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# **Roundtable on Sustainable Palm Oil**

## **Public Summary Report**

Report no.: 106473

Certification assessment against the  
RSPO Principles & Criteria Indonesian National Interpretation year 2008

### **PT First Mujur Plantation & Industry**

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**TABLE OF CONTENTS**

**1.0 SCOPE OF CERTIFICATION ASSESSMENT ..... 3**

1.1 National Interpretation Used ..... 3  
 1.2 Type of Assessment ..... 3  
 1.3 Location and Maps ..... 3  
 1.4 Description of Supply Base..... 6  
 1.5 Dates of Plantings and Replanting Cycles ..... 6  
 1.6 Other Achievements and Certifications Held ..... 7  
 1.7 Organisational Information / Contact Person ..... 7  
 1.8 Company Profile ..... 7  
 1.9 Time Bound Plan for Other Management Units ..... 7  
 1.10 Area of Plantation (Total, Planted and Mature)..... 8  
 1.11 Approximate Tonnages Certified ..... 8  
 1.12 Recommendation for certification ..... 8  
 1.13 Date of Certificate Issued and Scope of Certificate ..... 8

**2.0 ASSESSMENT PROCESS ..... 8**

2.1 Certification Body..... 8  
 2.2 Qualifications of Lead Assessor and Assessment Team ..... 9  
 2.3 Assessment Methodology..... 10  
 2.4 Stakeholder Consultation and Stakeholders Contacted..... 12  
 2.5 Date of Next Surveillance Visit..... 13

**3.0 ASSESSMENT FINDINGS..... 13**

3.1 Summary of Findings..... 13  
 3.2 Identified Non-conformances, Corrective Actions Taken and Auditors Conclusions..... 35  
 3.3 Noteworthy Positive Components..... 39  
 3.4 Issues Raised by Stakeholders and Findings Pertaining to Issues..... 41  
 3.5 Acknowledgements of Internal Responsibility and Formal Sign-Off by Client..... 45

**APPENDICES ..... 46**

Appendix 1: Details of Certificate..... 46  
 Appendix 2: Certification Audit Plan..... 47  
 Appendix 3: List of Abbreviations..... 50  
 Appendix 4: List of Stakeholders interviewed and contacted..... 50  
 Appendix 5: Opportunities for Improvement and Observations..... 53

## 1.0 SCOPE OF CERTIFICATION ASSESSMENT

### 1.1 National Interpretation Used

The operations of the palm oil mill(s) and its supply base of FFB were assessed against national Interpretation Indonesia year 2008 of the RSPO Principles & Criteria.

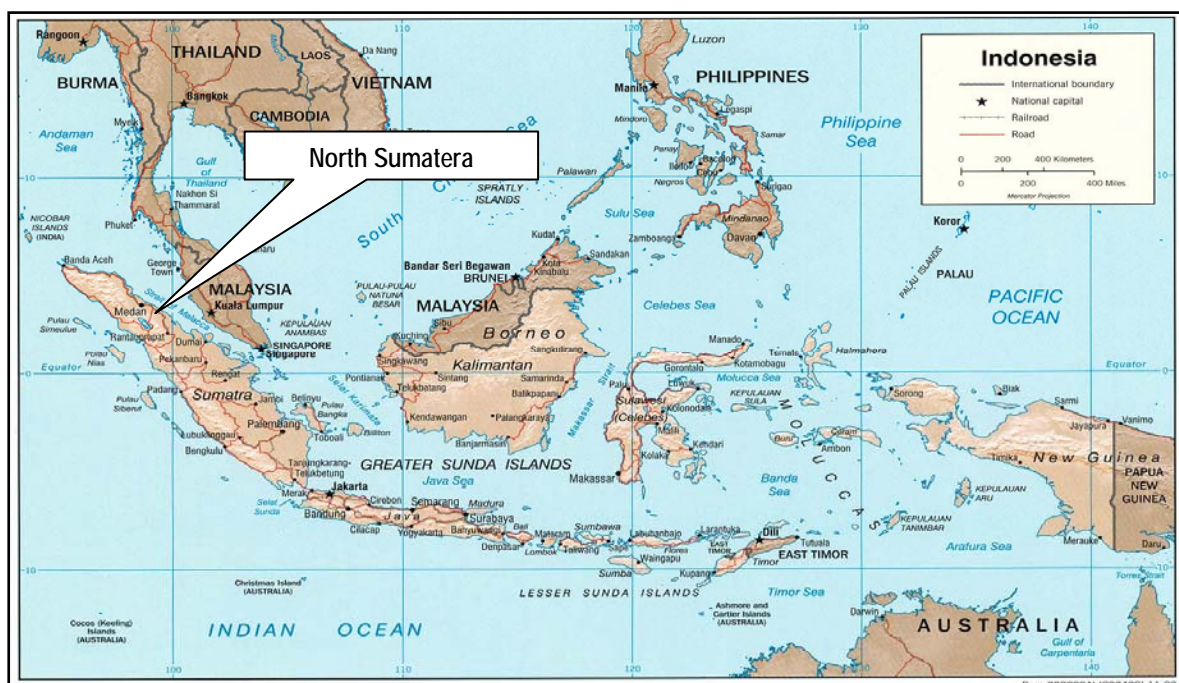
### 1.2 Type of Assessment

The RSPO certification assessment was carried out on 1 mill and 3 company estates supplying to this mill, which are Aek Barumun Estate, Aek Sigala-gala Estate and Aek Kulim Estate owned by PT First Mujur Plantation & Industry (PT FMP&I).

### 1.3 Location and Maps

**Table 1: GPS locations of each estate and mill under PT First Mujur Plantation & Industry**

Name of mill / estate	Location	GPS locations	
		Latitude	Longitude
Aek Sigala gala Mill	Ujung Gading Jae Village, Simangambat Sub District, Padang Lawas Utara District	01°37 ' 16.2"	100°06 ' 08.8"
Aek Barumun Estate	Ujung Gading Jae Village, Simangambat Sub District, Padang Lawas Utara District	01°35 ' 01.3"	100°07 ' 51.3"
Aek Sigala gala Estate	Ujung Gading Jae Village, Simangambat Sub District, Padang Lawas Utara District	01°36 ' 14.2"	100°05 ' 50.5"
Aek Kulim Estate	Jambu Tonang Village, Ujung Gading Jae Village, Simangambat Sub District, Padang Lawas Utara District	01°39 ' 01.7"	100°05 ' 59.6"

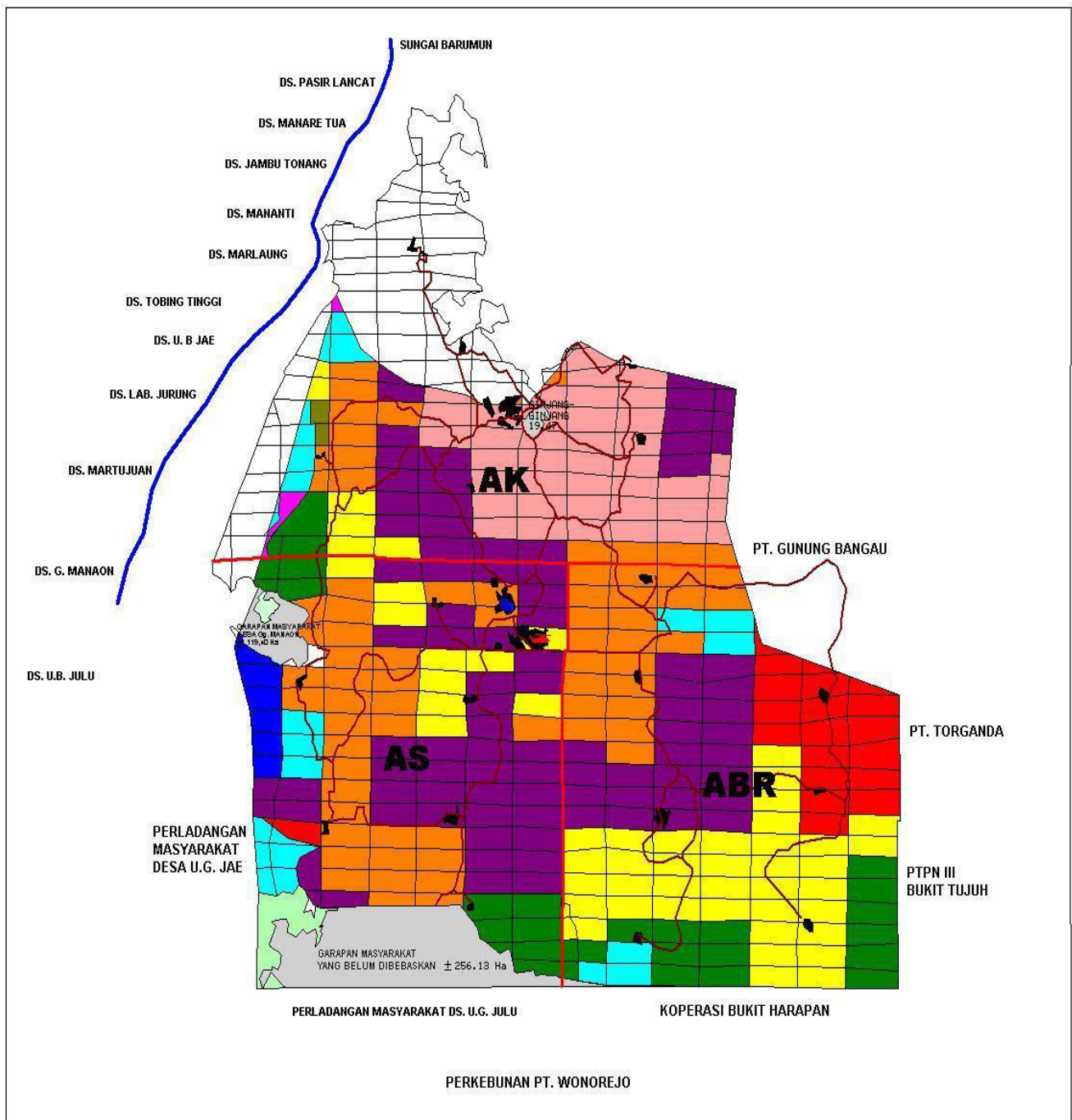


**Figure 1: Map of Indonesia**



Figure 2: Map of North Sumatera Province and North Padang Lawas District





**Figure 3: Map of PT First Mujur Plantation & Industry (PT FMP&I) land area**

**Description:**

1. AS : Aek Sigala gala
2. ABR : Aek Barumun
3. AK : Aek Kulim

#### 1.4 Description of Supply Base

Aek Sigala-gala Mill is one of the palm oil mills owned by PT First Mujur Plantation & Industry in North Sumatera. Aek Sigala-gala mill was established in 1995 with a production capacity of 45 tons/hour and the company increased the mill capacity to 60 tons/hours in 2006, upon approval from the Capital Investment Coordination Board ('Badan Koordinasi Penanaman Modal' or BKPM) as per the letter, Keputusan BKPM No. 983/T/Pertanian/industry, year 2006. At this time PT FMPI's Mill is receiving fresh fruit bunch (FFB) supplies from 3 company-owned estates and another small plantation owned by the company for which the company has yet to receive the land use certificate (Hak Guna Usaha – HGU) for this area. The company has already applied for the HGU and is awaiting approval from the local government. As such, for the RSPO certification assessment, the supply from this area is not included in the scope of the assessment, but will only be included once the company has received the approved HGU for this area. Information on the mill's FFB supply and annual CPO and PK production based on 2009 data is as per the table below.

**Table 2: FFB Supply and CPO / PK production information for Aek Sigala-gala Mill for year 2009**

FFB Contributors	FFB supplied		CPO Production (tonnes)	PK Production (tonnes)
	Tonnes	%		
Aek Sigala-gala	100,340.500	31.98 %		
Aek Barumun	112,263.550	35.78 %		
Aek Kulim	73,406.207	23.40 %		
Total from company estates	<b>286,010.257</b>	<b>91.16</b>	<b>64,724,121</b>	<b>14,872,533</b>
Other source (company owned estate but HGU not yet received)	27,699.843	8.84%		
<b>TOTAL</b>	<b>313,710.10</b>	<b>100 %</b>	<b>69,066.144</b>	<b>15,318.005</b>

Source: Production process data for year 2009 (OER = 22.63%; KER = 5.2%)

#### 1.5 Dates of Plantings and Replanting Cycles

**Table 3: Age and year of plantings of company estate supplying to Aek Sigala-gala Mill**

Age & Year of Plantings	Oil palm planted area at each estate(ha)			Total area (ha)
	Aek Sigala-gala estate	Aek Baruman estate	Aek Kulim estate	
0 – 5 yrs (2005 – 2009)	199	0	4	
5-10 yrs (1999 – 2004)	227	218	33	
10-15 yrs (1994 – 1999)	205	710	49	
15-20 yrs (1989 – 1994)	3573	3734	1197	
20-25 yrs (1984 – 1989)	0	0	1652	
<b>Total area of estate</b>	<b>4204</b>	<b>4662</b>	<b>2935</b>	<b>11801</b>

**1.6 Other Achievements and Certifications Held**

**Table 4: Details of other certifications or awards held by PT FMP & I**

Name of mill / estate	Certification Standard / Award achieved	Certification Body / Awarder	Date Achieved
PT First Mujur Plantation & Industry - Aek Sigala-gala Mill - Aek Sigala-gala Estate - Aek Barumon Estate - Aek Kulim Estate	ISO 9001:2000 & ISO 1401:2004	BVQI	December 23, 2008
PT First Mujur Plantation & Industry - Aek Sigala-gala Mill - Aek Sigala-gala Estate - Aek Barumon Estate Aek Kulim Estate	Zero Accident company	Ministry of worker and Industries	January 2007

**1.7 Organisational Information / Contact Person**

Contacts details of the company are as follows:

<b>Company Name:</b>	<b>PT.First Mujur Plantation &amp; Industry</b>
<b>Address:</b>	Main office: Jl. DC Mahakam Blok C No. 14, Padang Golf, Polonia Medan – 20157, Plantation office: Desa Aek Sigala-gala, Kec. Simangambat, Kab. Padang Lawas Utara, Provinsi Sumatera Utara.
<b>Contact Person:</b>	Mr. Jourdan Wardhana
<b>Telephone:</b>	Tel: +62-061-7882311 Faks: +62-061-7882177
<b>Email:</b>	jourdan_ho@yahoo.com

**1.8 Company Profile**

PT FMP&I is a domestic investment company which has been entitled to govern a consession area of 12,319 hectares. It was established in 1980. Fresh fruit bunches(FFB) from the company's own estates are processed independently by Aek Sigala-gala Palm Oil Mill with an initial installed capacity of 45 tonnes per hour, but had now been increased to 60 tonnes per hour. The company has 3 estates i.e. Aek Sigala-gala Estate, Aek Barumon Estate and Aek Kulim Estate. Each estate consists of 5 divisions, and is managed by an estate manager, while each division is managed by a field assistant along with division assistant for transport and office.

**1.9 Time Bound Plan for Other Management Units**

As the company only has one mill and no other management units, the company is not required to have a timebound plan.

### 1.10 Area of Plantation (Total, Planted and Mature)

**Table 5: Area Summary for PT First Mujur Plantation & Industry's estates**

Name of Estates	Area Summary (ha)		
	Total (ha)	Planted (ha)	Mature (ha)
Aek Sigala-gala Estate	4649.5	4204	4096
Aek Barumon Estate	4687	4662	4662
Aek Kulim Estate	2982.5	2935	2935
<b>TOTAL AREA</b>	<b>12319</b>	<b>11801</b>	<b>11693</b>

### 1.11 Approximate Tonnages Certified

The approximate tonnages certified based on average annual CPO and PK production (for FFB supplied from the three company owned estates only, not including other sources), are as follows:

Crude Palm Oil (CPO) : 63,000 tonnes  
 Palm Kernel (PK) : 15,000 tonnes

### 1.12 Recommendation for certification

PT First Mujur Plantation & Industry has established and maintains an effective system to ensure compliance with RSPO principles and criteria. The audit team has confirmed through the audit process that the company's practices complies with, adequately maintains and implements the requirements of RSPO Principles and Criteria National Interpretation Indonesia version 2008.

TUV Rheinland Malaysia recommends that PT First Mujur Plantation & Industry be approved as a producer of RSPO Certified Sustainable Palm Oil.

### 1.13 Date of Certificate Issued and Scope of Certificate

The scope of the certificate covers production of palm oil from PT First Mujur Plantation & Industry and its supply base, which includes Aek Sigala-gala Estate, Aek Barumon Estate and Aek Kulim Estate. The date of certificate issued is 13 October 2010. Further details of the certificate are as per Appendix 1.

## 2.0 ASSESSMENT PROCESS

### 2.1 Certification Body

TUV Rheinland Malaysia Sdn. Bhd. is member of Group TÜV Rheinland Group, a global leader in independent testing and assessment services. The TÜV Rheinland Group was established in 1872 with offices located in over 360 locations in 62 countries on all five continents. TUV Rheinland Malaysia offers certification for a wide range of management systems according to established international standards including ISO 9001, ISO 14001, OHSAS 18001, SA 8000, as well as CDM Project Validations. TUV Rheinland Malaysia's office is located in Subang Jaya.



**2.2 Qualifications of Lead Assessor and Assessment Team**

Name	Position	Qualifications / Experience
Dian S. Soeminta	Lead Auditor	<p><b>Education:</b> Bachelors Degree in Forestry - Bogor Agriculture Institute. Indonesia, (1990 to 1995).</p> <p><b>Trainings attended:</b> ISO 9001:2000 lead assessor course 1996 - Neville Clark; ISO 14001 lead assessor course - PE International; OSHAS: 2007 training, Sustainable Forest Management (SFM) - Forest Stewardship Council (FSC) system training; Chain of Custody training for FSC System.</p> <p><b>Working experience:</b> Professional forester since 1995 to 2000. Lead Auditor for Forest Stewardship Council (FSC), Sustainable Forest Certification (SFC) and Chain of Custody (COC) Certification, Lead auditor for Environmental Management System (EMS) and Quality Management System (QMS) audits. Conducted sustainable forest management certification audits on FSC and Indonesian Ecolabel Institute (Lembaga Ecolabel Indonesia - LEI) standards for 20 companies, 50 COC FSC/LEI audits, and EMS and QMS audits at more than hundred companies for TUV Rheinland Indonesia. Instrumental in the preparation of TUV Rheinland Indonesia for Sustainable Forest Management Certification System and TUV Rheinland Malaysia for RSPO Certification. Member of Task Force for Indonesian National Interpretation (Guidance on scheme smallholder RSPO certification). Developed TUV Rheinland RSPO Gap Assessment Checklist and report template.</p>
Fadli	Auditor	<p><b>Education:</b> Bachelor of Anthropology, Department of Anthropology - University of Indonesia, Jakarta.</p> <p><b>Trainings attended:</b> Sustainable Natural Production Forest Management (Pengelolaan Hutan Alam Produksi Lestari - PHAPL) assessor training (May 2003); Forest Plantation Management (August 2003) training - Indonesian Ecolabel Institute (LEI), Forest Management and Agriculture Auditor Training; ISO 9001:2008, ISO 14000:2004, OHSAS 18001:2007 trainings - Smartwood/Rainforest Alliance; SA8000 training - SA International; RSPO Lead Auditor Training -Indonesian Palm Oil Commissions.</p> <p><b>Working experience:</b> Experienced as lecturer for D3 Tourism program, University of Indonesia. Social Aspect Auditor of PT. TUV International Indonesia for Sustainable Forest Management and RSPO Principles &amp; Criteria. Researcher of Stakeholder Mapping With CSR Indonesia.</p>
Agus Salim Alfat	Auditor	<p><b>Education:</b> Bachelor Degree of Chemistry - Bandung Institute of Technology, Indonesia (1988 to 1993); Master Degree of Quality, Safety and Environment - Otto Von Geuricke, Magdeburg University, Germany (2001 - 2002).</p> <p><b>Trainings attended:</b> ISO 9000:2000 Series Auditor / Lead Auditor Training - PE International (Jakarta), IEMA Advanced EMS Auditor (IEMA / EARA ISO 14001) Auditor / Lead Auditor Training Course - PE International (Jakarta), OHSAS 18001 Lead Auditor Training Course - PE International (Jakarta).</p> <p><b>Working experience:</b> Experienced in Quality Control from 1994-2004. Auditor for Quality Management System since 2004 – present. Auditor for Environmental Management System since 2005 – present. Auditor for OHSAS 18001 since 2007 - present. Conducted over 100 Quality Management System audits since 2004, over 50 Environmental Management System audits since 2006 , and over 25 OHSAS audits since 2007</p>

Carol Ng	Expert	<p><b>Education:</b> Bsc. Biotechnology &amp; Bsc. Environmental Management - Monash University.</p> <p><b>Trainings attended:</b> RSPO Malaysian National Interpretation Requirements and Certification – SIRIM; Implementation of RSPO Principles &amp; Criteria - QA Plus; RSPO Stepwise Support Programme; 2nd Biodiversity Seminar – RSPO; Certification Body Biodiversity Forum &amp; Workshop – RSPO; Environmental Quality Act 1974 (DOE) and ISO9001:2008 QMS Conversion Requirements (TUV Rheinland).</p> <p><b>Working experience:</b> Experience 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>
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### 2.3 Assessment Methodology

The certification assessment was conducted between 25 to 30 January 2010 as per the assessment program below. The assessment was carried out in accordance with TUV Rheinland Malaysia'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 3 estates and 1 mill were visited and the assessment team carried out field and document assessments of compliance to all the RSPO principles and criteria. Common systems were identified and specific evidence was recorded for individual estates. Interviews were conducted at all estates and the mill.

The company proposed the correction and corrective action for all identified non conformities raised to the certification body 30 days after the closing meeting. As only minor non-conformities were raised and there were no major non-conformities raised, implementation of corrective actions for minor non-conformities will be verified during the next surveillance audit. The certification assessment agenda is as explained below.

#### Assessment Agenda:

Date / Time	Activity / Processes audited	Auditor	RSPO requirement
<b>Sunday, January 24, 2010</b>	Travel to Rantau Parapat and Gunung Tua (Overnight stay at Gunung Tua for stakeholder consultation meeting)	All auditors	
<b>Monday January 25, 2010</b>	<ul style="list-style-type: none"> <li>Stakeholder Consultation at Mitra Indah Gunung Tua</li> <li>Travel to PT FMP&amp;I area</li> </ul>	All auditors	
<b>Tuesday 26 January, 2010</b>			
08.00-12.00	<p><b>Location: Aek Sigala-gala mill</b></p> <ul style="list-style-type: none"> <li>Opening meeting by audit team</li> <li>Presentation of company's profile by PT FMP&amp;I</li> <li>Documentation checks</li> </ul>	All auditors	Principle 1 Criteria 1.1; 1.2; Principle 2 Criteria 2.1;2.2;2.3; Principle 3 Criteria 3.1
12.00-13.00	Break for lunch		
13.00-17.30	<p><b>Location: Aek Barumun Estate</b></p> <ul style="list-style-type: none"> <li>Chemical stores</li> <li>Environment and Legal Issues</li> <li>Workshops.</li> <li>Legal Aspect</li> </ul>	Carol & Alfat	Principle 2 Criteria 2.1 Principle 4 Criteria 4.6,4.7, 4.8 Principle 8

	<b>Location Aek Sigala-gala mill</b> <ul style="list-style-type: none"> <li>• Documentation checks on HGU and other land status documents, and all related legal requirements.</li> <li>• Checks on in coming and outgoing information from stakeholders.</li> <li>• Verification of stakeholder issues raised during stakeholder consultation meeting.</li> </ul>	Dian & Fadli	Principle 1 Criteria 1.1; 1.2; Principle 2 Criteria 2.1;2.2;2.3; Principle 3 Criteria 3.1; Criteria 6.3 Criteria 6.4
<b>Wednesday 27 January 2010</b>			
08.00-12.00	<b>Location: Aek Barumun Estate</b> <ul style="list-style-type: none"> <li>• Field operations.</li> <li>• Worker interviews.</li> <li>• Riparian zones</li> <li>• HCV areas</li> </ul>	Dian	Principle 4 Criteria 4.1; 4.2;4;3 Principle 2 Criteria Principle 3 Principle 5 Criteria 5.1 to 5.6 Principle 8
	<b>Location: Jambu Tonang Village &amp; Ujung Gading Julu Village</b> <ul style="list-style-type: none"> <li>• Verification of land issues</li> <li>• Interviews with Local communities</li> <li>• Verification of stakeholder issues</li> </ul>	Fadli	Principle 2 Criteria 2.2,Criteria 2.3, Criteria 6.3, Criteria 6.4, Criteria 6.11
	<b>Location: Aek Kulim Estate</b> <ul style="list-style-type: none"> <li>• Chemical stores</li> <li>• Workshops.</li> <li>• Legal Aspect</li> <li>• Housing</li> <li>• Waste Management</li> <li>• OSH</li> <li>• Best Practice Management</li> </ul>	Carol and Alfath	Principle 2 Criteria 2.1 Principle 4 Criteria 4.1; 4.2; 4.3; 4.4; 4.6,4.7, 4.8 Principle 5 Criteria 5.1; Criteria 5.3 Principle 8
12.00-13.00	<b>Break for lunch</b>	All	
13.00-17.30	<b>Location: Aek Kulim Estate</b> <ul style="list-style-type: none"> <li>• Field operations.</li> <li>• Worker interviews.</li> <li>• Riparian zones</li> <li>• HCV</li> </ul>	Dian	Principle 4 Criteria 4.1; 4.2;4;3 Principle 2 Criteria Principle 3 Principle 5 Criteria 5.1 to 5.6 Principle 8
	Continue audit at Aek Kulim Estate	Carol and Alfath	Principle 2 Criteria 2.1 Principle 4 Criteria 4.1; 4.2; 4.3; 4.4; 4.6,4.7, 4.8 Principle 5 Criteria 5.1; Criteria 5.3 Principle 8
	<b>Location: Ujung Gading Jae Village</b> <ul style="list-style-type: none"> <li>• Verification of land issues</li> <li>• Interviews with Local communities</li> <li>• Verification of stakeholder issues</li> <li>• Verification of Company contributions &amp; CSR program</li> </ul>	Fadli	Principle 2 Criteria 2.2,Criteria 2.3, Criteria 6.3, Criteria 6.4, Criteria 6.11

<b>Thursday, 28 January 2010</b>			
08.00-12.00	<b>Location: Aek Sigala-gala estate</b> <ul style="list-style-type: none"> <li>• Chemical stores</li> <li>• Environment and Legal Issues</li> <li>• Workshops.</li> <li>• Legal Aspect</li> <li>• OSH</li> <li>• Housing</li> <li>• Agrochemical application</li> </ul>	Carol & Alfat	Principle 2 Criteria 2.1 Principle 4 Criteria 4.6,4.7, 4.8 Principle 6.10 Principle 8
08.00-12.00	<b>Location: Aek Sigala-gala estate</b> <ul style="list-style-type: none"> <li>• Field operations.</li> <li>• Worker interviews.</li> <li>• Riparian zones</li> <li>• HCV</li> <li>• Legal issue</li> </ul>	Dian	Principle 4 Criteria 4.1; 4.2;4;3 Principle 2 Criteria Principle 3 Principle 5 Criteria 5.1 to 5.6 Principle 6.4 to 6.10 Principle 8
08.00-12.00	<b>Location: Mananti Village</b> <ul style="list-style-type: none"> <li>• Verification of land issues</li> <li>• Interviews with Local communities</li> <li>• Verification of stakeholder issues</li> </ul>	Fadli	Principle 2 Criteria 2.2,Criteria 2.3, Criteria 6.3, Criteria 6.4, Criteria 6.11
12.00-13.00	Break for lunch		
13.00-17.30	<b>Location: Gunung Manaon village</b> <ul style="list-style-type: none"> <li>• Verification of land issues</li> <li>• Interviews with Local communities</li> <li>• Verification of stakeholder issues</li> </ul>	Fadli	Principle 2 Criteria 2.2,Criteria 2.3, Criteria 6.3, Criteria 6.4, Criteria 6.11
13.00-17.30	<b>Location: Aek Sigala-gala mill</b> Checks of mill documents	Carol, Dian & Alfat	All related criteria
<b>Friday, 29 January 2010</b>			
08.00-12.00	<b>Location: Aek Sigala-gala mill</b> <ul style="list-style-type: none"> <li>• Mill inspection</li> <li>• Workshops.</li> <li>• Stores.</li> <li>• Document checks</li> </ul>	Carol & Alfat	Principle 1 Principle 2 Principle 3 Principle 4 Principle 5 Principle 8
	<b>Location: Aek Sigala-gala mill</b> <ul style="list-style-type: none"> <li>• Interview with worker</li> <li>• Worker Issue</li> <li>• FFB supply issue</li> </ul>	Dian	
	<b>Location: Aek Sigala-gala mill</b> Checks of mill documents	Fadli	
12.00-13.00	Break for lunch		
13.00-16.00	Summary of audit findings and preparation for closing meeting	All auditors	
16.00-17.30	Closing meeting	All auditors	

#### **2.4 Stakeholder Consultation and Stakeholders Contacted**

The stakeholder consultations involved both external and internal stakeholders. External stakeholders were invited to make comments on the certification assessment by placing an invitation to comment on the RSPO website. Stakeholders included those immediately linked with the operations of the company such as employees, outgrowers, the local government, NGO's, trade and labour unions and local communities.

Stakeholder consultation took place in the form of meetings and interviews. Meetings with stakeholders were held to seek their views on the performance of the company with respect to the sustainability practices outlined in the RSPO Principles & Criteria, and to comment on aspects where improvements could be made. Meetings with local communities were held at their respective premises within and near the company's area. A stakeholder consultation meeting was also held on Mira Hotel Gunung Tua capital of North Padang Lawas on January 25, 2010. Letters inviting individual stakeholders to the stakeholder consultation meeting were prepared and sent to the individual stakeholders, while electronic mail and telephone calls were made to arrange the meetings.

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

The stakeholder consultation meeting held with stakeholders during the audit was extensive and productive, with an attendance of more than 50 persons. This was followed by site inspections, including visits to the local communities, interviews with land claimants and contractors, and inspections of worker amenities and infrastructure. All stakeholder issues raised were recorded and forwarded to the management for their written reponse, and this is summarized in Section 3.4. The list of stakeholders that attended the stakeholder consultation meeting and stakeholders interviewed during the assessment is included as Appendix 4.

## **2.5 Date of Next Surveillance Visit**

The next surveillance visit is planned for August 2011

## **3.0 ASSESSMENT FINDINGS**

### **3.1 Summary of Findings**

Since the company becomes a member of the RSPO, the company's management has committed to comply with all RSPO principles and criteria in all the company operations and activities. In implementation of this commitment, PT FMP&I applied to TUV Rheinland Malaysia to assess their compliance to all RSPO requirements for the palm oil mill and 3 estates owned by PT First Mujur Plantation & Industry. A pre - assessment was conducted in March 10 to 12, 2009 and company has worked hard to address all identified non conformities raised during the pre assessment.

During the certification assessment, there was evidence of considerable effort by all staff in the preparation of manuals, standard operationg procedures and reports, not only to confirm with RSPO requirements, but also to enhance the company's effectiveness and efficiency in their operations.

The audit team was aware of a social disagreement pertaining to a total of 395 hectares of land consisting of 3 areas i.e 119,40 hectares in Ujung Gading Jae village (within Aek Sigala-gala Estate), 19,47 hectares in Gintang-ginjang Jambu Tonang Village (within Aek Kulim Estate), and 256,13 hectare in Ujung Gading Julu (within Aek Sigala-gala Estate). This issue was raised during the gap assessment. The audit team has reviewed the action taken by company since the gap assessment until now and notes that the company has tried to negotiate through formal and informal approaches with the relevant parties (including government and local communities) to decide on the compensation price and payment method. The cases has been resolved for some individuals making claim over the land, but for other, the issue has yet to be resolved.

HCV assessments have been conducted by a consultant (the Indonesian Sustainable Palm Oil/ISPO) as reported in the company's HCV assessment document. Identified HCV areas located at water streams which act as flood control areas and also habitat of protected birds, within the company's location have been identified and is explained in the HCV assessment report. The company has made developed planning for HCV management and monitoring to ensure that existing values from identified HCV areas could be sustained. This planning must be implemented consistently.

All applicable legal and other requirement related to the company's operation in the areas of environment, social, and worker issues has been be fulfilled by PT First Mujur Plantation and Industry. The company has a good relationship with local communities and also has developed and implements many Corporate Social Re-



sponsibility (CSR) programs. The company has been demonstrated compliance with all applicable local, national and ratified international laws and regulation as seen on the record. Internal evaluation of compliance to legal requirements is regularly conducted as defined in the company's standard operation procedures. Evidence of internal evaluation and monitoring is well maintained, e.g. the company submits an environmental monitoring report to the relevant authorities every six months as required by Indonesian law. The company also has a worker agreement which has been approved by the local government, and minimum wages for worker is increased every year following orders from the local government to increase wages.

As company implements a quality management system and environmental management system, and the company has SOP's covering all plantation and mill activities, which are well implemented. A social impact assessment has been conducted by a consultant (The Indonesia Resources Institute/Indri) and was prepared with the participation of affected parties and local communities. Based on this, the company developed a documented management plan to manage identified social impacts identified in the assessment in accordance with existing RSPO requirements. Plans for social impact management and monitoring were budgeted for in the company's budget for 2010, and implemented since January 2010.

Requests for information made by stakeholders were recorded in one document as required by company's procedure. The company has a documented procedure for communication and consultation with the communities and the stakeholders, and maintains all records of meetings held with the stakeholders. Feedback and requests raised by the local communities are recorded together with follow-up actions and responses of the company to these requests.

The company has established a communication procedure for local communities, as well as a mechanism for grievances, complaints, suggestions, sharing of information and so on. This procedure has been shared to the communities through socialization activities in every village, although some villagers are still unaware of these procedures. The company recognizes that these procedures need more intensive socialization. Regarding some traditional activities within the plantation area, the company has made agreements with the community regarding the selected locations for these activities.

Company provides facilities for their employees such housing facilities for employees at all estates, hospitals; polyclinics, educational facilities, worship areas, sports hall, and a sports club. The company has an equal opportunities policy, which is well implemented. No child labor was found in company's estates and mill and the company defines a child as a person younger than 18 years old. A documented company policy on sexual harassment and violence is available as part of company's management's RSPO Policy signed by the director dated May 19, 2009 and stated on working agreement revised 1, January 2010. The sexual harassment policy is also a part of the Working Agreement ("Perjanjian Kerja Bersama") which the Workers Union signed on January 2010. The company has no specific grievance mechanism and this was raised as a nonconformance.

Company contributions through CSR program for local communities were documented on General Affairs Department. The company's budget for local communities is allocated for education, economic, social and health, sports, environment, worship, infrastructure programs. Continuous improvement is evident throughout all of PT First Mujur Plantation & Industry and it is apparent that improvements have been since the gap assessment conducted in March 2009.

During the certification assessment, ten (10) nonconformities were assigned against Minor Compliance Indicators. Twenty-nine (29) observations or opportunities for improvement were identified. Further explanation of the non-conformities raised and corrective actions taken by the company are provided in Section 3.2. The observations & opportunities for improvement are listed in Appendix 5. The company prepared a corrective action plan that was reviewed and accepted by TUV Rheinland Malaysia, and corrective actions taken to close all minor non-conformities shall be verified during next surveillance audit.

The following is a summary of findings for the criteria listed in the RSPO Principles & Criteria Indonesian National Interpretation year 2008.

***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:**

The company has a written commitment to transparency of information requested, as long as this does not result in significant negative impact on the company. The company's commitment to transparency was documented in their communication procedure which was issued since April 1, 2009. The document also includes the procedure for receiving and responding to stakeholder requests for the provision of information related to the company's operations (including the estates and palm oil mill).

To date, most letters received by the company are requests for assistance and funding from the surrounding communities. There has so far been no requests for information related to environment, social and legal aspects from stakeholders. All incoming letters are recorded in a log book used to record information about stakeholders who send these letters, such as date of the letter or request, name, organization, and the information or type of assistance requested. The company also maintains records of their responses to letters and requests received by stakeholders. Sample letters requesting assistance from the company, as well as the company's responses, are as follows:

- A letter no. 82/KD/2009 from the Head of Pasir Lancat Village dated September 15, 2009 was made to a Aek Kulim estate manager asking for aid from the company to fund reconstruction of the school building and funding for public road renovation. The Aek Kulim Estate Manager sent letter no. 40/EM-AK/IX/2009 on 30 September 2009 to the General Manager of PT FMP&I to request approval to fund this request from Pasir Lancat village. A response letter was not sent to the community, however the company performed the construction directly after General Manager approval was received. The company received an appreciation letter from the Head of Pasir Lancat Village on October 9th 2009 after the school foundation preparation and public road maintenance works were carried out on 5 to 9 September 2009. The company also has photographic documentations of the works carried out.

- A letter dated 9 October 2009 no pol: B/106/X/2009/Den C to PT FMP&I's management requesting donations for the Brimob 64th annual celebration. There is approval letter from the temporary officer of General Affairs and Human Resources Division Head, letter no. 235/Pers-Um/FMPI/X/2009 regarding approval of a donation of IDR 2,000,000 for the Brimob 64th annual ceremony on October 9th 2009.

- A letter from Head of Ujung Gading Julu Village on November 2, 2009 asking for aid and donation for renovation of an elementary school building in 2009. This letter was also signed by the District Head.

There is circular letter from FMPI Director, letter no. 006/SE/DIR/FMPI/VIII/2008 dated August 1, 2008 regarding retention time of records kept. As stated on the letter the retention time for records keeping is at least 5 years for estate and mill offices records as well as for records kept at the Medan Head office Medan, except financial and accounting records for which the retention time is 10 years. Records maintained beyond the stated retention time will be destroyed upon approval by the director. Notes on destroyed records are maintained.

**Compliance status: Full Compliance**

***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:**

The company has a Standard Operation Procedure i.e no. SOP-ADM.MR-09 rev. 01 issued since April 1 which states the all the company's management documents, except commercially confidential documents, can be assessed by stakeholders, including the quality/environmental manual and company profile, which is distributed to stakeholders. The company also has evidence announcement letters made to stakeholders to inform them of the company's documents that can be publicly accessed such as documents relating to legal requirements, environmental management, social activities, health and safety plan and continual improvement documents, with the exception of confidential commercial information. Checks with local communities surrounding the company's area confirmed that they already received written information from the company about the publicly accessible documents; these included villagers from Ujung Gading Julu village, Ujung Gading Jae Village, Camat kecamatan Simangambat, Desa Labuhan jurung, Manare Tua, Ujung Batu Jae, Tobing Tinggi, Mananti, Marlaung, Martujuan, Gunung Manaon, and Pasir Lancat as well as Jambu Tonang.

The company has a regulation to maintain all records for a minimum of 5 years, as stated in their circular letter from the director, no. 006/SE/DIR/FMPI/VIII/2008. To date, there have been no requests made by stakeholders to view any of the documents stated above.

**Compliance status: Full Compliance**

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

**Findings:**

The company has a mechanism to evaluate their compliance to legal and other requirements defined in their Standard Operation Procedures, valid since 01 August 2008. The company has a legal and licensing department that ensures this mechanism is evaluated at all sites, and the department will review the evaluation results and compliance of the company to legal requirements.

Company has a list of laws and regulations applicable to their company as recorded on document no: FMP&I/ADM.LGL/01, rev 02, applied since 16 December 2008. The company implements an ISO 14001 Environmental Management System (EMS), through which they are required to document environmental legal regulations, track changes to legislation, as well as have their environmental compliance regularly checked by third party auditors. The company has documented evidence of their compliance to applicable legal requirements. For example, they have copies of their Plantation Business Permit (Izin usaha perkebunan) issued from 30 November 2005 to 30 November 2010, and Palm Oil Mill licence permit issued from 30 November 2005 to 30 November 2010, liquid waste disposal permit issued from 30 April 2009 to 30 April 2010, and hazardous waste storage permit dated June 10, 2009 to June 10, 2014. From random checks, it was found that the company's engineers, boilermen, electricians, chargemen are authorized and have license to perform their job. The company has a documented register of all licenses for the mill boilers and diesel generators. All boilers and diesel generators are certified and the mill has updated licenses for operation of these equipment. Some evidence of efforts made to comply with changes in the regulations includes making revisions to their AMDAL document after the company increased their mill capacity from 45 tonnes/hour to 60 tonnes/hour. In addition, the company increases the minimum wages for daily worker base on local government regulations, which are revised ever year. The company also conducts evaluations of their compliance of legal requirements, however it was observed from evaluation records that the company only evaluates compliance to general legal requirements, but does evaluate compliance to the specific articles listed in all legal requirements that are applicable to the company. For example, the company's evaluation records state that they comply to the entire regulation, PP 18 year 1990 regarding hazardous waste management, when in fact, the company should evaluate their compliance to only the specific articles within this regulation that is applicable to their company's operations. This was raised as an observation.

There is no evidence of any legal non-compliance by the company.

**Compliance status: Compliance with observations**

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

**Findings:**

The company has documents showing ownership or lease of the land in accordance with relevant laws, including their land use certificates (HGU) issued based on the Ministry Decree Letter No. 67/HGU/DA/86 for a total area of ± 12,641.50 ha, which is valid from 12 December 1986 to 31 December 2021. After re-measurement of the land area conducted on August 31, 2003 and development of new cadastral maps, the total PT FMP&I area was measured to be only only ± 12,319 ha. Based on this updated information from the last measured activity, a working map was established as a reference and guidance. From the company's total working area of ± 12,319 ha, approximately 391.29 ha is occupied land by communities for use as land farming area. The company decided to exclude these area from their planted productive area and made agreement with the communities allowing them to occupy the area. There is also an area of 1500 ha near Kulim estate from which FFB is supplied to the company's mill, and the area is under PT FMP&I's management, but the area belongs to the local communities and is excluded from the company's HGU certificate. The company bought this area from the communities and the company is working to get the HGU certificate for this area.

Boundaries stones are used on the field to identify land boundaries and borders with other plantation company areas. PT FMP&I has a total of 22 boundary stones surrounding company's area. The boundary stones are well maintained, as confirmed through site visits. The company has also made other boundaries in the form of canals, roads or soil piles to make clear borders between the area belonging to the company, and areas belonging to the local communities or other plantation companies. For areas which are still under negotiation for ownership, the company use signs to demarcated these borders. Sign indicating boundaries or boundary poles are used to demarcate each estate block. Some boundary stones visited during the main assessment include:

- Boundary stone no. 9 in Block A.15 Division II of Sei Barumon estate, marking the border between PT FMP&I with PT Gunung Bangau plantation.
- Boundary stone no. 1 in block A.8 Division II Sei Barumon estate, marking the border between PT FMP&I and are belonging to PTPN3 Kebun Bukit Tujuh plantation and PT Torganda plantation.
- Border signs and gullies which serves as border markings between Aek Sigala-gala estate and a farming area in Ujung Gading Julu Village.

A total of 395 ha of the company's area is currently being occupied by various local communities, of which 119,40 ha is part of Aek Sigalagala estate and occupied by Ujung Gading Jae village, 19,47 ha is part of Aek Kulim Estate and occupied by Ginjang-ginjang Jambu Tonang village and 256,13 ha is part of Aek Sigala-gala estate and occupied by Ujung Gading Julu village. Land occupation began since the era of the Abdulrahman Wahid presidency, where some of the company's area were sold to local people by one head of village without permission from the company while it was still managed by previous management. The company has been in process of negotiating for re-ownership of these areas, and to date, 92 ha of the occupied land was returned by the communities to the company in agreement for compensation, however, others are still requesting a higher compensation price. The negotiation process is conducted both through formal and informal approaches through the use of facilitators from the local government such as sub-district heads.

The company maintains records of the process to resolve these land cases, such as follows:

- Invitation letters sent to the local community members claiming ownership of the land to attend a meeting to discuss the land disputes and reach a resolution. The meeting held on June 14th 2008 at Aek Sigala Gala Estate
- The company maintains a list of occupied land at Aek Sigala Gala estate for which compensation still has not been given to 25 land claimers as the acquisition and negotiation process for the areas located at Block M1, M2, M3, L2, L3, N2, N3, totalling an area of ±94 Ha which was planted by oil palm and rubber tree, is still underway.
- The company has a record of compensation made dated on January 5th 2010 for 24 land claimers for a total area of 118.48 ha, as seen on payment slip sample in the plantation office and also copies of payment receipts retained by the land claimers.
- The company has minutes of a meeting held to make the compensation payments on July 9, 2009 at Aek Sigala-gala estate.
- The company has records of the negotiation process meeting between PT FMP&I and land claimer sat Aek Sigala Gala Estate on October 29th 2009 (at Lamri house), as stated on the record both parties still do not agree on the compensation price.

There is no significant conflict between company and land claimers, it can be proved during assessment that company maintains good relationships with all land claimers even the land issues are still not resolved yet. Based on interview results with local people at 5 villages, they stated that the company conducts negotiations prior to any land acquisition. There was no evidence that the company used force or intimidation in the land acquisition process.

There was evidence that the company's conflict resolution procedure has been accepted and agreed on 27th January 2010 by 12 villagers living around the estates and palm oil mill area. The company has an SOP dated 01 April 2009 regarding compensation for land acquisition.

**Compliance status: Compliance with observations**

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

**Findings:**

The company has identified the traditional rights of local communities of Ujung Gading Julu village and Jambu Tonang villagers inside of PT FMP&I area, including community areas which are planted as rubber and palm oil plantation, and public facilities as mosques, traditional markets and state owned



school buildings. There is a memorandum of understanding (MoU) among company and traditional owners of land dated on January 28th 2010, which states that both parties will be responsible for their own area, provide guarantee of road access and would not increase their current land area. A working map of PT FMP&I in appropriate scale 1:75,000 shows the locations of traditional right areas within the company area. The company has committed to providing the map to interested parties upon request. However, the company currently has not given copies of this map to heads of villages, or made copies available for request at entry gates, etc. This was raised as an observation. Records of the agreement process on the traditional right areas for people from Jambu Tonang who occupy 19,47 Ha area inside the HGU of PT FMP&I are available, including records such as attendance lists and minutes of meetings. There is no conflict between the company and community regarding traditional rights, and the company has a good relationship with the local people. The company has committed to making this map showing the area of traditional rights publicly available upon request of the stakeholders. The action taken to implement this commitment will be observed during the next surveillance audit.

**Compliance status: Compliance with observations**

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

**Findings:**

The company has a detailed management plan for year 2010, and the document consists of information about cash flow and budget plans for each estate and mill. For long term planning ie. 3 year period between 2011 until 2013 company has developed a documented 3-year budget ('Rencana Kerja Anggaran Perusahaan'). The document includes general operational routine activities such as estate maintenance, harvesting, fertilizer application, as well as additional investments in planting trees of various species in all identified HCV areas, CSR programs and environmental monitoring, HCV management plans and other activities to meet the RSPO requirements. Long term planning for capital expenditure is recorded in a less detailed documented 5-year budget plan for year 2009-2014.

The company's long term plan covers the 3 estates and 1 mill, and from this plan, the company has estimated their overhead cost and profit per kg FFB, based on the current cost of processing one kg of FFB, which is less than IDR1000. Compared with the current CPO price, which between USD 5-7 per kg, it is estimated that company will gain good profit for long term period at least for 5 years and maintain economic viability. Long term planning will be used as a framework to develop detailed annual plans, such as the company's management plan for 2010.

The company made a 5-year replanting program for the 3 estates, from year 2014 to 2018. The replanting program will start in 2014 for 760 ha in Division III of Aek Kulim Estate, year 2015 for 900 ha in Divisions II, IV dan IV of Aek Kulim estate, year 2016 for 900 ha in Division III of Aek Barumon Estate, year 2017 for 822 ha in Divisions I,IV and V of Aek Sigala-gala estate, and year 2018 for 1105 ha in Divisions I,II IV of Aek Kulim estate, and Divisions I and II of Aek Sigala-gala estate. The company applies a 26 year replanting cycle to ensure good seed quality and easy maintenance. The oldest plantings are 22 years now and still has a high productivity of 24.8 tonnes of FFB per ha.

**Compliance status: Full Compliance**

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

**Findings:**

SOPs for estate operations are dated 1 August 2008, and include SOPs and safe work practices for activities such as land surveying, road networks, drainage system, oil palm nursery, oil palm planting, handling of weeds, fertilizer application, pruning and harvesting. The company also has newer SOPs dated 1 August 2009 for land clearing with zero burning, strategies for planting on sloped land, management of plantings on marginal soil and replanting. Work Instructions dated 1 August 2009 for management of Pests and Diseases are also available, but these work instructions were not available at Aek Sigala-gala estate office. There is also no recent SOP for conducting census of pests, this SOP is only available in the old SOP document dated 2007. This was raised as an observation. Estate workers were interviewed and questioned on their understanding of the OPs, eg. Sprayers were questioned on



spraying and chemical mixing techniques, and were found to have a reasonably good understanding of the company's procedures.

SOPs for all mill operations from reception and weighing of FFB to the production of the finished product (CPO and PK) dated 01 August 2008 are also available, including operation of the boiler, turbine, generator, weighbridge, loading ramp, sterilizer, thresher, press, clarifier, and oil purifier. The mill also has a documented manual for preparation of operations, processing and stopping of the mill dated 01 August 2008, as well as documented SOPs for maintaining sales administrative records and for delivery of mill products (ie. CPO), or estate products (ie. FFB). Mill workers interviewed also informed that they had been trained on the mill SOPs.

The company's Internal Monitoring and Administration Division conducts internal audits at least once every 3 months, and audit results are documented in a work visit report. Examples of operational checks conducted include monitoring of implementation of the company's ISO9001:2000 and ISO14001:2004 management systems, and checks that the estates has taken corrective action on plant production issues highlighted by the Oil Palm Research Centre of Medan. The mill and estates also conducts internal checks to monitor mill operations and ensure that mill and estates production targets are achieved. Any issues or non-conformances found are reported and documented in a non-conformance report, a root cause analysis is conducted and corrective active is also documented.

The estates and mill maintains records of operational results, such as daily FFB production reports, percentage of fruit types received (mature, immature, etc), production results (CPO content, FFA, kernal content, CPO losses and kernal losses), CPO quality analysis results, despatch of CPO, FFB, kernel, and fibre, other necessary records related to estate or mill operations.

**Compliance status: Compliance with observations**

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

**Findings:**

Records of leaf analysis and fertilizer recommendations are available in a report prepared for all estates. This report is produced annually by the Research Department of PT Sarana Inti Pratama for all estates. Soil analysis is conducted once every 5 years, and the latest soil analysis results are available in this report. However, the report does not include a visual analysis, and this was raised as an observation.

All estates maintain records of amount and type of fertilizer applied to each block monthly, and this is summarized in an annual report with data on fertilizer recommendations for comparison of actual fertilizer applications against recommendations. Checks of the annual fertilizer application report show that fertilizer applications were done in accordance with recommendations. The estates also apply EFB to the land and maintain records of amount of EFB applied. POME application is also carried out at Aek Sigala-gala estate for blocks H16,17, 18, 19 and I19, and the amount of POME applied daily in each block is recorded monthly in 'Report on Work Results for Land Application'.

From site observations, it was also confirmed that most areas not planted with oil palm are planted with leguminous cover crops, and empty fruit bunches are applied to the field.

**Compliance status: Compliance with observations**

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

**Findings:**

The company has a soil map of all estates made to scale 1:25,000 which shows that three main soil types found within the estates are podsolc soils (74.1% or 8,628 ha), latosols (23.9% or 2,784 ha) and alluvial soils (2.0% or 238 ha). Soil maps of all estates are also available and documented in the HCV Assessment Report prepared for PT First Mujur Plantation & Industry by the Indonesian Sustainable Palm Oil Foundation in October 2009. According to the map and as described in the report, more than 95% of the land at Aek Barumon and Aek Sigala-gala and over 70% of land at Aek Kulim consists of inceptisols and ultisols, which are mature and fertile soils for planting. No fragile soils, marginal soils or peat soil were identified.

All estates have an SOP for planting on sloped soils dated 01 August 2009. The SOP is applicable for areas with slopes between 15 to 45° and the SOP describes work instructions for how to develop indi-

vidual terraces using manual methods, developing contours for higher sloped areas using mechanical methods, and planting of cover crops to reduce erosion.

All estates have a road maintenance program prepared for each month. The information documented in each estate includes the block number, size of area, length of roads where maintenance work was conducted, the types of machinery used (includes grader, excavator for digging drains, and bulldozer for widening the roads), planned and actual road maintenance works carried out. It was observed during site visits that roads and drains at all estates were well maintained.

There are no peat soils at all estates, therefore the company has no water management programme for peat soils. Although no fragile or marginal soils were identified, the estates have an SOP for planting on marginal soils. The SOP describes different strategies for management of marginal soils, such as mechanical cultivation of the soil, application of calcium carbonate on acidic soils, developing terraces and contours on sloped land, planting leguminous cover crops, making wash bunds on hilly land areas and silt pits and low lands to collect rain water, application of mill POME and empty fruit bunches to increase soil fertility, and additional application of fertilizer based on soil analysis results and recommendations.

**Compliance status: Full Compliance**

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

**Findings:**

The estates have developed a plan for carrying out planting of different types of trees (including kayu manis (cinnamon), meranti (*shorea* sp.), melinjo (*gnetum gnemon*), pinang (betel), kemiri (pecan), jambu air and mango trees) alongside the estate rivers in order to reduce soil erosion as well as enhance biodiversity of their area. No chemical application will be carried out at these areas in the future and only manual treatment of weeds will be carried out. During site visits, it was confirmed that tree plantings along buffer zones of all estates had been carried out.

During a site visit to the Aek Kulim river at block H26, it was observed that one side of the river banks was steep and soil was exposed with no cover crops, and the river itself was very murky showing high levels of sedimentation. However, this area is not included in the certification process as the company is still in process of obtaining the land use rights (Hak Guna Usaha) to that area, and currently has no legal right to manage the land to reduce erosion. The company has developed a plan to carry out plantings of vegetation along the river banks to reduce erosion once they have obtained ownership of the land. This was raised as an observation, and the management of this area once it is under legal ownership of the company will be monitored during next surveillance.

The mill sends upstream and downstream samples of the nearby river for quality analysis once a month since June 2009. BOD levels of river samples taken were found to be between 7 to 13.6 mg/l for all upstream and downstream samples. This is above the legal standard of 3 mg/l as defined for Class II rivers in the regulation PP No. 82. Tahun 2001 on management of water pollution (the mill river was classified as Class II). The sampling points are both about 100m upstream and downstream from the mill, and there are no samples taken upstream at the estate border. Therefore it cannot be determined if the source of river pollution is the mill, the estates or a source outside the company area, as such this was raised as an observation. Although there is evidence of river pollution, local communities and stakeholders living downstream of the company operations were interviewed, and they use the river for consumption and bathing but have not experienced any ill effects of water pollution.

The mill sends samples of effluent for BOD analysis once a month and this analysis is conducted by the Technical Unit of the Environmental Laboratory, Environmental Department, North Sumateran Government. Records of mill effluent BOD analysis for 2008 show that effluent BOD is within the legal standard of 100 mg/l as per the local regulation Kepmen No. 51 year 1999.

All estates use artesian wells as their source of water, and monthly water usage at each estate is monitored and recorded. As mentioned above, the estates have documented plans to protect their water sources from pollution by planting of trees along the riparian buffer zones and ceasing all chemical treatment along marked buffer zones, while the mill monitors the BOD of their effluent and river samples. However, all estates and the mill do not have any documented water management plan to ensure efficiency of water usage at estate and mill processes.

The mill monitors and records mill water use per tonne of FFB on a daily and monthly basis. The highest water usage recorded was 1.65 tonnes of water per tonne FFB for the month of December 2009.

**Compliance status: Non-compliance see NCR No 1 of 10**

All estates and the mill do not have any documented water management plan to ensure efficiency of water usage at estate and mill processes.

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

**Findings:**

The estates have a SOP on description and management of pests and diseases, such as nettle caterpillars, rats, rhinoceros beetles, crown disease and spear rot dated 1 August 2009, as well as an SOP on how to conduct routine and periodic census for all types of pests and diseases. In addition, all estates have a documented budget allocation and annual program for when pest management activities (such as pest census, hand picking, and chemical treatments) will be carried out, estimated number of man days required and estimated amount of chemicals required. According to management, treatment of pests is not necessarily carried out according to the schedule or budget, but only when census results show high rates of attacks. This is to minimize usage of chemical treatment for such pests. All estates also carries out biological methods of management of pests such as planting the beneficial plant, *turnera subulata*, (this plants attracts natural predators that feed on the larvae of nettle caterpillars), rearing of barn owls (which feed on rat pests) and installation of barn owl boxes, and installation of pheromone traps (to trap and reduce the population of rhinoceros beetles). Aek Kulim estate has a well documented program for reduction of use of hazardous chemicals for 2009 and 2010, which includes a detailed scheduled schedule of when such biological methods are implemented, as well as photo documentation.

All estates maintain records of census activities conducted to determine level of attacks of nettle caterpillars and rhinoceros beetles. Census reports show that the rate of nettle caterpillar attacks is very low at Aek Barumun and Aek Kulim estates, and low to moderate at Aek Sigala-gala estate. According to management, infestation of other types of pests is also observed to be very low, so no documented census was conducted for other types of pests.

Both Aek Kulim and Aek Sigala-gala estates have records of IPM training conducted for their estate assistants and mandores. However, Aek Barumun has no such records of IPM training and this training was conducted informally. This was raised as an observation.

Due to low infestation of pests at estates, there has been no chemical treatment of pests at all estates for several years; therefore no monitoring of pesticide toxicity used for IPM implementation is conducted. Checks of chemical issuance records confirm that no chemicals used for IPM treatment have been issued. The low rate of pest infestation is attributed to the estates' extensive use of biological IPM methods.

**Compliance status: Compliance with observations.**

**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:**

Agro chemicals permitted for use, or kept on stock (to be used only when necessary, eg. during high pest infestations) at all estates are chemicals permitted for use by the local authorities, including the agrochemical brands listed below:

- Herbicides (Prima Up, Meta Prima, Biofuron)
- Insecticides (Bullfighter, Hamador, Furadan, Biocis, Sime Pheramone, Intrasit, Baypidan and Bastok)
- Pesticides (Nuvett and Malathion)
- Rodenticides (Klerat RMB),
- Fertilizer (Urea , Cirp, Dolomite and Borate).

Records of agrochemicals used, including active ingredients used, area treated, amount applied per ha and number of applications, are recorded and maintained at each estate. For example, records of chemical use at Aek Baruman estates shows application of chemicals applied to eradicate weeds is applied once every 4 months in all 5 divisions on rotation basis, with average usage of chemicals con-

taining glyphosate being 0.23 L / ha, while average usage of chemicals containing methyl mesulfuron is 0.02 g / ha.

Application for agrochemical used has been following the recommendation from its supplier. For example, glyphosate is applied according to the dosage recommended by the supplier: 4 to 8 L / ha if used for blanket spraying, but only 1L/ha if intended for selective spraying of narrow-leaved weeds. Methyl Methasupuron dosage recommended by the supplier is from 28.1 to 56.2 g / ha for use on broad-leaf weeds and woody weeds. Spraying is conducted by a spraying team, all of whom already has more than 2 years of work experience.

Training on "Understanding Herbicides and Pesticides" was conducted for all sprayers by the Office of Agriculture of North Sumatra on 23 November 2009, with a sub theme on management of herbicide and pesticide wastes, understanding labels and the influence of handling chemicals on health.

Agro-chemical packaging waste at all estates is stored in accordance with the Standard Operation Procedure for the Waste Management of Hazardous and Toxic Materials and toxic dated 01 Agustus 2008, which states that hazardous wastes are stored in a main warehouse before being submitted to the Aek Kulim warehouse for temporary waste disposal. Records of hazardous wastes delivered to the warehouse are available, for example, it was noted that 12 kg of fertilizer packaging was delivered there on 09/01/2010.

There is no evidence that the company uses type 1A or 1B WHO chemicals, chemicals listed under the Stockholm and Rotterdam conventions, or paraquat. It was observed at the chemical store at Aek Sigala-gala estate that the MSDS for chemicals were displayed but MSDS for some chemicals, eg. Garlon (a.i. Triclorpyr) and Klerat (a.i. Brodifacoum) were not available. This was raised as an observation.

The company provides regular health/medical checks for all workers that work regularly with agro chemicals, such as chemical storekeepers, sprayers and sprayer mandores. Physical examination of workers is conducted by company's doctors on a regular basis (every month) at polyclinics. The last check was conducted on December 2009.

The company has a regulation that no pregnant and breastfeeding women are allowed to work with chemicals and has been informed to workers by all estate managers. From interviews with the sprayer team in each estatem it was found that the sprayers are aware that agrochemicals are dangerous for pregnant and breastfeeding women. No pregnant or breastfeeding women were found to be working as a sprayer at the time of audit.

**Compliance status: Compliance with observations**

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

**Findings:**

The company has an Occupational Safety & Health (OSH) policy as stated in a circular letter signed by the the company director and dated 19 May 2009, However, awareness of the OSH policy is still not effective because many workers in the estate offices, division offices, and mill still are not aware of the OSH Policy or do not understand its purpose. The company also does not make it compulsory for contractors to comply to their OSH policy. This was raised as a non-conformity.

The company has an OSH committee which is responsible for implementing the company's safety program. The OSH committee memberes have been registered under the Local Department of Manpower, under certificate no. 22/K3/SMK3/PPLTK/SU/2006. The committee has regular meetings once every 2 months to discuss any problems relating to OSH as well as to develop training programs. The committee will also hold meetings upon the occurrence of major accidents to evaluate the cause of the accident, and preparing accident reports as well as regular OSH reports.

The company provide workplace accident insurance i.e. JAMSOSTEK (Jaminan Sosial Tenaga Kerja/ Social Worker Insurance) to all workers. Evidence of this was seen from the Jamsostek data for December 2009 and insurance component of 4.54% in monthly payroll of workers.

Regular health examinations are conducted for all plantation estate employees and mill employees. Physical health examinations are performed by a doctor (trained in Company Hygiene and Work Health, or Hyperkes) every month on the employees of the company, including workers handling chemicals (sprayers), sprayer mandores, chemical store supervisors, as well as mill generator operators, and heavy equipment operators. The last physical examination at audit time was performed in December 2009, while a cholinesterase examination was done on January 21, 2010 by the Thamrin Clinical Laboratory to assess the level of pesticide poisoning in blood of workers handling chemicals.



Results of the latter test showed that 3 workers had high amounts of cholinesterase in their blood which almost exceeded the maximum safe standard. For two males, their blood cholinesterase levels were 10.667 U / L and 10.948 U / L (safe standard for males is 5100 to 11,700 U / L), while a female worker had a blood cholinesterase level of (standard for females is 4000 to 12,600 U / L). This was raised as an observation, and the company was strongly recommended to monitor the blood chemical content of their workers through analysis of their monthly medical checks to ensure the safety thresholds are not exceeded.

An occupation health and safety risk assessment has been conducted for existing activities both in the estates and in the mill. However, the risk assessment was not done correctly as potential hazards were identified, but the associated risks were not identified. For example, falling FFB was identified as a hazard but the risk from this hazard, e.g.: head injury, was not identified, and electric shock was identified as a hazard during harvest activities conducted near electricity pole, but the risk resulting for this hazard was not identified. This was raised as a non-conformity.

The company maintains records of health and safety trainings conducted for workers. For example, the most recent training conducted at time of audit was on 23 November 2009 on regarding pesticide management, and this was done by the Department of Manpower and Transmigration. The training covered occupational health and safety aspects of pesticide handling and usage of personal protective equipment.

The company has accident a documented procedure on Emergency Preparedness and Response documented as Standard Operation Procedure SOP-TGD-01 revised 01 dated December 19, 2008. This procedures sets the emergency team leader as being in charge of organizing among the members of the emergency response team.

The company makes OSH and first aid equipment available at worksites. Estate FFB harvesters are provided with safety helmets by the company, while sprayers are provided with aprons, masks, and safety gloves. Harvesters are also provided with covers for their harvesting knives. All workers were boots. First aid equipment is brought by the mandores (supervisors) to work sites and the mandores are trained in first aid. Mill workers are provided with safety helmets, boots and ear protection, and workers were observed wearing their PPE as required. First aid kits are also available at the Aek Sigala-gala estate main office, chemical store and division III office, as well as at the mill office and lab. The first aid kits seem well stocked and no expired medication was found.

There are observations that provision of PPE or first aid requires improvement, of safety measures taken are insufficient, for example:

- Ventilation windows were installed at the Aek Sigala-gala chemical store but this was not sufficient as the chemical smell in the store was still quite strong. No mask was provided prior to entering the store, and it was noted that cloth gloves are used by the chemical handlers, which is inappropriate as chemicals can easily absorb through the gloves to the skin.
- A worker performing gas welding work at the mill was wearing a mask but not any form of eye protection eg. Dark lens goggles.
- Sprayers seen at Aek Sigala-gala estate were found carrying chemical containers that were not covered (which could easily lead to spillage of the chemicals) and one sprayer was observed carrying a chemical container on her head. It

It was also found that contractors working for the company do not make first aid kits available at work sites for their workers, such as for contractors carrying out construction work at Division II of Aek Kulim Estate. Field supervisors for weeding ('mandor pendongkel'), and a harvesting field supervisor was also not equipped with first aid kits on site. This was raised as a non-conformity.

First Aid Training was conducted for all sprayers and chemical handlers by the company PT. Centra Brasindo Abadi on November 23, 2009. However, from interviews with a team of 7 sprayers, it was found that the sprayers lacked understanding on first aid measures in case of accidental pesticide poisoning. Only harvesters have received first aid training related to their activities, and this was seen from photographic evidence. However, for this training, there was also no evidence of the date of the training and the First Aid training materials used. This was raised as an observation and the company was highly recommended to re-conduct first aid training for all workers.

The company maintains records of the occurrence of any work accidents. However, the company has no mechanism to record, investigate and analyze accidents that happen to implement corrective actions and preventive measures and evaluate the effectiveness of corrective actions and preventive measures undertaken.

From site visits, it was noted that sufficient fire extinguishers and hydrants are provided in the palm oil mill and estates. The company has Emergency Preparedness and Response Procedures pertaining to fire which refers to the Standard Operation Procedure SOP revised TGD-01-01 dated December 19, 2008. There are records of fire drills that were conducted for the palm oil mill and estate staff.



**Compliance status: Non Compliance No. 2 of 10, 3 of 10 and 4 of 10**

The OSH risk assessment was not done correctly as potential hazards were identified, but the associated risks were not identified (NCR No. 2 of 10).

It was found that contractors working for the company do not make first aid kits available at work sites for their workers. Field supervisors for weeding ('mandor pendongkel'), and a harvesting field supervisor was also not equipped with first aid kits on site. (NCR No. 3 of 10)

The company has no mechanism to record, investigate and analyze accidents that happen to implement corrective actions and preventive measures and evaluate the effectiveness of corrective actions and preventive measures undertaken (NCR No. 4 of 10).

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

**Findings:**

The company has a Standard Operation Procedure dated on 01 August 2008 on development of employee training programs, where training programs conducted based on training needs identification and analysis by each head of department, estate managers and mill managers. In 2010 the training program as stipulated on the form has been set as a training plan for the following aspects:

- Training for General OSH experts
- Preparedness and Emergency Response training
- Training in handling of pesticides
- Training on water treatment.

However, it was observed that most trainings conducted are not carried out based on identification and analysis of trainings needs of employees, as stated in the SOP, but are routine trainings. This was raised as an observation.

Recordings of all trainings conducted are available and documented, such as training certificates, plaques, attendance lists, training proposal letters and photographic evidence of trainings held. For example, records show that an training on emergency response procedures was conducted for employees on October 18, 2008. OSH trainings have also been provided to contractors such FFB transporters and housing construction contractors.

**Compliance status: Compliance with Observations**

**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:**

A Social and Environmental Impact Assessment (AMDAL) for all company's estate and mill operations is available and dated December 2009. In this report, seven main environmental and social impacts resulting from the company's operations were identified, which are reduction of air quality, increase of work opportunities, increase in other business opportunities, increase in income of the local communities, community perception and attitude, disruption to health of surrounding communities, and negative environmental impacts of palm oil mill effluent and solid wastes

The company is ISO14001:2004 certified and all estates have a documented environmental aspects and impacts register for year 2009 which covers all aspects of the estate operations and mill operations. Prior to preparation of the company's AMDAL document, the company had previously conducted an Environmental Evaluation Survey document (Penyajian Evaluasi Lingkungan - PEL), but no regular report on environmental management was send to the relevant authorities. As the company's PEL has now been replaced with the AMDAL document which was only prepared in December 2009, the company has not made any reports to the relevant authorities yet as regular reporting is only required once every 6 months. The company is aware that it is required to prepare regular reports once every 6 months based on the new AMDAL document, and their reporting activities will be monitored during the next surveillance audit.

The new AMDAL document was prepared after a significant change in mill's operations where the mill capacity was increased from 45 tonnes per hour to 60 tonnes per hour. This was done to meet the requirement of the local regulation PP no. 27 year 1999 which states that upon any change in processing capacity, an AMDAL is required to be prepared, as well as the National Ministry's Environmental Regulation no 11 year 2006 which states that for production on land of over 300 hectares, an AMDAL document is required (total land area of the company is 12,641.50 ha).

**Compliance status: Compliance with observations**

**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:**

The company has conducted an identification of the flora & fauna as well as High Conservation Value (HCV) areas within their land area together with Indonesian Sustainable Palm Oil (ISPO) organization on September 2009. The flora and fauna and HCV habitat identification was done for all the company areas as recorded in the company's HCV assessment report. As stated in the report, a total of 59 species of animals were found, of which 23 are protected species. Of the total, 37 species of birds identified consisted of 16 protected species, 8 species of mammals consisted of 4 protected species, and 14 species of reptiles consisted of 3 protected species. Some of the protected mammal species included *Felis bengalis* (Bengal cat), *Paradoxurus hermaphrodites* (common palm civet), *Muntiacus muntjak* (barking deer), *Cervus unicolor* (Sambar deer), while some protected species of reptiles included *Guoro* species (turtles), and *Myrmeleon* species (antlions). Some of the protected birds species identified included *Engretta alba* (Great egret), *Haliastur indus* (Brahminy kite), and *Pycnonotus* species (Bulbul).

There are no HCV1 areas (Forest areas containing globally, regionally or nationally significant concentrations of biodiversity value) present in PT FMP&I's area, but potential HCV 1 areas have been identified along river riparian and emplasment areas covering a total area of 781.03 ha or 6.34% of the total land area of the company. The total area of identified HCV 4 areas (Forest areas that provide basic services of nature in critical situations) is 12.44 ha or 0.10% of the company' land area, such as a spring found in area block M-11. The water from the spring is currently flowing into Siarang-arang River. Although it is currently not utilized much by communities around the plantation area as well as by company, the spring has been identified as HCV 4.1 (unique source of water for daily use). The total area of potential HCV 4 area is 668.4 Ha or 5.43% of the entire area of PT FMP&I which comprises of all courses of rivers within the company's area within the Barumon River watershed located at the northern part of the company's area and Rokan kanan River located at the eastern part of the company's area. There are HCV4 areas containing 8 rivers flowing through the company's area include Aek Sigala-gala river, Aek Sirumpat, Aek Kabar, and Aek Mayo River. Some of the potential HCV 4 areas overlap with potential HCV 1 areas as well. 2 ha or 0.016%.of the company's area was identified as HCV 6 areas (Forest areas critical to local communities' traditional cultural identity). Altogether, the HCV 4 and HCV 6 areas of the company total an area of 14.44 ha or 0.12%, meanwhile the total area of potential HCV 1 areas, which overlap with potential HCV 4 areas, is 781.03 ha or 6.3% of the company's area.

The company has a HCV management plan for all identified HCV areas according to the high conservation values to be conserved as seen in the company's HCV monitoring and action plan document which includes actions to protect identified endangered species and their habitats, as recommended by the ISPO. The action plan includes plans to develop a standard operation procedure to monitor identified HCV areas, restoration of habitat or vegetation at river riparian zones, protection of the water spring in order to maintain river ecological function, and enrichment plantings of recommended tree species such fruit trees, meranti, etc. The monitoring program will be implemented from the year 2010. However, the company's management and monitoring program should be improved to include more detailed information such as a schedule for implementation of activities, persons-in-charge and resources required. This was raised as an observation.

To prevent inappropriate hunting and collecting activities, the company put up sign boards warning against these activities, such as seen on site at the Rajawali bidge of Division II and Aek Kulim estate. The company also has a periodic security patrol program to ensure such activities do not occur. The company also has a mechanism to prevent illegal fishing, and from daily security patrol records dated December 1 to 31, 2009 and January 2010, there were no records of illegal fishing activities using

poison found at the company's rivers. Posters and signs warning of the presence of protected species were produced by the company and distributed in all PT FMP&I estates. The posters are made visible and contain information about all protected species in the company's areas, types of restricted hunting activities and the actions taken against person found disregarding these rules.

The company has assigned at least 7 persons that are responsible for implementation of all planned environmental conservation activities including the company's management and monitoring plan for existing endangered species and identified HCV areas. All these personnel in charge of implementing the monitoring and management action plans were trained by ISPO. Training for identification of HCV areas was conducted on September 28, 2009, as seen from training records and reported in the company's HCV document.

**Compliance status: Full Compliance**

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

**Findings:**

Waste and pollutions sources at the estates and mill are identified and documented in the environmental pollution and impacts register of each estate and mill, dated 01 August 2008.

The company has a waste management plan documented in its Environmental Management Plan (Rencana Pengelolaan Lingkungan - RKL) document dated December 2009, and the company has waste management procedures for various types of wastes. The company's plan for waste management includes preparation of sturdy and enclosed trash bins, separation of organic and inorganic wastes into different coloured bins, collection of rubbish every 2 days to be sent to the rubbish container or waste disposal area, as well as improving management of disposal of mill production wastes and empty fruit bunches. The company has an SOP dated 01 August 2008 regarding handling of domestic wastes and inorganic wastes such as plastic packaging, cans, and spare parts which are collected for sale back to the supplier or sent to recycling companies. Organic waste (leaves, food scraps, paper and others) are sent to a landfill and then covered and backfilled with soil. From site visits, it was observed that separate bins designated for organic and inorganic wastes as well as hazardous wastes are prepared at the estate and mill offices. However, it was found on-site that at a landfill for domestic organic waste disposal, inorganic wastes were disposed in the same landfill. This was raised as an observation.

The company also has a SOP for Management of Toxic and Hazardous Wastes, which states that all hazardous wastes from different sites of the company (including various departments, employee housing, clinics, estate office and the palm oil mill) are collected and stored in a secure store located at Aek Kulim estate for hazardous wastes in accordance with the company's hazardous waste temporary storage permit. The collected hazardous wastes are delivered to a licensed contractor (the current contractor is CV Prima Mandiri) within 90 days, as required in the company's hazardous wastes storage permit. Records of hazardous waste manifests and site visits of storage areas showed that hazardous wastes are handled according to the SOP. During a site visit to Aek Sigala-gala estate, however, it was observed that the chemical mixing area is located at a drain in front of the chemical store, but water from the drain flows directly into the land. It was informed that a spill kit was located next to the drain as a containment measure, but this may not be sufficient to prevent chemicals from entering the soil. This was raised as an observation.

The company monitors and maintains records of their hazardous wastes as required by law under regulation MenKLH No. 18 in 1999. The types of hazardous wastes monitored include used batteries, plastic fertilizer, agro-chemical used packaging, packaging ex fertilizer, oil used, the filter used. Records are maintained using a form provided by the Ministry of Environment, in Annex I of the hazardous wastes collection permit. The hazardous waste records were checked and found to be in order as per the legal requirement.

**Compliance status: Compliance with observations**

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

**Findings:**

Renewable energy materials used for mill operations are fiber and shell. The company does regular

monitoring and maintains calculations of energy/ton CPO or energy per ton palm oil product produced. For example, records of fibre and shell consumption for year 2009 i.e. for January to December 2009 showed shell consumption was 1,159,788,00 kg and fiber consumption was 2,777,387.58 kg. The amount of electricity needed to produce 1 ton of CPO is 17 kwh. The company's need shell and fiber of 57.01 tonnes to produce 1 tonne of CPO or 12.90 tonnes of shell and fiber to process 1 tonne of FFB. The company has an average OER of 22.63 % and KER of 5.02% for year 2009.

The company conducted an efficiency analysis as recorded in from data January to December 2009. The company's saved approximately Rp1.2 billion from the use renewable energy compared with the usage of fossil fuel, which is an estimated increase in efficiency of 57%.

The company also maintains records of usage of fossil fuels (diesel) used, for example, records for the year 2009 show a total of 143,546,23 liters was used for the whole year. The company has developed a monitoring program for usage of fossil fuel and renewable energy which was carried out since January to December 2009 and is monitored periodically every month and annually to monitor trends in the use of fuel consumption and ensure that usage of fossil fuel is being reduced or maintained a minimum level.

**Compliance status: Full Compliance**

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

**Findings:**

The estates have not yet carried out any land clearing for replanting. The first plantings at Aek Kulim were conducted in 1988, and replanting is due only in year 2014 (760ha). The first plantings for Aek Sigala-gala and Aek Barumon were planted in 1991 (1,246 ha for ASE and 819 ha for ABE) and planting is only due after 25 years in 2016. All estates also have a documented SOP for land clearing through zero burning. The SOP describes that land clearing will be carried out by felling trees using bulldozers and excavators, cutting tree trunks and branches into smaller lengths, stacking logs and marking planting points. After which, the drainage system will be prepared and plantings of leguminous cover crops will be carried out to reduce soil erosion. As the company has a zero burning policy and also has not carried out any land clearing yet, the company has no documented assessment for use of fire for land preparation, nor do they have any records of implementation of their zero burning policy during replanting.

All estates have an SOP for Emergency Responses, which includes in details of emergency responses in case of fire. The procedure applies to both fire in buildings and fire in the field. Aek Sigala-gala and Aek Kulim estates also have records of an fire emergency simulation training carried out for all workers on 5 November 2008. There have been no cases of land burning, therefore the estates have no records of actual emergency responses to land burning.

Fire extinguishers are available at suitable locations throughout all estates including the main office, fossil fuel store and fuel pump areas. Fire extinguishers were also available at several locations throughout the mill including, the guard house, clarification station, boiler and workshop. Records of maintenance checks are kept at each fire extinguisher, and all fire extinguishers and fire extinguishers were observed to be at optimum pressure levels.

**Compliance status: Full Compliance**

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

**Findings:**

The company's sources of pollution and emission were identified and documented in a list of Waste Identification and Management". Examples of wastes identified include the following:

- Hazardous wastes from the genset room, water pump room, engineering workshops, and contractor workshops
- Waste water from wastewater treatment pond used for land application.
- Air Emissions from boiler chimneys
- Chemical packaging wastes

- Medical wastes from polyclinic
- Used spareparts from engineering workshops
- Used tires from contractor workshops and engineering workshops
- Used batteries from generator set room, water pump room, and workshops
- Empty fruit bunches from mill processing
- Domestic wastes from office and housing area.

The company has a documented schedule for monitoring and measurement of environmental performance including a schedule to monitor air emissions and air quality. All air quality parameters are to be monitored such as noise, air emissions from boilers and generators, and ambient conditions, as required under government regulations. Records show that the last monitoring of air emissions, ambient air and noise conducted at the time of audit was on November 10, 2009 by the Department of Manpower, Medan ("Dinas Tenaga Kerja Medan"). From this report, it was found that all analysis results for air emissions from boilers and gensets were within the legal standards for particulates, SO<sub>2</sub>, NO<sub>2</sub>, HCl, Cl<sub>2</sub>, opacity, NH<sub>3</sub> and HF as stated in the regulation 'Peraturan Menteri Negara Lingkungan Hidup No. 7 tahun 2007'. Noise levels emitted from the boiler and engine room were found to be above the legal standard of 85dB. However, the management provides ear protection to workers in this area, as is required by law for work conducted in areas of high noise levels. Audiometric tests are carried out on employees who work in noisy areas to monitor any cases of hearing impairment. So far there have been no reported cases of hearing impairment among the mill workers. Basic audiogram results are kept by nurses in the clinic for monitoring purposes.

The company takes efforts to reduce pollution and emissions. To minimize water pollution, the company does not discharge any POME to water sources or rivers, but uses all POME for land application. Air emission levels are maintained through regular boiler and generator set maintenance. The company also makes efforts to separate and recycle their inorganic wastes, as well as dispose of their hazardous wastes according to legal requirements in order to protect the environment (as described further under Criteria 5.3).

The company mill's treatment methodology for POME is a 100 days sedimentation cycle method using 12 ponds which consist of a Cooling pond, Deoiling pond, Seeding Pond, Primary Anaerobic Pond, Secondary Anaerobic Pond, Aeration pond, Sedimentation and Mixing pond before discharge for land application. As the mill production is already at full capacity, the company made an additional 4 sedimentation ponds. Land application is applied to 180 ha or 5 blocks of planted area in Aek Sigala-gala estate with water debit averaging 46.73 m<sup>3</sup> per hour. Waste water monitoring of BOD and COD quality is conducted every month by the environmental laboratory of Bapedalda North Sumatera. Checks of monitoring records for December 2009 and November 2009 for parameters such as pH, BOD<sub>5</sub>, COD, TSS, fat, oil content, and total nitrogen show that all parameters are still within the government standard.

**Compliance status: Compliance with observations**

***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:**

The company conducts a social impact assessment facilitated by an external consultant i. e. The Indonesian Resources Institute with participation from stakeholders of the company's estates and mill. Results of the social impact analysis include identification of both positive and negative social impacts. This social and environmental assessment was conducted for 4 of 12 villages surrounding the estate borders of PT FMP&I's land area. There is documented evidence that the social impact assessment was conducted in a participatory manner with stakeholders, such as meeting attendance lists, photographs and interview results from local communities. Some attendance lists for stakeholder meetings held show that meetings were held on October 29th 2009 at meeting hall of PT FMP&I (37 persons), on October 27th 2009 at Desa Jambu Tonang (8 persons), at Desa Pasir Lancat head's house on October 26 th 2009 (10 persons), on October 26th 2009 with the company's workers (39 persons) and a management meeting was held on October 24th 2009 (16 persons).

The company has developed a social impact management plan to be implemented throughout 2010-2015 based on the social impact assessment results. The plans consist of management and monitoring of identified social impacts, including sources of the impact, actions to be taken, and persons-in-charge. The documented social impact management and monitoring plan was established by the company with the participation and feedback of local communities through facilitation by the external



consultant (The Indonesia Resources Institute). The communities involved who directly make cooperation and are impacted by company's activities include Ujung Gading Julu and Ujung Gading Jae villages. The company's social impacts and management efforts will be monitored and results reported every 6 months as per the impacts management and monitoring plan. However, it was noted that the company did not make the social impact management and monitoring plan available to all parties that are impacted by company's activities, or make the results of monitoring activities publicly available as well. This should be carried out as part of efforts to ensure the surrounding communities agree to the company's plans to manage these social impacts. This was raised as an observation. As time of audit, the company had revised their social and environmental impact (AMDAL) document on December 2009 submitted this document for approval by the Bapedalda (Regional Body for Management of Environmental Impacts). The AMDAL document was developed and revised by an external consultant PT Pratita Total Design. The AMDAL document includes a description of all the company's activities in their oil palm estates and its mill, as well as information on their environmental impacts and social impacts. However a more in-depth social impact identification was conducted through a Social Impact Assessment as explained above. The company should continue requesting to the Bapedalda on the status of approval of their revised AMDAL document.

The company produces regular and scheduled environmental management and monitoring reports based on the company's AMDAL document as required by law, known as the RKL (Rencana Pengelolaan Lingkungan/Environmental Management Plan) and RPL (Rencana Pemantauan Lingkungan/Environmental Monitoring Plan). These reports are produced once every three months and include the company's monitoring and measuring analysis results its environmental impacts such as for air emission parameters and water quality parameter for the mill and all estates. Since the company has no outgrower schemes, the company is not required to include the impacts of outgrower schemes in their social and environmental impact assessment.

**Compliance status: Compliance with observation.**

***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 mechanisms for open and transparent methods for communication and consultation with stakeholders (local communities and other affected parties) as per the following procedures:

- Communication procedure document no: SOP-ADM.MR-09, rev 01, applicable since 1 April 2009.
- A flowchart of procedure to respond to information requests from community members or other stakeholders.
- A flowchart of procedure on responding to information requests from workers.

All these procedures were communicated to stakeholders on January 21, 2010 with records of this meeting is available in the form of attendance lists, meeting minutes and photos.

The company has a list of stakeholders consisting of related government institutions, village heads, customers, contractors, suppliers, NGOs, and all workers. The list is updated periodically as required.

There is record of local communities' requests, and responses or follow up actions of the company to these requirements, for example Pasir Lancat village made a request to the Aek Kulim manager to request for assistance to build the foundation for an elementary school foundation and to perform public road maintenance. The manager forwarded this request to the General Manager of PT FMP&I in a letter no. 40/EM-AK/IX/2009 dated 30 September 2009. The General Manager then responded with a letter dated January 9th 2010 to respond to this request made by the village.

The management of PT FMP&I assigned a dedicated person who responsible for consultations and communications with stakeholders and is also responsible for having regular meetings with local communities. It was found that the dedicated official is well known among the local communities.

**Compliance status: Full Compliance**

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

**Findings:**

The company has a mechanism to receive complaints and to resolve disputes as defined in an SOP

which includes a flowchart for response and feedback to incoming requests for information from stakeholders. Publization of the complaints and dispute procedure was conducted on January 21, 2010 which was attended by stakeholders such as villagers, suppliers, contractors, 11 village heads, 14 community representatives, and worker union representatives. There is a document signed by the invited stakeholders to indicate their agreement to the company's complaints and disputes procedure. Copies of the procedure flowchart are made available at the village head office and at public areas such as public information boards, as seen as Ujung gading Julu village.

The company also established a conflict resolution mechanism for internal conflict and external conflicts. The conflict resolution mechanism was informed to representatives of 12 villages surrounding the company's area as well as worker union representatives on December 28, 2009 and contractors on December 29, 2009. This was to ensure that the mechanism is understand and accepted by stakeholders. The company also provided a suggestion box to receive complaints as found at Aek Sigalagala estate's main office and Division III office, but from interviews with several workers it was found that they were not aware of the suggestion box. None of the workers interviewed had provided any written suggestions to the management.

It was found that some complaints from local communities were not recorded and no response was received from the company, such as a complaint from Marlaung villagers and Gunung Manaon villagers regarding a water dam construction which has resulted in increased floods during rainy season in their farming land. There are also complaints regarding poor road quality resulting from FFB transporters of the company, which also blocks the roads and hinders FFB transportation during rainy season. This was raised as a nonconformity.

The company has a procedure to conduct land acquisition and procedure for calculation of fair compensation as defined in an SOP. The procedure was communicated to 25 individuals making land claims from Ujung Gading Julu village claiming part of Aek Sigalagala Estate area. The procedure for fair compensation is not publicly available but only available through request made from parties who have land disputes with the company.

**Compliance status: Non Conformities, see NCR No. 5 of 10**

Some complaints from local communities were not recorded and no response was received from the company, such as a complaint from Marlaung villagers and Gunung Manaon villagers.

***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 a documented procedure for land acquisition including for identification for the loss of legal or customary rights of the land, valid since 1 April 2009. The procedure was accepted by communities especially by land claimers as reported on written statement from local communities and related institutions as an acceptance to the procedure. 25 individuals making land claims was informed of the procedure at Aek Sigalagala Estate as seen from an attendance list of the meeting.

A record of identification of people entitled to receive compensation, dated January 5, 2010, is available at the company's office. There are 24 eligible persons identified for compensation for loss of a total of 118.48 Ha at Aek Sigalagala estate.

The company maintains records for all negotiation processes such as records of a meeting on October 29th 2009 held with Desa Ujung Gading Julu villagers regarding land compensation of. The records state that both parties still do not agree with the compensation price, and plan to conduct renegotiation. PT FMP&I and the land claimers agree to hold the next meeting on March 2010. The company also has records of an invitation letters from PT FMP&I to individuals making land claims from Ujung Gading Julu village to attend negotiation meeting for land compensation on June 7th 2008. There is a documented report dated June 26, 2008 on agreement by one of these individuals to receive monetary compensation for 47.1ha of land, as well as photographic evidence of the compensation payment being made. The company also has records of compensation payments made to 24 land claimer during 2004-2009 for a total area 118.48 Ha.

**Compliance status: Full Compliance**

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

**Findings:**

The company maintains sufficient documentation of the employee's pay rates. There are two categories of employees at PT FMP&I which are permanent workers (staff, monthly workers, and permanent workers or 'Syarat Kerja Umum' - SKU) and temporary worker (daily-paid workers or 'Buruh Harian Lepas' - BHL). Documents of salary payments made per month for staff and workers are available at the district Office, Aek Sigala-gala Estate, Aek Barumon Estate and Aek Kulim Estate and Mill offices. It was found that temporary worker or BHL work more than 21 days a month for more than 3 months during assessment time. As stated in the Government legislation from the Minister of Manpower decree no. 100/2003, non-permanent daily workers that work for more than 21 days a month continuously for three months shall be granted the status of daily-paid permanent workers with terms and conditions as per a work contract. Monthly workers receive a basic monthly salary, rice allowance, insurance allowance, performance bonuses, and other bonuses. Permanent daily workers (SKU) are given a basic daily salary, rice allowance, insurance allowance, performance bonuses and other bonuses. Temporary daily workers will receive a basic daily salary and performance bonus.

The regulation No. 561/4694/2009 from the Governor of North Sumatera dated November 23, 2009 states that minimum sectoral wages standard for estate workers in North Sumatera is IDR 965,000 per month. To comply with this regulation, the company issued an internal memo dated January 5, 2010 stating that the minimum wages for BHL/ temporary workers at PT FMP&I shall be IDR 38,600,- per day (25 working days a month) or IDR 965,000,- per month. For permanent daily workers or SKU, an internal company memo dated January 5, 2010 states that the minimum wages for SKU/permanent daily workers at PT. FMP&I is IDR 32,200,- per day or IDR 966,000,- per month (for 30 days). The minimum wages paid by the company therefore meets the local legal requirements. Deductions from pay are only for worker's insurance (jamsostek) and is in accordance to legal requirements. The workers receive monthly payment slips at the end of the month.

The company has a working agreement (PKB - Perjanjian Kerja Bersama) with the Worker Union (Serikat Kerja Perusahaan - SKP) which was revised and validated by the Head of Civil Population, Manpower and Transmigration Padang Lawas Utara District on 23 January 2010. The document was revised due to difference with any practices implemented by the company and the revisions were made upon meetings and discussions the worker union leaders.

Housing facilities are available for managers, staff and workers. There are 36 unit permanent houses for managers, 617 permanent houses for supervisors, 344 semi-permanent houses, and 35 barracks. The company has plans to construct additional housing for workers which would be completed in 2012. The barrack size is 45 m<sup>2</sup> in width and sufficient for the workers with children because each married worker gets barracks with 2 bedrooms. One barrack is assigned to one family. The water quality was tested, and is within government standard for drinking water quality. There have been no complaints about water quality from the workers. The numbers of wells are adequate for all workers. The barracks are also provided with septic tank toilets and in sufficient number for the workers population.

Company also provides other facilities for workers such as:

- 11 mosques and 12 churches throughout all estates
- Water is free but they have to collect it themselves from a well, it is not pumped directly to their house. There is 23 well pumps in all estates and mill; and 23 toilets facilities,
- Medical facilities such as company doctors, nurses, paramedics are available at every estate, with a permanent clinic at Aek Sigala-gala estate.
- Educational and childcare facilities are available for children.
- Sport facilities such as football and tennis court.
- There is a traditional mobile market available at each estate on a weekly basis. Food, vegetables, others meals and household are serviced by the "mobile trader" who goes around the estate area.

The company has documented agreements with contractors, however from sample contracts checked, there is no statement in the contracts requiring the contractor to comply to all labor laws. This was raised as a nonconformity.

**Compliance status: Non Compliance, See NCR No. 6 of 10**

Documented contracts with contractors have no clear statement requiring commitment to comply to all labour laws.

***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 company has a policy recognizing freedom of association, stated in the company's Bipartit Working Agreement dated 23 January 2010 with the company's worker's organization which consists of representatives of the workers. It states in clause 5 that the company recognizes the organization, Serikat Karyawan Perkebunan – SKP, as a worker union and partner for working relationships. The company was formed in 2004 and registered at the Local Man Power Institution on October 19, 2004 however due to improper management of the organization, the license of SKP was only approved and registered by the Civil, Man Power and Transmigration institution of Padang Lawas Utara District on January 18, 2010. The SKP holds regular meetings with its members but only has periodic meetings with the company's management once every 2 years to discuss revisions to the working agreement.

The company has documented minutes of monthly meetings held with the SKP, but records are inconsistent. It was found that meetings were held between SKP and the company on December 2009 and January 2010, but records of the meeting minutes were not maintained. This was raised as a non-conformity.

**Compliance status: Non Compliance, See NCR No. 7 of 10**

Minutes of meetings held with the company's worker union to discuss revisions to the working agreement were not maintained.

***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:**

The company has a policy regarding minimum working age being 18 years as stated in the working agreement with SKP, under Part III article 10. As seen from the company's employee list and personal employee information there are no employees under 18 years old, either temporary workers or permanent workers. Female estate workers interviewed also stated that the company's minimum age is 18. The company has informed the workers that no children can be brought to work. However, it was found at Aek Sigala-gala that a female worker collecting fruits brought her 6 year old daughter to work. From interviews with other workers, it was also found that many of the workers still occasionally bring their children to work. This was raised as a non conformity.

**Compliance status: Non-compliance, See NCR No. 8 of 10**

Company workers still occasionally bring their children to work sites although the company has a regulation that children cannot be brought to work. As such, the company has not consistently implemented their minimum age requirement.

***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:**

The company has a written policy regarding equal opportunities for all employee and worker as stated in a circular letter dated 19 May 2009 sent to both the mill and all estates.

Evidence for implementation was viewed from data of the company's worker composition, which consisted of people of various religions, from different areas and a mix of both genders, as seen from the worker data report dated January 2010:

Permanent workers : 1,601

Non Permanent Workers: 1,575

Female Workers : 34,32% (1,090 worker)

Male Workers : 65,68% (2,086 worker)

Most of daily-paid workers consist of locals but also come from other locations such as Nias, Sibolga, and Kisaran. Workers also consisted of a mix of Muslims, Catholics, Christians and other religions as well. The company provides churches and mosques at all estates. From interviews with workers, there is no evidence of discrimination among workers.

**Compliance status: Full Compliance**

**Criterion 6.9: A policy to prevent sexual harassment and all other forms of violence against women and to protect their reproductive rights is developed and applied.**

**Findings:**

The company has a documented policy regarding prevention of sexual harassment and other intimidation as explained on a circular letter no. dated 19 May 2009, stating that the company commits to prevent sexual harassment and violence against women. The company conducted socialization regarding the sexual harassment policy in December 2009, however the socialization was still not effective as from interviews with harvesters and sprayers at Aek Sigala-gala estates, not all female workers are aware of the policy. A harvester interviewed has not heard of it, whereas female sprayers interviewed claimed to have been informed of it but were unsure of the company's procedure or person-in-charge for handling cases of sexual harassment. This was raised as a non-conformity.

A documented company policy on the protection of reproductive rights is stated on company regulation issued on January 2010 with stated information on maternity leave, menstruation leave and cost of baby delivery, as stated on article 21 of the company's working agreement.

Implementation of the reproductive rights policy was seen from the following evidence:

1. Menstruation leave and maternity leave documents are available
2. Health Form for Menstruation leave from PT FMP&I clinic.
3. The company provides child care for children below schooling age, which is available at certain divisions such as Division V of Aek Kulim and Division IV of Aek Barumun estate. The company has 6 day cares.
4. The company provides milk as extra food for female sprayers and there is no pregnant woman working as sprayers.
5. Female workers understand the reproductive rights policy (based on interviews with female workers at Aek Barumun estate)

The company has a grievance mechanism but there is no specific grievance mechanism yet for female worker issues, as stated by the SKP leader. This was raised as a non-conformity.

**Compliance status: Non Compliance, see NCR no. 9 of 10 and NCR no. 10 of 10**

Socialization of the sexual harassment prevention policy is ineffective because many female workers are not aware of the policy and the mechanisms for handling complaints related to sexual harassment.

There is no specific grievance mechanism for female worker issues.

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

**Findings:**

Since there is no FFB purchased from outgrowers or external sources, the mill is not required to make current and past prices of FFB publicly available or document pricing mechanisms for FFB and inputs/services.

There is evidence that all other parties understand the contractual agreements they enter into, and that contracts are fair, legal and transparent. Currently there are eight contractors working for PT FMPI, including FFB transportation contractors, a contractor hired for bridge construction, and a contractor to build housing. The company has made agreements with the contractors, where the agreement was made in accordance with legal requirements. Based on interview results with some contractors, they understand and agree to the terms of their contract with the company and have no complaints regarding the payment process. Although payments made are not always on-time, payments made by the company are within a reasonable time.

**Compliance status: Full Compliance**

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



**Findings:**

The estates has a CSR Program developed for year 2010 which includes purchasing milk and green beans for the estate nursery each month, funding for Islamic lessons and celebrations such as Christmas and Independence Day, fogging of mosquitoes, and so on. The budget allocated for these activities for year 2010 is RP 159,201,760 for Aek Kulim estate.

Company pay all taxes as part of their contribution to sustainable development, such as the following:

- HGU tax payments paid in year 2009 totalling Rp. 1,264,200
- Building and land taxes paid in year 2009 totalling Rp. 1,790,054,430
- Building and land taxes for non HGU area paid in year 2009 totalling Rp. 252,070,740
- Waste water retribution paid in year 2008 totalling Rp. 4,032,000
- Upwater retribution payment made in year 2007 Rp. 3,000,000.

**Compliance status: Full compliance**

***Principle 7: Responsible development of new plantings***

**Findings:**

Assessment of Principle 7 is not required as there as PT. FMP&I has no development of new plantings.

**Compliance status: Not applicable**

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

The company has prepared a Social and Environmental Management Plan (Rencana Pengelolaan Lingkungan - RKL) dated December 2009 based on the main impacts identified in their AMDAL document (refer to CR5.1). The document includes plans to reduce or mitigate the negative impacts identified, examples as follows:

- 1) Preventing reduction of air quality through measures such as ensuring vehicles meet emissions standards, having workers wear masks at dusty work areas, having vehicles switch off engines when not in use, and installing fabric filters at gensets.
- 2) Other efforts to protect the environment such as activities to conserve critical land areas, rivers and riparian buffer zones, protecting water sources, as well as endangered flora and fauna, improving management of liquid and solid wastes, emissions and mill effluent to ensure these are within legal standards, improving implementation of the company's ISO14001 and ISO9001 management system, reducing usage of poisonous chemicals, reducing and preventing spillage of fossil fuels.
- 3) Increasing work and business opportunities and income of local communities by recruiting more local people as workers (target of more than 50% local workers), informing local communities of job vacancies, giving priority to local communities to open businesses within and around the company's area, provide funding or management training to local business owners and farmers, etc
- 4) Maintaining health of local communities by maintaining cleanliness of the estate, mill and workers housing, carrying out routine health checks for workers, having free medication provided annually to local communities, etc.

As required by local regulations, the company shall implement and conduct social and environmental improvement activities as described in their RKL document and submit a report once every 6 months to the local authorities according to their Environmental Monitoring Plan (Rencana Pemantauan Lingkungan – RPL). As their AMDAL document was only recently prepared, no monitoring report has been prepared yet.

Aek Kulim also had a documented environmental management plan for year 2009 and 2010, which includes activities to enhance vegetation along the river banks, a program to reduce usage of agrochemicals through increasing plantings of the beneficial plants *turnera subulata* and *antigonon leptosus* (to attract predators of plant pests), installing pheromone traps and rearing barn owls, and a program to reduce noise levels. Aek Kulim also has a CSR program for year 2010 (refer to CR6.1). However, such programs were not available at the other estates.

As this is the company's first RSPO certification audit, the company does not have any records of

follow-up actions taken against RSPO audit findings.

**Compliance status: Full Compliance**

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

A total of 10 nonconformances were identified during the main certification assessment, all of which were minor non-conformities. The company has taken immediate action to correct these minor-nonconformities, and documented evidence of corrective actions taken or corrective actions planned to be implemented was submitted to the audit team. Several non-conformances could be closed based on the documented evidence from the company, while for others, effectiveness of implementation of corrective actions will be assessed during the next surveillance audit. A summary of all identified non-conformances, corrective actions taken and auditor conclusions is as below:

#### **Criterion 4.4 (Minor indicator 1): An implemented water management plan.**

##### **Non-conformance no. 1 of 10**

All estates and the mill do not have any documented water management plan or target for water usage to ensure efficiency of water usage at estate and mill processes.

##### **Correction :**

Each Estate and Mill has set the program and standard or target for water usage and established water saving programs for every working area.

##### **Corrective action:**

Achievement of the company's standard or target of water usage will be reviewed every year and company will decide new standard for water usage every year base on achievement of previous year.

##### **Auditor Conclusions: Evidence of correction and corrective action taken was accepted. Effectiveness of implementation to verified at next audit.**

The company provided a water management plan for each estate and mill, in which the company defined maximum standard for water usage in all company's activities both estates and mill. Some flow meters were installed in several places to control daily water usage for operational activities, especially for drilled wells, however company still cannot control water usage from entrenchment drill. Referring to their government license permit regarding water usage, the company defined their standard or target for water usage such:

- water usage standard for FFB processing is 650 liter/tones of FFB, average water consumption up to December 2009 is still below the standard
- water usage standard for housing is 0.65m<sup>3</sup>/day

#### **Criterion 4.7 (Minor indicator 3): A documented risk assessment for Occupational Health and Safety (OHS).**

##### **Non-conformance no. 2 of 10 :**

The company's occupational safety and health risk assessment was not done correctly, as potential hazards were identified, but the risks were not identified.

##### **Correction:**

The list of hazards identification and analysis was revised by each estate & mill with the correctly identified potential risks and control.

- The format of Hazard Identification and Risk has been revised by add a column including the risk control. Additional OSH programs were prepared that previously were not available.
- Each unit has conducted and completed re-identification of hazards and risks in their workplace and

the revised document was viewed by the audit team.

**Corrective action;**

The list of hazard identification and analysis will be review and renewed every year base on internal audit.

**Auditor Conclusions: Closed**

All potential hazards and risks resulting from all company's activities have been documented in their revised document, including hazards and risk under normal, abnormal and emergency conditions and likelihood of occurrence (rare, common and emergency only).

The company has prepared Health and Safety programs and provide safety equipment to minimize possibilities of hazards and risks.

**Criterion 4.7(Minor indicator 6): Evidence of OHS and first aid equipments available at worksites**

**Non-conformance no. 3 of 10**

It was found that contractors working for the company do not make first aid kits available at work sites for their workers. Field supervisors for weeding ('mandor pendongkel'), and a harvesting field supervisor was also not equipped with first aid kits on site.

**Correction**

Management of PT.FMP&I has written circular letter for all contractors to be equipped with the first aid kits as stated in a letter of agreement with the contractors.

The documented statement from contractors is as follows:

1. All contractors working at PT FMP & I agreed to comply with the provisions of the labour legislation and company safety regulations about the provision of first aid kits.
2. If the contractor was negligent, they shall be penalized

First aid kits for weeding and harvesting foremen had been provided.

**Corrective action**

The company has identified potential hazards and risks in all company's area and provided appropriate first aid and safety equipment to prevent injury.

**Auditor Conclusions : Evidence of correction and corrective action taken was accepted. Effectiveness of implementation to verified at next audit.**

The company provided evidence of a letter dated on February 02, 2010 sent to all contractor stating that they are required to make first aid kits available for their workers at all work sites.

The statement letter from contractors agreeing to these requirements and potential penalization for negligence was viewed and verified by the audit team

The company provided photographs showing first aid kits available at housing construction locations and workers using safety equipment.

**Criterion 4.7 (Minor indicator 8): Records of the occurrence of any work accidents are maintained and regularly reviewed.**

**Non-conformance no. 4 of 10:**

The company has no mechanism to record, investigate and analyze accidents that happen to implement corrective actions and preventive measures and evaluate the effectiveness of corrective actions and preventive measures undertaken.

**Correction:**

The company's mechanism to record, investigate and analyze accidents has been made. The mechanism shall also be made into a guideline and posted at strategic locations that can be noticed by all workers.

**Corrective Action:**

Sosialization about the mechanism to record, investigate and analyze accidents shall be done for workers at mandore level.

**Auditor Conclusions: Evidence of correction and corrective action taken was accepted. Effectiveness of implementation to verified at next audit.**

The company provided copies of their mechanism to investigate and record the accidents for verification by the audit team. The mechanism states that all accidents will be recorded on in a Stage One accident report and recorded in a logbook to analyze the cause of the accident. The manager shall then make reference letter to the nearby hospital and issue a Stage Two accident report if there is serious injury or trauma, and company will send the injured worker to a hospital based on recommendation from the company's doctor. However there is no record that mechanism to investigate accidents has been socialized to all mandores.

**Criterion 6.3 (Minor indicator 1): Records of handling of the complaints.**

**Non-conformance no. 5 of 10**

Some complaints from local communities were not recorded and no response was received from the company, such as a complaint from Marlaung villagers and Gunung Manaon villagers regarding a water dam construction which has resulted in increased floods during rainy season in their farming land.

**Correction:**

Records of complaints from Gunung Manaon and Marlaung village communities regarding flooding due to PT.FMP&I's bunding/blocking activities were made and records of the responses made by the company to the complaint were also made according to the company's SOP of Communication.

**Corrective action:**

The company shall inform their staff and security team on the procedure for receiving and recording complaints and place a copy of the mechanism at every security office and estate gate.

**Auditor Conclusions: Evidence of correction and corrective action taken was accepted. Effectiveness of implementation to verified at next audit.**

The company provided evidence in the form of log book containing records of the complaint made by the villagers as well as copies of the response letters made to the head of Gunung Manaon village head of Marlaung village dated February 04, 2010. There was also a response letter received from the Gunung Manaon villagers and Merlaung Villagers agreeing to the company's plans. The company has taken down the water dam at both villages to prevent flooding, and the company has photographic evidence of this being carried out.

**Criterion 6.5 (Minor indicator 1): Agreements entered into with contractors are to specify that contractors abide by labor laws.**

**Non-conformance no. 6 of 10**

Documented contracts with contractors have no clear statement requiring commitment to comply to all labour laws.

**Corrective Action:**

The management of PT.FMP&I have send an official letter to all contractor to ensure that the contractors comply with the labour regulations. The contractors made a statemant and submitted to the management of PT.FMP&I stating that they agree to thisa requirement.

**Auditor Conclusions: Evidence of correction and corrective action taken was accepted. Effectiveness of implementation to verified at next audit.**

The company provided evidence in a letter dated on February 02, 2010 sent to all contractors. The company also has copies of statement letters received from contractors regarding their commitment to fulfill all company's requirement to comply with all government regulations and the RSPO prinsiples and criteria.

**Criterion 6.6 (Minor indicator 1): Documented minutes of meeting with any labor union (if any).**

**Non-conformance no. 7 of 10**

Documented evidence of meetings held with the company's worker union to discuss revisions to the working agreement with the union were not consistently maintained. There are no records for meetings held between SKP and company that were conducted on December and January to discuss about revised bipartit working agreement.

**Correction:**

Record of discussions / meetings such as minutes of meetings and attendance lists to discuss about the alteration of the working agreement has been completed.

**Corrective Action:**

The Worker Union Leader has made instructions to the worker union secretary to record and make notes about discussed information in every meeting.

**Auditor Conclusions: Evidence of correction and corrective action taken was accepted. Effectiveness of implementation to verified at next audit.**

The company provided evidence such as Internal Communication record dated January 30, 2010 regarding minutes of meeting for the revised PKB (Perjajian Kerja Bersama/Joint Working Agreement). The meeting was attended by the Union Worker Leader and Deputy General Manager. Maintenance of records of future meetings with the union will be verified at next surveillance audit.

**Criterion 6.7 (Minor indicator 1): Records of implementation of company policy on worker age requirements.**

**Non-conformance no. 8 of 10**

Company workers still occasionally bring their children to work sites although the company has a regulation that children cannot be brought to work. As such, the company has not consistently implemented their minimum age requirement.

**Correction:**

All estates and mill management have communicated and reminded their workers every morning at muster to not bring their children to work. Employees who continue to do so shall be reprimanded. Records of the communication made to the workers were provided by the company.

**Corrective action:**

The company will continue to remind workers, especially female workers, not to bring their children to work.

**Auditor Conclusions: Evidence of correction and corrective action taken was accepted. Effectiveness of implementation to verified at next audit.**

The company provide evidence i.e. Internal Communication regarding communication to the workers of the company's regulation not to bring child under school age and during school time to the working area. Socialization about the company's regulation according to company's policy on worker age has been done in all estates, attendance lists and photographs of socialization activities conducted on February 06, 2010 in Division II and Division IV at Aek Sigalagala Estate was provided. Effectiveness of the corrective action to be verified during surveillance audit.

**Criterion: 6.9 (Minor indicator 1): Proof of implementation of sexual harassment policy.**

**Non-conformance no. 9 of 10**

Socialization of sexual harassment prevention policy is ineffective because many women workers who do not know the policy and the methods and mechanisms for handling complaints related to sexual harass-



ment and other women's problems had not been established.

**Corrective Action:**

1. The policy on preventing sexual harassment was brought up as reminder at muster in the Sport Hall on Saturday, Feb 6, 2010 that attended was by employees from all estates and the mill and representatives of the worker union, SKP.
2. A mechanism for gender related complaints and handling of complaints pertaining related to sexual harassment has been made on Feb 6, 2010 and made known to all
3. The company has appointed in each Division, a woman as the responsible person to attend to any complaints, if any.

**Corrective action :**

The company made posters regarding sexual harassment prevention and process flow of their complaints mechanism. Posters explaining the process flow are put up at all estate and mill offices, housing and other appropriate places.

**Auditor Conclusions: Evidence of correction and corrective action taken was accepted. Effectiveness of implementation to verified at next audit.**

The company provided evidence in the form of attendance lists of socialization activities dated on February 6, 2006 regarding company regulation and sexual harassment policy and grievance mechanism. An invitation letter was sent to all company's female workers. The company provided photographs of of the meeting held as evidence that socialization has been conducted. Effectiveness of the corrective action to be verified during surveillance audit.

**Criterion 6.9 (Minor indicator 3): Specific grievance mechanism is available.**

**Non-conformance no. 10 of 10**

The company has no specific grievance mechanism yet for female worker issues.

**Correction:**

1. A mechanism for gender related complaints and handling of complaints pertaining related to sexual harassment has been made on Feb 6, 2010 and made known to all
2. The company has appointed in each Division, a woman as the responsible person to attend to any complaints, if any.

**Corrective Action :**

The company has and will continue to inform all workers at each division about the company's grievance mechanism for gender related issues.

**Auditor Conclusions: Evidence of correction and corrective action taken was accepted. Effectiveness of implementation to verified at next audit.**

The company provides evidence of the grievance mechanism through photos of suggestion boxes put up at each division office and provided the name of a female worker who has been assigned as female rights protection coordinator to handle female related grievances. The woman coordinator will communicate with union worker leader if there is a serious matter to be discussed with management.

**3.3 Noteworthy Positive Components**

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

Good IPM implementation such as use of barn owls and sex pheromones for in pest control system.

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

The estates are carrying out planting of various tree species along their river riparian buffer zones as part of their efforts to protect the rivers, reduce erosion and enhance biodiversity

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

Clean mill environment, good waste handling

***Criterion 6.5: Growers and millers provide adequate housing, water supplies, medical, educational, and other facilities for employees where such facilities are not available or accessible.***

The company has an agripasteur program, which is a combination of oil palm plantation and rabbit or goat/sheep husbandry, in order to increase worker welfare.

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

There is evidence that the company made quick responses to most incoming requests from villagers.

### 3.4 Issues Raised by Stakeholders and Findings Pertaining to Issues

The following is a list of issues raised by various stakeholders during the stakeholder consultation meeting held by the audit team during the assessment and during on-site interviews with stakeholders.

No.	Issues Raised	Management Response	Audit Verification
1	<p>1. Is statement that total area within of PT FMP&amp;I's HGU is 12,641 Ha correct? The community believes that the total is about 17,000 Ha. And what about the land throughout villages at Simangambat district that haven't been compensated by the company yet?</p> <p>2. It is better for PT FMP&amp;I to provide smallholder scheme.</p>	<p>PT.FMP&amp;I's HGU is dated 2 December 1986 states a total HGU area of 12,641 Ha. However, in line with information from local communities that HGU of PT.FMP&amp;I is 17,000 Ha, a letter from the National land Agency (Badan Pertanahan Nasional - BPN ) of North Sumatera was issued on 21 April 2003. In this letter under article no (2a) it is explained that after re measurement of the company's site using more accurate measuring equipment and as stated on situation map dated 15 May 1999, the company's HGU area was determined to be actually 17,207.94 Ha due to combination of PT.FMP&amp;I's area with the Luhan Simangambat community's farming land of 4,951.94 ha. As such, the 12,319 Ha of the company's area plus 4.951, 94 Ha belonging to the community equals 17,270.94 Ha. Under article (3) in the same letter base on consideration letter from SK Mendagri No. 67/HGU.DA/86, dated 2 December 1986, it was decided that PT FMP&amp;I 's HGU area shall only cover 12,641 Ha and it was already re-measured as reported on a cadastral map to be 12,319 Ha. In a more recent letter from South Tapanuli district government dated 12 jan 2006, the company's area was remeasured using GPS and the area was determined to be 12,413 Ha. The difference is within tolerable limits as explained by BPN.</p> <p>2.PT.FMP&amp;I is defined as a national big private company (Perusahaan Besar Swasta Nasional (PBSN)), so there is no requirement to have a smallholder program.</p>	<p>The company's response was accepted. Information provided by management was verified during the assessment. Based on this information, the company has not misrepresented their HGU information.</p> <p>2. There is no findings in the company's social impact assesment (SIA) document that communities' surrounding PT FMP&amp;I area need to have a smallholder 'plasma' system to support their economic growth. As explained in the SIA, the local community are able to support them-</p>

			selves economically with activities from their own estates.
2	3 villages were not invited to the stakeholder consultation and were not entered into the company's list of stakeholders. These are Paya Bahung, Ujung Batu Julu and Huta Raja Villages.	These villages are not directly bordering on PT FMP&I area and not directly impacted by the company's activities.	During public consultation, the heads of the 3 villages attended the stakeholder meeting and provided feedback to the audit team but did not raise any major issues. The three villages have no direct border with company's area.
3	The heads of Paya Bahung, Ujung Batu Julu and Hutaraja villages helped the company during negotiations on compensation for the villagers who had land disputes with the company, and expected a monthly allowance from PT FMP&I in appreciation for this. However, the company has not provided this.	These villages are not directly bordering on PT FMP&I's area and not directly impacted by company by company's activities, and therefore not included in the company's CSR programs. The company is also not obliged to provide a monthly allowance to the village heads as this is based on the company's discretion.	As seen on maps and inspected on the field these villages are no direct borders with company's area. On SIA document there is no explanation about impact of company's activities to these villages. The company is not required by law to provide monthly allowance to the village heads and it is up to the company if they wish to do so. The village heads are already receiving a salary from the local government.
4	1. There is land being used by the community within the company's HGU area but the communities have yet to receive any compensation from the company for this land. 2. The border between the company's HGU area and territory of the communities is not clear enough.	1. The process for land compensation still on going and compensation price and payment method still under negotiation  2. The BPN has placed boundary stones at every 500 m at the border surrounding the company's HGU area.	1. The company's response was accepted. It was verified during the assessment from checks of records and interviews with affected villagers that the compensation negotiation process is in progress. 2. BPN boundary stone are located on site as verified during the assessment.
5	The RSPO certification process is very good but an audit of only 5 days may not be sufficient to cover all aspects such as social, environmental and government issues, including how to ensure the company is fully implementing the requirements. It is better to conduct surprise audits so that the company is not aware and the auditor can get more accurate audit results.	The RSPO Certification process shall comply with relevant mechanism and standard operation procedure.	The certification body is to follow RSPO certification procedure, which is similar to the audit process of other ISO audits.
6	The community of Pasir Lancat requests PT FMP&I	The company conducts wastewater treatment in accordance with qual-	During the assessment, there was no evidence

	<p>not to dispose wastes especially waste water to Sumpat River which is flowing down to Barumun River.</p> <p>This results in a smell in the river water which disturbs the people that uses Barumun River water for daily activities. Due to waste from the mill, it is very difficult to find clean water.</p>	<p>ity standards determined by government. Thus, the discharged effluent and the flow were ascertained in accordance with quality standards. ( every month the local environmental department, Bapedalda, test the water quality of the river within PT FMP&amp;I area)</p>	<p>found that the river water pollution is caused by the mill waste water as water quality analysis results of the mill waste water show that the wastewater quality is still under the government standard. The audit team also visited the villagers of Pasir Lanct living near the river and discussed with the villagers on the water quality. They said they have no problems with the water quality and have been using the water from the river regularly for swimming and washing clothes without any issues. After further clarification, it was determined that the issue was raised during the stakeholder meeting as a reminder to the company to dispose waste in the river.</p>
7	<p>For the last 3 years, the company has helped the surrounding communities in terms of road maintenance and other contributions. The community hopes that the company could open more job vacancies for local people.</p>	<p>The company will continue to communicate and assist community people and also provide opportunities for work in the company in accordance with the company's abilities and needs.</p>	<p>No verification required as this is a positive comment.</p>
8	<p>There was a salary increment for both permanent daily workers (SKU) and temporary daily workers (BHL). There are also welfare facilities provided by the company such as annual leave, maternity and menstruation leave, and permanent housing replacing temporary barrack. There is regular communication between management and workers during morning briefings.</p>	<p>The company will continue to maintain good relationship with their workers and increase the unity between the company, employees and local communities.</p>	<p>No verification required as this is a positive comment.</p>
9	<p>Only 10 company employees are from Merlaung village. The communities expect that the company would provide more vacancies for local people according to their competencies.</p>	<p>The company will give opportunities to local people to be company's employees, however the company must ensure their competency requirements are met.</p>	<p>Information on the company's employee database shows that the percentage of workers from local communities is less than worker from other areas Nias, Labuhan Batu and</p>



			Kisaran. It is up to the company's discretion whether to allocate more job opportunities to the locals.
11	<p>Community land can not be cultivated due to water-logging caused by water-dam constructed by the company. The local om-munities request that the company makes a drain-age ditch so that land can be cultivated.</p> <p>Since company made the dam 4 m high, people who have land near dam experi-ence floods every year from Barumun river. Before the dam was made, floods usu-ally lasted only 3-4 days and reached a maximum height of 1 meter, but after the dam was made, floods can reach 4 feet and begin to recede only after 1 week, resulting in destruction of the com-munity plantation areas. The communities have com-plaind about this many times but with no response from the company.</p>	The company will review and exam-ine the complaint, and if it possible the company will make adjustments in the field.	The company's response was accepted. The company has resolved this issue by removing the dam as described in Section 3.2 under non-conformance no. 5 of 10.
12	<p>PT FMP&amp;I has helped vil-lagers through:</p> <ul style="list-style-type: none"> <li>- Building 3 local schools</li> <li>- Having a weekly 'mobile' grocery store</li> <li>- Conducting mosquito spraying (fogging)</li> <li>- Maintenance of village roads</li> </ul>	The company's CSR program will be implemented in accordance with the management and monitoring of social impact assessment which would then be set forth in the Com-pany Budget Work Plan (RKAP), so the CSR programs conducted can give benefits for all parties.	No verification required as this is a positive comment.
13	There is still an unsolved land dispute problem between the company and villagerx from Jambu Tonang and Ujung Gading Julu villages	The process for land compensation still on-going and compensation price and payment method still under nego-tiation between the company and the villagers.	During visits to the communities, it was verified that the several compensation payments have already been made while others are still under negotiation with the local communities, as explained under findings for Criterion 2.2 in Section 3.1.

**3.5 Acknowledgements of Internal Responsibility and Formal Sign-Off by Client**

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

Signed on behalf of  
**PT First Mujur Plantation & Industry**



.....  
**[Budi Amal]**  
Director  
Date: 24 May 2010

Signed on behalf of  
**TUV Rheinland Malaysia**



.....  
**[Dian S. Soeminta]**  
Lead Auditor  
Date: 24 May 2010

## APPENDICES

### Appendix 1: Details of Certificate

Standard: **RSPO Principles & Criteria for Sustainable Palm Oil Production; Indonesian National Interpretation: 2008**

Certificate Registr. No.: 01 100 106473

TUV Rheinland Malaysia Sdn. Bhd. certifies:

Certificate Holder: **PT First Mujur Plantation & Industry,**  
 Jl. DC. Mahakam Blok C No. 14 Padang Golf,  
 Polonia, Medan 20157, Indonesia.  
 and its supply base according to the annex.

Scope: Palm Oil Production and Plantation Management System  
 An audit was performed, Report No. 106473.  
 Proof has been furnished that the requirements according to RSPO Principles & Criteria for Sustainable Palm Oil; Indonesian National Interpretation: 2008 are fulfilled.

The due date for all future audits is 13-08 (dd.mm).

Validity: The certificate is valid from 2010-10-13 to 2015-10-12.

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

Name of mill / estate	Location	GPS locations	
		Latitude	Longitude
Aek Sigala gala Mill	Ujung Gading Jae Village, Simangambat Sub District, Padang Lawas Utara District	01°37 ' 16.2"	100°06 ' 08.8"
Aek Barumun Estate	Ujung Gading Jae Village, Simangambat Sub District, Padang Lawas Utara District	01°35 ' 01.3"	100°07 ' 51.3"
Aek Sigala gala Estate	Ujung Gading Jae Village, Simangambat Sub District, Padang Lawas Utara District	01°36 ' 14.2"	100°05 ' 50.5"
Aek Kulim Estate	Jambu Tonang Village, Ujung Gading Jae Village, Simangambat Sub District, Padang Lawas Utara District	01°39 ' 01.7"	100°05 ' 59.6"

CPO Tonnage Total Productions: 69,066 tonnes  
 PK Tonnage Total Productions: 15,318 tonnes  
 Company Estates FFB Tonnages: 286,010 tonnes  
 Crop from other sources\*: 27,700 tonnes  
 Outgrowers FFB Tonnages: -  
 CPO Tonnage claimed for certification: 63,000 tonnes  
 PK Tonnage claimed for certification: 15,000 tonnes

\* not included in scope of certification

**Appendix 2: Certification Audit Plan**

Date / Time (1)	Organizational Unit and Processes	Auditor / Abbrev.	Interviewee	Procedure - EM/QM Element - Standard Chapter
<b>Auditor names :</b> DSS : Dian Susanty Soeminta ASA : Agus Salim Alfata FA : Fadli CN : Carol Ng				
<b>Sunday, January 24, 2010</b>	Traveling Jakarta to Medan by GA continue to Rantau Parapat and Gunung Tua Traveling to Rantau Parapat by train (Overnight in Gunung Tua )	All Audi- tors		
<b>Monday, 25 January 2010</b>				
08.00- 12.00 <b>Gunung Tua Hotel</b>	Open Stakeholder Consultation	All Audi- tors		
12.00	Break and continue traveling to site PT FMP&I site			
15.00- 17.00	Review Stakeholder input	All Audi- tors		
<b>Tuesday, 26 January 2010</b>				
08.15- 09.30 <b>Head Of- fice</b>	<ul style="list-style-type: none"> <li>• Opening Meeting</li> <li>• Introduction by team leader.</li> <li>• Presentation of estates by re- spective managers.</li> <li>• Presentation of Oil Mills source of FFB by respective managers</li> </ul>	All Audi- tors	Top Management & Related Manager	
09.30- 12.00	Checks of compliance to HGU legal requirements , all related legal re- quirement & documentation checks	All Audi- tors	Estate and Mill managers	Principle 1 Criteria 1.1; 1.2; Principle 2 Criteria 2.1;2.2;2.3; Principle 3 Criteria 3.1;
12.00- 13.00	Lunch break			
13.30- 17.00 <b>Aek Ba- rumun Es- tate</b>	<b>Environment, Economic and Le- gal Aspects</b> <ul style="list-style-type: none"> <li>• Field operations.</li> <li>• Worker interviews.</li> <li>• Riparian zones.</li> <li>• HCV</li> </ul>	DSS	Estate Manager	Criteria 4.1; 4.2;4;3 Principle 2 Criteria Principle 3 Principle 5 Criteria 5.1 to 5.6 Principle 8
	<b>Environment and Legal Aspects</b> <ul style="list-style-type: none"> <li>• Chemical stores</li> <li>• Workshops.</li> <li>• Legal Aspect</li> </ul>	CN & ASA	Estate Manager	Principle 2 Criteria 2.1 Principle 4 Criteria 4.6,4.7, 4.8 Principle 8

<b>Date / Time (1)</b>	<b>Organizational Unit and Processes</b>	<b>Auditor / Abbrev.</b>	<b>Interviewee</b>	<b>Procedure - EM/QM Element - Standard Chapter</b>
	<b>Social Aspects</b> <ul style="list-style-type: none"> <li>• Housing.</li> <li>• Medical.</li> <li>• Schools.</li> <li>• Local communities</li> <li>• HCV</li> </ul>	FA	Estate Manager	Principle 2 Criteria 2.2, 2.3 Principle 6 Criteria 6.1 to 6.11 Principle 8
17.00	<b>End of 1st day audit</b>			
<b>Wednesday, 27 January 2010</b>				
08.00-12.00	<b>Environment, Economic and Legal Aspects</b> <ul style="list-style-type: none"> <li>• Field operations.</li> <li>• Worker interviews.</li> <li>• Riparian zones.</li> <li>• HCV</li> </ul>	DSS	Estate Manager	Principle 4 Criteria 4.1; 4.2;4;3 Principle 2 Criteria Principle 3 Principle 5 Criteria 5.1 to 5.6 Principle 8
	<b>Environment and Legal Aspects</b> <ul style="list-style-type: none"> <li>• Chemical stores</li> <li>• Workshops.</li> <li>• Legal Aspect</li> </ul>	CN & ASA		Principle 2 Criteria 2.1 Principle 4 Criteria 4.6,4.7, 4.8 Principle 8
	<b>Social Aspects</b> <ul style="list-style-type: none"> <li>• Housing.</li> <li>• Medical.</li> <li>• Schools.</li> <li>• Local communities</li> <li>• HCV</li> </ul>	FA		Principle 2 Criteria 2.2, 2.3 Principle 6 Criteria 6.1 to 6.11 Principle 8
12.00-13.00	<b>Lunch &amp; break</b>			
13.30-17.00	<b>Environment, Economic and Legal Aspects</b> <ul style="list-style-type: none"> <li>• Field operations.</li> <li>• Worker interviews.</li> <li>• Riparian zones.</li> <li>• HCV</li> </ul>	DSS	Estate Manager	Principle 4 Criteria 4.1; 4.2;4;3 Principle 2 Criteria Principle 3 Principle 5 Criteria 5.1 to 5.6 Principle 8
<b>Thursday, 28 January 2010</b>				
08.00-12.00	<b>Environment, Economic and Legal Aspects</b> <ul style="list-style-type: none"> <li>• Field operations.</li> <li>• Worker interviews.</li> <li>• Riparian zones.</li> <li>• HCV</li> </ul>	DSS	Estate Manager	Principle 4 Criteria 4.1; 4.2;4;3 Principle 2 Criteria Principle 3 Principle 5 Criteria 5.1 to 5.6 Principle 8
	<b>Environment and Legal Aspects</b> <ul style="list-style-type: none"> <li>• Chemical stores</li> <li>• Workshops.</li> <li>• Legal Aspect</li> </ul>	ASA & CN		Principle 2 Criteria 2.1 Principle 4 Criteria 4.6,4.7, 4.8 Principle 8
	<b>Social Aspects</b> <ul style="list-style-type: none"> <li>• Housing.</li> <li>• Medical.</li> </ul>	FA		Principle 2 Criteria 2.2, 2.3



Date / Time (1)	Organizational Unit and Processes	Auditor / Abbrev.	Interviewee	Procedure - EM/QM Element - Standard Chapter
	<ul style="list-style-type: none"> <li>Schools.</li> <li>Local communities</li> <li>HCV</li> </ul>			Principle 6 Criteria 6.1 to 6.11 Principle 8
12.00- 13.00	<b>Lunch &amp; break</b>			
13.30- 17.00 <b>Continue at Aek Ku- lim Estate</b>	<b>Environment, Economic and Legal Aspects</b> <ul style="list-style-type: none"> <li>Field operations.</li> <li>Worker interviews.</li> <li>Riparian zones.</li> <li>HCV</li> </ul>	DSS	Estate Manager	Principle 4 Criteria 4.1; 4.2;4;3 Principle 2 Criteria Principle 3 Principle 5 Criteria 5.1 to 5.6 Principle 8
	<b>Environment and Legal Aspects</b> <ul style="list-style-type: none"> <li>Chemical stores</li> <li>Workshops.</li> <li>Legal Aspect</li> </ul>	ASA & CN	Estate Manager	Principle 2 Criteria 2.1 Principle 4 Criteria 4.6,4.7, 4.8 Principle 8
	<b>Social Aspects</b> <ul style="list-style-type: none"> <li>Housing.</li> <li>Medical.</li> <li>Schools.</li> <li>Local communities</li> <li>HCV</li> </ul>	FA	Estate Manager	Principle 2 Criteria 2.2, 2.3 Principle 6 Criteria 6.1 to 6.11 Principle 8
17.00	<b>End of 2nd day audit</b>			
<b>Friday, 29 January 2010</b>				
08.00- 12.00 <b>PT FMP&amp;I Mill</b>	<b>Economic Issue &amp; Legal</b> <ul style="list-style-type: none"> <li>Mill inspection</li> <li>Workshops.</li> <li>Stores.</li> <li>Document review.</li> </ul>	DSS & ASA	Mill Manager	Principle 1, 2,3,4,5,8
	<b>Environmental Issue</b> <ul style="list-style-type: none"> <li>Mill inspection</li> <li>Workshops.</li> <li>Stores.</li> <li>POME application.</li> <li>Document review.</li> </ul>	CN	Mill Manager	Principle 1, 2,3,4,5,8
	Social Issue <ul style="list-style-type: none"> <li>Mill inspection</li> <li>Worker</li> <li>Document review.</li> </ul>	FA	Manager	Principle 2,6,8
12.00	<b>Lunch break</b>			
13.00	Preparation for Closing Meeting	All audi- tors		
15.00	<ul style="list-style-type: none"> <li>Presentation of findings by the audit team.</li> <li>Questions and answers</li> <li>Final summary by audit team leader.</li> </ul>	All audi- tors	All managers	
17.00	End of Audit			
18.00- 22.00	Traveling to Medan	All audi- tors		
<b>Saturday 30 January 2010</b>				

Date / Time (1)	Organizational Unit and Processes	Auditor / Abbrev.	Interviewee	Procedure - EM/QM Element - Standard Chapter
09.00	Traveling to Jakarta and Kuala Lumpur (CN)	All auditor s		

**Appendix 3: List of Abbreviations**

AMDAL	Analisis Dampak Lingkungan & Sosial (Social & Environmental Impacts Assessment)
Bapedalda	Badan Pengendalian Dampak Lingkungan Daerah (Regional Body for Management of Environmental Impacts)
BPD	Badan Penasihat Desa (Village Advisory Board)
CPO	Crude Palm Oil
EIA	Environmental Impact Assessment
ERTs	Endangered, Rare & Threatened species
ESH	Environmental Safety & Health
FFB	Fresh Fruit Bunches
EFB	Empty Fruit Bunches
HCV	High Conservation Value
HGU	Hak Guna Usaha ( Land Use Rights)
IDR	Indonesian Rupiah
IPM	Integrted Pest Management
KER	Kernal Extraction Rate
LTA	Lost Time Accident
MSDS	Material Safety Data Sheets
NGO	Non-Government Organization
OER	Oil Extraction Rate
OSH	Occupational Safety & Health
PKO	Palm Kernel Oil
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
RKL	Rencana Pengelolaan Lingkungan (Environmental Management Plan)
RPL	Rencana Pemantauan Lingkungan (Environmental Monitoring Plan)
SIA	Social Impact Assessment
SKP	Serikat Karyawan Perkebunan (Estate Workers Union)
SOP	Standard Operating Procedure
UKL	Upaya Pengelolaan Lingkungan (Environmental Management Efforts)
UPL	Upaya Pengelolaan Lingkungan (Environmental Management Efforts)

**Appendix 4: List of Stakeholders interviewed and contacted**

No.	Name of Stakeholders	Institution - Address	Remark
<b>Public Consultation Meeting</b>			
1.	Agus Salim Hasibuan	Desa Marlaung Village	
2.	Ahmad Hasibuan	Paya Bahung	
3.	Anwar Sadat Hasibuan ,	Ketua BPD Desa Ujung Gading Julu	
4.	Marathaib Harahap.	Dishutbun Paluta	
5.	M.HD Abidin Harahap,	Youth Leader	Pasir Lancat Village
6.	Khoiruddin Hasibuan,	BPD Pasir Lancat Village	
7.	Ramadhan,	SKP leader for PT FMP&l	
8.	Haji Suwandi SP,	BPN Tapanuli Selatan	

9.	Parlaungan Harahap	Kepala Desa Marlaung	
10.	Dondi Hutapea	Deputy II SKP	PT FMP&I
11.	Sutan Martua Hasibuan	Desa Ujung Gading Jae	
12.	Ibrahim Harahap	Community leader	Desa Labuhan Ju- rung
13.	J. Manurung,	Desa Labuhan Jurung	
14.	Jasman Lubis,	Desa Tobing Tinggi	
15.	Muhammad Olmi	Traditional leader /Hatobangun	
16.	Sabban	Head of village	
17.	Parlaguta	Naposobulung/community leaders	
18.	Holipan Adam	Head of village	
19.	Borohim	Community representative	
20.	J Manurung	Community representative	
21.	Abbas Siregar	Community representative	
22.	Satankelana Hasibuan	Community representative	
23.	Pinduman	Community representative	
24.	Sawal hasibuan	Community representative	
25.	Syamsir Hasibuan	Community representative	
26.	Ahmad Hasibuan	Community representative	
27.	Parubahan Hasibuan	Community representative	
28.	Haris Harahap	Community representative	
29.	Samin Harahap	Community representative	
30.	Babinda hasibuan	Community representative	
31.	Sajiono	Community representative	
32.	Sutan Saidi hasibuan	Community representative	
33.	Sonang Hasibuan	Community representative	
34.	Mawardi DLT	Community representative	
35.	Taslim Tanjung	Community representative	
36.	Abdurahman DLT	Community representative	
37.	Ajiam Hasibuan	Community representative	
38.	Sakti Lubis	Community representative	
39.	H. TK. Mahmud Hs	clargy	
40.	M. Partomuan, SE	Local Manpower departement	
41.	M. Kamal Hasibuan	Community leader	
42.	Ifensyayuti Hsb	BPD member	
43.	M.Mandurna Nasution	Youth leader	
44.	Moria Husin Hasibuan	Head of village Tobing Tinggi	
45.	Jasman Lubia	Hatobangun /traditional leader	
46.	Mawardi		
<b>Interview during main assessment</b>			
47.	Jourdan Wardhana	Assistant Director	PT FMP&I
48.	Goldman Saragih	Deputy General Manager	PT FMP&I
49.	Murni Lukas	General Manager	PT FMP&I
50.	BM Saragih	Mill Manager	PT FMP&I
51.	Sudirman Sembiring	Estate Manager	PT FMP&I
52.	Malpinta Purba	Estate Manager	PT FMP&I
53.	Semangat Sembiring	Estate Manager	PT FMP&I
54.	L. Yongky	Observer	PT CUS
55.	Tri Budiharto	Observer	PT CUS
56.	Rezeki Sitepu	Staff PIA	PT FMP&I
57.	Toni Purwadi	Legal	PT FMP&I
58.	Sonang P Malau	Agronomist	PT FMP&I
59.	Junaidi	Licencing	PT FMP&I
60.	Ferdi Ivan	General Affairs	PT FMP&I
61.	Indra Purnama	Public relation	PT FMP&I

62.	Sutan Kelana Hasibuan	Gunung Manaon	Village Head
63.	Sutan Parluhutan Hasibuan	Gunung Manaon	BPD head
64.	Marahusin Hasibuan	Tobing Tinggi	Village Head
65.	Jasman Lubis	Tobing Tinggi	Community Representative
66.	Parlaungan Harahap	Marlaung	Village Head
67.	Tuan Kholiba Yahya Harahap	Marlaung	Religious leader
68.	Sonang Hasibuan	Pasir Lancat	Village Head
69.	Koirudin Hasibuan	Pasir Lancat	BPD leader
70.	Baharudin Hasibuan	Pasir Lancat	Hatobangun
71.	Baginda Hasibuan	Jambu Tonang	Village Head
72.	Parubahan Hasibuan	Ujung Gading Julu	Village Head
73.	Taufik Rejeki	Ujung Gading Julu	LPMD Head
74.	Aman Siregar	Ujung Gading Julu	RT 05 Head
75.	Risun	Ujung Gading Julu	RT 02 Head
76.	Renta	Daily paid Worker	PT FMP&I
77.	Indah	Daily paid Worker	PT FMP&I
78.	Efi	Daily paid Worker	PT FMP&I
79.	Ersita	Daily paid Worker	PT FMP&I
80.	Winda	Daily paid Worker	PT FMP&I
81.	Hasan Wijaya	Supplier	CV Jaka Purwa
82.	Hariato	Supplier	CV Ivan Motor
83.	Sakiman	Supplier	PT Tunas Sejahtera
84.	FFB driver	Contractor - FFB transporter	Jaka Purwa
85.	Helper	Contractor - FFB transporter	Jaka Purwa
86.	Adi	Contractor for Housing construction	PT Tunas Sejahtera Abadi
87.	Andi	Contractor for Housing construction	PT Tunas Sejahtera Abadi
88.	Rahmat Lawolo	Security of Aek Kulim Estate	PT FMPI
89.	Salida Tri Palusi	Female Worker	PT FMPI
90.	Suasti Boru Tarigan	Company School Teacher	PT FMPI
91.	Perdinan Sitorus	Mill Maintenance Staff	PT FMPI
92.	Masron	Mill processing staff	PT FMPI
93.	Ramadan	Workshop staff and head of Worker Union	PT FMPI
94.	Geri Damanik	Technician	PT FMPI
95.	Suyetno	Company Driver	
96.	Juliana (female)	Aek Kulim Estate Bookkeeping staff	PT FMPI
97.	Eddy Suwanto	Burnei Timur estate harvester	PT FMPI
98.	Darmi	Burnei Timur estate chemical sprayer (female)	PT FMPI
99.	Nanet	Burnei Timur estate chemical sprayer (female)	PT FMPI
100.	Noraini	Burnei Timur estate chemical sprayer (female)	PT FMPI
101.	Sumiati	Burnei Timur estate chemical sprayer (female)	PT FMPI
102.	Robiatha	Burnei Timur estate chemical sprayer (female)	PT FMPI
103.	Mariaton	Burnei Timur estate chemical sprayer (female)	PT FMPI
104.	Maria	Burnei Timur estate chemical sprayer (female)	PT FMPI
105.	Patona	Burnei Timur estate chemical sprayer (female)	PT FMPI
106.	Kasih	Burnei Timur estate chemical sprayer (female)	PT FMPI
107.	Agus Riani	Burnei Barat estate harvester (male)	PT FMPI
108.	Mas Jati	Burnei Barat estate harvester (male)	PT FMPI
109.	Aryain	Burnei Barat estate mandore (male)	PT FMPI
110.	Soriati	Burnei Barat estate chemical sprayer (female)	PT FMPI
111.	Sonai	Burnei Barat estate chemical sprayer (female)	PT FMPI
112.	Maryeti	Burnei Barat estate chemical sprayer (female)	PT FMPI
113.	Munika Agus	Burnei Barat estate chemical sprayer (female)	PT FMPI

114.	Ayu	Burnei Barat estate chemical sprayer (female)	PT FMPI
115.	Masnun	Burnei Barat estate chemical sprayer (female)	PT FMPI
116.	Halima	Burnei Barat estate chemical sprayer (female)	PT FMPI
117.	Ramatin	Mill drain cleaner (female)	PT FMPI
118.	Mursiam	Mill drain cleaner (female)	PT FMPI
119.	Harnis	Mill drain cleaner (female)	PT FMPI
120.	Ekar	FFB transporter - contracted (male)	PT FMPI

**Appendix 5: Opportunities for Improvement and Observations**

No.	Opportunities for Improvement /Observations	Criteria
1	The company should conduct evaluation of compliance to specific articles in legal requirements that apply to the company's activities, in order to demonstrate that they are capable of complying with all the relevant articles in each applicable legal regulation, and not only conduct a general evaluation to of legal compliance.	2.1
2	The company should make a complete list of all regulations related to the company's activities. The company currently has a list but it is incomplete.	2.1
3	The company should ensure that their conflict resolution mechanism is accepted by all relevant stakeholders, not only villagers surrounding company's area.	2.2
4	The company should update periodically their list of applicable legal and other requirements as evidence that company complies with all applicable regulations.	2.2
5	The company should maintain all records regarding negotiation processes, whether conducted in a formal or informal manner, especially negotiations on land acquisition. Currently, the records are only maintained for formal negotiations held, and records are maintained at the main office but no records are provided to the land claimers.	2.2
6	The company should provide copies of their map showing locations of traditional rights areas within the company to village heads, and make copies available for interested parties upon request at entry gates and any other suitable places.	2.3
7	The company should ensure all communities which have traditional rights within PT FMP&I's area receive a copy of the documented MoU regarding these traditional rights that was already signed by all parties.	2.3
8	The company should ensure all latest revised standard operation procedure are available at all sites.	4.1
9	New work Instructions dated 1 August 2009 for management of Pests and Diseases are available, but these work instructions were not available at Aek Sigala-gala estate office. There is also no recent SOP for conducting census of pests, this SOP is only available in the old SOP document dated 2007.	4.1
10	The estates have records of regular leaf and soil analysis but not visual analysis.	4.2
11	Aek Barumon estate has no records of trainings conducted for IPM implementation, although other estates have training records for IPM.	4.5
12	MSDS for some chemicals at Aek Sigala-gala estate's chemical store, eg. Garlon (a.i. Triclorpyr) and Klerat (a.i. Brodifacoum) were not available. Company should provide MSDS or any similar instruction for chemical material handling to assure that all chemical material are properly used.	4.6
13	It was found that blood analyses results of several workers handling chemicals on a regular basis has a relatively high chemical content in their blood, nearing the safety threshold. The company should monitor the health of their employees closely and analyze the results of the monthly medical checks conducted.	4.7
14	First aid training for chemical sprayers is insufficient as the sprayers were found to lack understanding in first aid related to accidental pesticide poisoning.	4.7
15	There are observations that provision of PPE or first aid requires improvement, or that safety measures taken are insufficient, for example: - Sprayers at Aek Sigala-gala estate were not provided with goggles, and one of male workers at Aek Sigala-gala estate complained of having poor vision in one eye, although other sprayers have not experienced any health problems. - During a visit to the Aek Sigala-gala chemical store, no mask was provided prior to entering the store, and it was noted that cloth gloves are used by the chemical handlers, which is inappropriate as chemicals can easily absorb through the gloves to the skin.	4.7



	<ul style="list-style-type: none"> <li>- The harvesting mandore at Aek Kulim estate had a first aid which was not fully equipped, ie. It contained iodine and betadine, but no cotton gauze or bandages.</li> <li>- A worker performing gas welding work was wearing a mask but no eye protection.</li> <li>- Sprayers seen at Aek Sigala-gala estate were found carrying chemical containers that were not covered (which could easily lead to spillage of the chemicals) and one sprayer was observed carrying a chemical container on her head.</li> </ul>	
16	Trainings conducted should be carried out based on identification and analysis of trainings needs of employees, as stated in the company SOP for development of employee trainings. Currently, trainings are not conducted based on training needs, but only as routine trainings.	4.8
17	The Environmental Aspects and Impacts register for all estates and the mill also included identification of safety and health issues, eg. for storage of petrol, it was identified that this could cause breathing problems, or in event of fire, could cause fatalities. These should not be included under the Environmental Aspects and Impacts register.	5.1
18	The company did not have records of regular report to the government on their progress of environmental management based on their Penyajian Evaluasi Lingkungan (PEL) document. The company should prepare regular reports once every 6 months to the local environmental department based on their approved AMDAL document, as required by local law.	5.1
19	The company's management and monitoring program should be improved to include more detailed information such as a schedule for implementation of activities, persons-in-charge and resources required.	5.2
20	The chemical mixing area for Aek Sigala-gala estate is located at a drain in front of the chemical store, but water from the drain flows directly into the land with no containment. A spill kit is present but may not be sufficient to contain large chemical spills.	5.3
21	It was found on-site that at a landfill for domestic organic waste disposal, inorganic wastes were disposed of in the same landfill. The company should implement a consistent separation method for organic and inorganic wastes, and monitor implementation of this method.	5.3
22	The company did not make their social impact management and monitoring plan available to all parties that are impacted by company's activities, or make the results of monitoring activities publicly available as well. This should be carried out as part of efforts to ensure the surrounding communities agree to the company's plans to manage these social impacts.	6.1
23	The company should make their internal communication mechanism flow chart available at public areas such as division offices, housing, and other public areas to be easily viewed by workers.	6.3
24	The company should ensure consistent implementation of existing procedures and ensure that any changes to communication procedures will be discussed with relevant stakeholders. Record of revisions made to procedures should be maintained.	6.3
25	The company should have personal data for all temporary workers not only permanent workers, to ensure that all workers meet company regulations pertaining to minimum age requirements and other requirements.	6.5 & 6.8
26	The company should provide appropriate PPE based on identified risks or potential risks. It was found during site visits that the cost of safety boots for daily temporary workers is deducted from their monthly salary. This is inconsistent with the statement in the company's latest working agreement with the worker union (SKP).	4.7 & 6.5
27	The company should provide better childcare facilities such mattresses, pillows and playing grounds at their childcare centres.	6.5