p>- Part of the roof of a worker's house is broken. - Found shoes that have been perforated and torn still worn by the worker. PPE is provided once a year, if damaged within a less than a year, the workers can not ask for a new set. - If treated at the estate clinic, some medication is</p>	<p>To carry out repairs on workers' houses gradually.</p> <p>Distribute PPE that has been received to all workers</p> <p>Make requests and distribution of medicines that are lacking in the estate clinic by making a letter of drug request.</p> <p>Complete the first aid kit with 21 types of medicine as required by regulations with photo documentation and</p>	<p>To check list of medicines at the estate office to anticipate drug stock every 3 months.</p> <p>To check list of medicines in the harvesting foreman first aid kit every 3 months.</p> <p>To conduct regular health surveillance annually for all employees.</p> <p>Safely store the new tensimeter and keep it from getting dam-</p>	<p>No evidence provided. Corrective action plan accepted and implementation will be checked further during next surveillance.</p>

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		<p>not available</p> <ul style="list-style-type: none"> - The contents of the first aid box for the harvesting mandore are not in accordance with the applicable regulations. - No health checks on a regular basis (2016-May 2017). <p>During field visits and interviews with the staff of Bukit Tujuh estate clinic, it was found that:</p> <ul style="list-style-type: none"> - The broken tensimeter can not be used. - The supply of medicine is limited. Applied for the procurement of new medicine was done on March 29, 2017 but until now there has been no action taken. - Found medicine that have expired (June 16, 2017) - There is no ambulance for medical needs. - Found several fire extinguishers are not functioning 	<p>proof of receipt of the medicine.</p> <p>To conduct periodic health inspections of all employees on a regular basis.</p> <p>To carry out new purchases and requests to the estate clinic in lieu of the damaged tensimeter.</p> <p>Make requests and distribution of medicines that are lacking at the estate clinic by making a letter of drug request.</p> <p>Sending out expired medicine as soon as possible in order to be destroyed by the hospital of Torgamba with incenerator or to be planted</p> <p>Instead of an ambulance, transport will be made available to the hospital to take the patient for treatment</p> <p>To conduct fire extinguishers checks in accordance with the form set out in the working procedure</p>	<p>aged and falling out of place.</p> <p>Any patient that requires hospital medical treatment to be sent to the hospital with mobile transportation.</p> <p>Every month to do fire extinguisher inspection in the estate to be used in the event of an emergency</p>	
RSPO01273	6.9.3	<p>There is evidence of a lack of socialization of the company's complaints mechanism regarding sexual harassment or violence to all families of employees living on plantations, i.e. housewives interviewed in AFD VI, Sei Daun Estate not yet aware of the sexual harassment policy and corporate grievance mechanisms.</p>	<p>Conducting socialization of complaints handling mechanism about sexual harassment or violence to all family of employees who live in plantation especially to all employees' wives through visits from the Family Association of Employee Wives (Ikatan Keluarga Besar Istri Karyawan or IKBI).</p>	<p>Every year the socialization of complaints handling mechanism on sexual harassment or violence to all families of employees who live in the plantation, especially to all the wives of employees through the visits from the Family Association of Employee Wives (Ikatan Keluarga Besar Istri Karyawan or IKBI).</p>	<p>The company provided evidence of socialization of the sexual harassment and violence grievance mechanism to all female workers done on 20 June 2017, including signed attendance list of 42 participants, photos of participants and training materials including required behaviours of staff, grievance mechanism and flow chart and definition of sexual harassment.</p>

3.4 Noteworthy Positive Components and Opportunities for Improvement

Positive Observations:

No.	Indicator	Positive observations
1.	-	Good cooperation and effort put into RSPO compliance is evident from all employees
2.	4.1.1	SOPs are detailed and well developed to cover not only operational aspects but other aspects of RSPO requirements, e.g. water management, greenhouse gas identification monitoring, etc
3.	4.4.1	Planting of conservation plantings including mahogany, bamboo, etc at HCV areas, especially river riparian buffers zones is a good effort to maintain and protect these areas.

Opportunities for Improvement:

No.	Indicator	Observations / Opportunities for Improvement
1.	1.1.1	Labour report should be completed soon as possible
2.	2.2.1	The company should conduct intensive monitoring related to the completion process of HGU extension (Sei Daun estate) and the issuance of HGU certificate (Bukit Tujuh estate)
3.	4.3.2	It was found that there were many sloped areas, including on the side of the road, at Bukit Tujuh estate where there were no crops or enough cover crops. This condition can lead to increased erosion.
4.	4.4.1	One ex-female maintenance worker at Sei Dayun estate who previously carried out manuring informed that she was not aware of restriction to carry out manuring work at the river riparian buffer zones. This is indication of poor communication to all manuring workers on this restriction
5.	5.4.1	1) Monthly usage of diesel at the mill is recorded but not calculated in diesel usage per tonne FFB 2) The mill maintains monthly records on usage of fibre and shell at the boiler as well as usage of fossil fuel, however this is not recorded in usage per tonne FFB or per tonne CPO. This data was provided later during the audit, and should be ensured that monitoring of shell and fibre usage per tonne FFB is done consistently.
6.	5.6.3	Some data in the PalmGHG monitoring tool was found to be inconsistent with actual data check onsite, i.e. actual planted area of Sei Daun estate is 7,132.02 ha but stated in the tool as 7218.12 ha
7.	6.2.2	Job descriptions for employees who are given a letter of appointment by the company to be responsible for consultation and communication with stakeholders should be clear because there are employees who do not clearly understand their responsibilities.
8.	6.5.3	The company should provide water for adequate washing of toilets for workers. Results of interviews with workers at Division 2 of Sei Daun estate is was found water to meet the needs of the workers is lacking
9.	6.9.1	The company should improve awareness of the workers regarding the function of the gender committees for workers.
10.	SCCS E.4.1	The mill's weighbridge system auto generates a report on 'Report of Receipt of Raw Material Every Hour' (Laporan Kelancaran Penerimaan Bahan Baku Masuk Setiap Jam). It would be better if this report is printed/emailed to the mill production office rather than recorded manually into another 'Raw Material Received' (Penerimaan Bahan Baku) form, which increases likelihood of error.
11.	SCCS E.5.1	There is one weighbridge personnel working the night shift who has not attended the SCCS training

12.	SCCSE. 5.1	The mill has a mass balance form to record and balance all RSPO certified and certified CPO receipts and RSPO certified CPO shipments every three months, but has not used them since the mill is no longer receiving non-certified FFB receipts since June 2016. At the time of this audit, the production office, the mill can show the mass balance form which has been filled and the information is found to be true to participate in the same production record with DO submission. The mill is required to ensure the continued use of this form while implementing the SCCS Mass Balance system.
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3.5 Issues Raised by Stakeholders and Findings Pertaining to Issues

No issues were raised by stakeholders interviewed

3.6 Conclusion and Recommendation for RSPO P & C and Supply Chain Certification

The audit team has confirmed through the audit process that PTPNIII Sei Daun Palm Oil mill and its supply base has established and maintains an effective system to ensure compliance with the RSPO P & C Indonesian National Interpretation and Supply Chain Certification System requirements (dated November 2014). It is also confirmed that the company's annual volume of CPO and PK sold for the period between the date of certificate issuance until May 2017 has not exceeded the certified annual tonnages as claimed in the organization's RSPO certificate no. 824 502 16044.

TUV Rheinland recommends that Sei Daun palm oil and its supply base be continuing approved for certification of compliance to the RSPO P & C and Supply Chain Certification System requirements .

4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Next Surveillance Visit

The next surveillance visit is planned for June 2018.

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

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

Signed on behalf of PT Perkebunan Nusantara III



Name: **AHMAD DIPONEGORO**
Position: **Kepala Bagian**
Date:

Signed on behalf of PT TUV Rheinland Indonesia



.....
Carol Ng Siew Theng
Lead Auditor
Date: 12 September 2017

APPENDICES

Appendix 1: Details of Revised Certificate

Certificate

Standard : **Indonesian National Interpretation of RSPO Principles & Criteria for the Production of Sustainable Palm Oil; July, 2016 and RSPO Supply Chain Certification Systems: November 2014**
Certificate Registr. No. : 824 502 16044

Certificate Holder : PT TUV Rheinland Indonesia certifies :
PT Perkebunan Nusantara III (Persero)
Sei Daun Palm Oil Mill
Meranti Village, Torgamba Subdistrict,
South Labuhan Batu District - 21464,
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. 1FU82450216044. Proof has been furnished that the requirements according to Indonesian National Interpretation of RSPO Principles & Criteria for the Production of Sustainable palm Oil; July, 2016 are fulfilled.
The due date for all future surveillance audits is 08.07 (dd.mm).

Validity: The certificate is valid from 08 September 2016 until 07 September 2021.
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 : September 08, 2016

PT TUV Rheinland Indonesia
Director

Indonesia, 12-09-2017

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.

Annex to certificate

Standard : **Indonesian National Interpretation of RSPO Principles & Criteria for the Production of Sustainable Palm Oil; July, 2016 and RSPO Supply Cahin Certification Systems: November 2014**

Certificate Registr. No.: 824 502 16044

Location: **PT Perkebunan Nusantara III (Persero)**
 Address : **Sei Daun Palm Oil Mill**
 Meranti Village, Torgamba Subdistrict,
 South Labuhan Batu District - 21464,
 North Sumatera Province, Indonesia

The palm oil mill and supply base covered in certification scope are :

Name of mill / estate	Location	GPS locations	
		Latitude	Longitude
Sei Daun Mill	Meranti Village, Torgamba Subdistrict, South Labuhan Batu District, North Sumatera Province, 21464, Indonesia	1° 40' 35"N	100° 19' 7"E
Sei Daun Estate	Sei Meranti Village, Torgamba Subdistrict, South Labuhan Batu District, North Sumatera Province, 21464, Indonesia	1° 40' 11"N	100° 19' 32"E
Bukit Tujuh Estate	Bukit Tujuh Village, Torgamba Subdistrict, South Labuhan Batu District, North Sumatera Province, 21464, Indonesia	1° 34' 9"N	100° 13' 58"E


CPO Tonnage Total Production: 60,999.96 tonnes
 PK Tonnage Total Production: 11,577.57 tonnes
 Company Estates FFB Tonnages: 237,040.80 tonnes
 FFB Tonnages from other sources: 30,000.00 tonnes
 CPO Tonnage claimed for certification: 55,149.96 tonnes
 PK Tonnage claimed for certification: 10,287.57 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, 12-09-2017

Issued by PT TUV Rheinland Indonesia


 PT TUV Rheinland Indonesia
 Director

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Appendix 2: Audit Plan

Date / Time ⁽¹⁾	Organizational Unit and Processes	Auditor / Ab-brev.	Interviewee	Procedure – RSPO P&C, RSPO SCCS Requirement
Day 1 - Tuesday, June 13rd June 2017				
Location : Sei Daun POM				
08.00 – 08.30	<ul style="list-style-type: none"> Opening meeting in Sei Daun POM Presentation from company Verification of Previous Audit Findings 	All Auditor	Management and related PIC	-
08.30 – 12.00	<p>Document check:</p> <ul style="list-style-type: none"> Mill supply base information and general data SCCS Compliance with applicable laws and regulations Long-term economic and financial viability Standard Operating Procedures Maintain the quality and availability of surface and ground water Training Efficiency energy Pollution & emission / GHG Continous Improvement 	Carol Ng (CN)	Mill Manager and Related PIC	<p>SCCS Requirements</p> <p>Principle 2 Criterion 2.1</p> <p>Principle 3 Criterion 3.1</p> <p>Principle 4 Criterion 4.1 Criterion 4.4.</p> <p>Criterion 4.8</p> <p>Principle 5 Criterion 5.4 Criterion 5.6</p> <p>Principle 8 Criterion 8.1</p>
08.30 – 12.00	<p>Document check:</p> <ul style="list-style-type: none"> Adequate information to relevant stakeholders Management documents are publicly available Ethical conduct Compliance with applicable laws and regulations Minimum Wage and Contract Worker Union Worker Children Worker Discrimination Sexual harassment Fairly and transparently with smallholders Contribute to local sustainable development Human trafficking Human rights Continous Improvement 	Doni Mardoni (DN)	Mill Manager and Related PIC	<p>Principle 1 Criterion 1.1 Criterion 1.2</p> <p>Criterion 1.3</p> <p>Principle 2 Criterion 2.1</p> <p>Principle 6 Criterion 6.5 Criterion 6.6 Criterion 6.7 Criterion 6.8 Criterion 6.9 Criterion 6.10 Criterion 6.11 Criterion 6.12 Criterion 6.13</p> <p>Principle 8 Criterion 8.1</p>
08.30 – 12.00	<p>Document check:</p> <ul style="list-style-type: none"> Compliance with applicable laws and regulations Legal Land / Operation OSH Environmental impact Waste Zero Burning New planting (if any) 	Ibnu Satria Prabudi (ISP)	Mill Manager and Related PIC	<p>Principle 2 Criterion 2.1 Criterion 2.2</p> <p>Principle 4 Criterion 4.7</p> <p>Principle 5 Criterion 5.1 Criterion 5.3 Criterion 5.5</p> <p>Principle 7 Criterion 7.1; 7.7</p>

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Date / Time ⁽¹⁾	Organizational Unit and Processes	Auditor / Ab-brev.	Interviewee	Procedure – RSPO P&C, RSPO SCCS Requirement
	<ul style="list-style-type: none"> • Continuous Improvement 			Principle 8 Criterion 8.1
08.30 – 12.00	<p>Document check:</p> <ul style="list-style-type: none"> • Compliance with applicable laws and regulations • FPIC / Compensation • SIA (Social Impact Assessment) • Communication & consultation • Complaint & grievances • Compensation for loss of legal, customary or user rights • New Planting (if any) • Continuous Improvement 	Rahayu Zulkifli (RH)	Mill Manager and Related PIC	Principle 2 Criterion 2.1 Criterion 2.3 Principle 6 Criterion 6.1 Criterion 6.2 Criterion 6.3 Criterion 6.4 Principle 7 Criterion 7.1 Criterion 7.5 Criterion 7.6 Principle 8 Criterion 8.1
12.00 – 14.00	Break			
14.00 – 16.00	<ul style="list-style-type: none"> • Interview with the relevant stakeholder (e.q: community, head of village, representative of union worker etc) • Interviews with mill workers & visit to infrastructure for workers 	DN & RH	Related PIC	
14.00 – 16.00	<p>Mill site visit to ensured the implementation of RSPO standard</p> <ul style="list-style-type: none"> • Compliance with applicable laws and regulations • Good Manufacturing Practices / Implementation of Procedure • OSH • Enviromental Management • Waste Management • Efficiency energy • Pollution & emission / GHG • SCCS 	CN & ISP CN ISP ISP ISP CN CN CN	Mill Manager and Related PIC	
16.00 – 17.00	Verification of result of interview with the relevant stakeholder and field visit / continue document check	All Auditor	Mill Manager and Related PIC	
17.00 -	End of day 1			
Day 2 - Wednesday, 14th June 2017				
Location : Sei Daun Estate				
08.00 – 12.00	<p>Document check:</p> <ul style="list-style-type: none"> • Adequate information to relevant stakeholders • Management documents are publicly available • Ethical conduct • Compliance with applicable laws and regulations 	DN	Estate Manager and Related PIC	Principle 1 Criterion 1.1 Criterion 1.2 Criterion 1.3 Principle 2 Criterion 2.1

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Date / Time ⁽¹⁾	Organizational Unit and Processes	Auditor / Ab-brev.	Interviewee	Procedure – RSPO P&C, RSPO SCCS Requirement
	<ul style="list-style-type: none"> Minimum Wage and Contract Worker Union Worker Children Worker Discrimination Sexual harassment Fairly and transparently with smallholders Contribute to local sustainable development Human trafficking Human rights Continous Improvement 			<p>Principle 6 Criterion 6.5 Criterion 6.6 Criterion 6.7 Criterion 6.8 Criterion 6.9 Criterion 6.10 Criterion 6.11 Criterion 6.12 Criterion 6.13</p> <p>Principle 8 Criterion 8.1</p>
08.00 – 12.00	<p>Document check:</p> <ul style="list-style-type: none"> Compliance with applicable laws and regulations FPIC / Compensation SIA (Social Impact Assessment) Communication & consultation Complaint & grievances Compensation for loss of legal, customary or user rights New Planting (if any) Continous Improvement 	RH	Mill Manager and Related PIC	<p>Principle 2 Criterion 2.1 Criterion 2.3</p> <p>Principle 6 Criterion 6.1 Criterion 6.2 Criterion 6.3 Criterion 6.4</p> <p>Principle 7 Criterion 7.1 Criterion 7.5 Criterion 7.6</p> <p>Principle 8 Criterion 8.1</p>
08.00 – 10.00	<p>Document check:</p> <ul style="list-style-type: none"> General estate data and area statements Compliance with applicable laws and regulations Long-term economic and financial viability Standard Operating Procedures Soil Fertility Minimize and Control Erosion and Degradation of soils Maintain the quality and availability of surface and ground water Training HCV Pollution & emission / GHG New Plantings (if any) Continous Improvement 	CN	Estate Manager and Related PIC	<p>Principle 2 Criterion 2.1</p> <p>Principle 3 Criterion 3.1</p> <p>Principle 4 Criterion 4.1 Criterion 4.2 Criterion 4.3</p> <p>Criterion 4.4.</p> <p>Criterion 4.8</p> <p>Principle 5 Criterion 5.2 Criterion 5.6</p> <p>Principle 7 Criterion 7.2 Criterion 7.3 Criterion 7.4 Criterion 7.8</p> <p>Principle 8 Criterion 8.1</p>
08.00 – 10.00	<p>Document check:</p> <ul style="list-style-type: none"> Compliance with applicable laws and regulations 	ISP	Estate Manager and Related PIC	<p>Principle 2 Criterion 2.1</p>

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Date / Time ⁽¹⁾	Organizational Unit and Processes	Auditor / Abbrev.	Interviewee	Procedure – RSPO P&C, RSPO SCCS Requirement
	<ul style="list-style-type: none"> Legal Land / Operation IPM (Integrated Pest Management) Pesticide are used OSH Environmental impact Waste Zero Burning New planting (if any) Continous Improvement 			Criterion 2.2 Principle 4 Criterion 4.5 Criterion 4.6 Criterion 4.7 Principle 5 Criterion 5.1 Criterion 5.3 Criterion 5.5 Principle 7 Criterion 7.1; 7.7 Principle 8 Criterion 8.1
10.00 – 12.00	Field Visit to ensure the implementation of RSPO standard <ul style="list-style-type: none"> Compliance with applicable laws and regulations Boundary Poles BMP OSH Enviromental Management Waste Management Soil Fertility Minimize and Control Erosion and Degradation of soils Maintain the quality and availability of surface and ground water Chemical storage HCV Management Pollution & emission / GHG 	CN & ISP CN ISP ISP ISP ISP CN CN CN ISP CN CN	Mill Manager and Related PIC	
12.00 – 14.00	Break			
14.00 – 17.00	<ul style="list-style-type: none"> Interview with the relevant stakeholder (e.q: community, head of village, representative of union worker etc) Interviews with estate workers and field visit to infrastrucatur for labour 	DN & RH	Related PIC	
14.00 – 17.00	Verification of result of interview with the relevant stakeholder and field visit / countinue of document check	ISP & CN	Estate Manager and Related PIC	
17.00 -	End of day 2			
Day 3 – Thursday, 15th June, 2017				
Location : Bukit Tujuh Estate				
08.00 – 10.00	Document check: <ul style="list-style-type: none"> Adequate information to relevant stakeholders Management documents are publicly available Ethical conduct Compliance with applicable laws and regulations 	DN	Estate Manager and Related PIC	Principle 1 Criterion 1.1 Criterion 1.2 Criterion 1.3 Principle 2 Criterion 2.1

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Date / Time ⁽¹⁾	Organizational Unit and Processes	Auditor / Ab-brev.	Interviewee	Procedure – RSPO P&C, RSPO SCCS Requirement
	<ul style="list-style-type: none"> Minimum Wage and Contract Worker Union Worker Children Worker Discrimination Sexual harassment Fairly and transparently with smallholders Contribute to local sustainable development Human trafficking 			<p>Principle 6 Criterion 6.5 Criterion 6.6 Criterion 6.7 Criterion 6.8 Criterion 6.9 Criterion 6.10 Criterion 6.11 Criterion 6.12</p>
	<ul style="list-style-type: none"> Human rights Continous Improvement 			<p>Criterion 6.13 Principle 8 Criterion 8.1</p>
08.00 – 10.00	<p>Document check:</p> <ul style="list-style-type: none"> Compliance with applicable laws and regulations FPIC / Compensation SIA (Social Impact Assessment) Communication & consultation Complaint & grievances Compensation for loss of legal, customary or user rights New Planting (if any) Continous Improvement 	RH	Mill Manager and Related PIC	<p>Principle 2 Criterion 2.1 Criterion 2.3 Principle 6 Criterion 6.1 Criterion 6.2 Criterion 6.3 Criterion 6.4 Principle 7 Criterion 7.1 Criterion 7.5 Criterion 7.6 Principle 8 Criterion 8.1</p>
08.00 – 10.00	<p>Document check:</p> <ul style="list-style-type: none"> General estate data and area statements Compliance with applicable laws and regulations Long-term economic and financial viability Standard Operating Procedures Soil Fertility Minimize and Control Erosion and Degradation of soils Maintain the quality and availability of surface and ground water Training HCV Pollution & emission / GHG New Plantings (if any) Continous Improvement 	CN	Estate Manager and Related PIC	<p>Principle 2 Criterion 2.1 Principle 3 Criterion 3.1 Principle 4 Criterion 4.1 Principle 4 Criterion 4.2 Criterion 4.3 Criterion 4.4. Criterion 4.8 Principle 5 Criterion 5.2 Criterion 5.6 Principle 7 Criterion 7.2 Criterion 7.3 Criterion 7.4 Criterion 7.8 Principle 8 Criterion 8.1</p>
08.00 – 10.00	<p>Document check:</p> <ul style="list-style-type: none"> Compliance with applicable laws and regulations 	ISP	Estate Manager and Related PIC	<p>Principle 2 Criterion 2.1</p>

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Date / Time ⁽¹⁾	Organizational Unit and Processes	Auditor / Ab-brev.	Interviewee	Procedure – RSPO P&C, RSPO SCCS Requirement
	<ul style="list-style-type: none"> Legal Land / Operation IPM (Integrated Pest Management) Pesticide are used OSH Environmental impact Waste Zero Burning New planting (if any) Continous Improvement 			Criterion 2.2 Principle 4 Criterion 4.5 Criterion 4.6 Criterion 4.7 Principle 5 Criterion 5.1 Criterion 5.3 Criterion 5.5 Principle 7 Criterion 7.1; 7.7 Principle 8 Criterion 8.1

10.00 – 12.00	Field Visit to ensure the implementation of RSPO standard <ul style="list-style-type: none"> Compliance with applicable laws and regulations Boundary Poles BMP OSH Enviromental Management Waste Management Soil Fertility Minimize and Control Erosion and Degradation of soils Maintain the quality and availability of surface and ground water Chemical storage HCV Management Pollution & emission / GHG 	CN & ISP CN ISP ISP ISP ISP CN CN CN ISP CN CN	Mill Manager and Related PIC	
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10.00 – 12.00	<ul style="list-style-type: none"> Interview with the relevant stakeholder (e.q: community, head of village, representative of union worker etc) Interviews with estate workers and field visit to infrastrucur for labour 	DN & RH	Related PIC	
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12.00 – 15.00	Break and Preparing Closing Meeting			
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15.00 – 16.00	Closing Meeting			
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Appendix 3: List of Abbreviations

AMDAL	Analisis Dampak Lingkungan & Sosial (Social & Environmental Impacts Assessment)
B3	Bahan Berbahaya & Beraacun (Hazardous and Poisonous Wastes)
BPN	Badan Pertanahan Negara (National Land Body)
CH	Certificate Holder
CPO	Crude Palm Oil
CSR	Corporate Social Responsibility
DPPL	Dokumen Pengelolaan dan Pemantauan Lingkungan (DPPL)
EIA	Environmental Impact Assessment
ERTs	Endangered, Rare & Threatened species

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ESH	Environmental Safety & Health
EWS	Early Warning System
FFB	Fresh Fruit Bunches
EFB	Empty Fruit Bunches
GHG	Greenhouse Gas
HCV	High Conservation Value
HGB	Hak Guna Bangunan (Building Use Rights)
HGU	Hak Guna Usaha (Land Use Rights)
HPL	Hak Pengelolaan (Management Rights)
IPM	Integrated Pest Management
K3	Keselamatan dan Kesehatan Karyawan (Occupational Health & Safety)
LTA	Lost Time Accident
MSDS	Material Safety Data Sheets
NGO	Non-Government Organization
OSH	Occupational Safety & Health
P2K3	Panitia Pembina Keselamatan dan Kesehatan Kerja (OSH Committee)
PK	Palm Kernel
PKB	Perjanjian Kerja Bersama (Collective Bargaining Agreement)
PKO	Palm Kernel Oil
POM	Palm Oil Mill
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
PSDAN	Pabrik Sei Daun (Sei Daun Palm Oil Mill)
PTPNIII	PT Perkebunan Nusantara III
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
SIA	Social Impact Assessment
SOP	Standard Operating Procedure
SPUP	Surat Pendaftaran Usaha Perkebunan (Plantation Business Registration Letter)
TDP	Tanda Daftar Perusahaan (Company Registration Certificate)
UKL	Upaya Pengelolaan Lingkungan (Environmental Management Efforts)
UPL	Upaya Pengelolaan Lingkungan (Environmental Management Efforts)

Appendix 4: List of Stakeholders Interviewed and Contacted Onsite

No.	Name of Stakeholder	Institution - Address
1.	Tedi Hutagalung	Sei Daun POM technical unit staff
2.	Sidyun Sitorus	District General Head Labuhan Batu I
3.	Ridwan Saragih	DCC (dokumen control center) of Sei Daun Mill
4.	Ismed Ahkyar	Sei Daun POM Head of Labour Union
5.	Muhammad Taufiq	Torganda Village Secretary
6.	Waris Setiawan	Assistant Manager of Sei Daun Estate
7.	Pachrudin Hutasuhut	Personnel Clerk 1
8.	Joner Mansoer Panjaitan	Staff CSR
9.	Simon Tobing	Staff of CSR dan Partnerships and community development program
10.	Matan Jason Sinurat	Assistant Manager of Sei Daun Estate
11.	L. Baru Nainggolan	Contracted sprayers of CV Harka Jaya Mandiri (partner of Kebun Sei Daun)
12.	R. Panjaitan	Contracted sprayers of CV Harka Jaya Mandiri (partner of Kebun Sei Daun)
13.	V. Ritonga	Contracted sprayers of CV Harka Jaya Mandiri (partner of Kebun Sei Daun)

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14.	Riana Barus Sitorus	Contracted sprayers of CV Harka Jaya Mandiri (partner of Kebun Sei Daun)
15.	Sugito	Contracted sprayers of CV Harka Jaya Mandiri (partner of Kebun Sei Daun)
16.	Rohandi Yusuf	Sei Daun POM process worker
17.	H. Sianturi	Sei Daun POM process worker
18.	Tuturyadi	Sei Daun POM process worker
19.	Ramlan Manalu	Sei Daun POM process worker
20.	Juaili	Sei Daun POM laboratory worker
21.	Suparyadi	Sei Daun POM production clerk
22.	Suhartono	Sei Daun estate salary paymentstaff
23.	A. Sinaga	Contraktor (CV Surya Abadi Makmur) field maintenance Bukit Tujuh estate
24.	B. Silaban	Bukit Tujuh estate harvester
25.	Ngatio	Bukit Tujuh estate harvester
26.	J. Berahman	Bukit Tujuh estate harvester
27.	TH. Siregar	Bukit Tujuh estate harvester
28.	Margini	Bukit Tujuh estate harvester
29.	M. Hutabarat	Bukit Tujuh estate harvester
30.	Risin	Bukit Tujuh estate harvester
31.	Nirmansyah	Village Head of Sei Daun
32.	Zulfikar Srinagar	Village Head of Bagan Baru
33.	Dingun	Villager Dusun Bagan Baru
34.	Anip	Villager Dusun Bagan Baru
35.	Samion	Villager Dusun Bagan Baru
36.	Muhammad Taufik	Secretary to Village Head of Torgano
37.	Faisal Harahap	Village Head of Bukit Tujuh
38.	Perubahan Hasibuan	Village Head of Desa Ujung Gading Julu