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Roundtable on Sustainable Palm Oil

Annual Surveillance Audit Report

Report no.: ASA282450216053

Surveillance assessment against the
RSPO Principles & Criteria INA NI 2016 and RSPO SCCS Nov 2014

PT Perkebunan Nusantara III (Persero) Sisumut Mill

Head Office:

Jalan Sei Batang Hari No. 2, Medan, North Sumatera Province, Indonesia

Date of assessment:

August 28 to 31, 2017

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TABLE OF CONTENTS

1.0 SCOPE OF ANNUAL SURVEILLANCE AUDIT 3

1.1 National Interpretation Used.....	3
1.2 Type of Assessment.....	3
1.3 Certification Details.....	3
1.4. Location and Maps.....	4
1.5 Organisational Information / Contact Person.....	6
1.6 Description of Supply Base.....	7
1.7 Actual production volumes, tonnages and projected outputs.....	7
1.8 Dates of Plantings and Replanting Cycles.....	8
1.9 Area of Plantation (Total, Planted and Mature).....	8
1.10 Progress Against Time Bound Plan.....	9
1.11 Compliance to Rules for Partial Certification.....	9
1.11 Compliance to other RSPO Procedure.....	11
1.12 Compliance to RSPO Guidance on GHG calculation.....	11
1.13 Progress of associated smallholders or outgrowers towards RSPO compliance.....	11
1.14 Approximate Tonnages Certified.....	11

2.0 ASSESSMENT PROCESS 12

2.1 Certification Body.....	12
2.2 Qualifications of Lead Assessor and Assessment Team.....	12
2.3 Assessment Methodology & Agenda.....	13
2.4 Stakeholder Consultation and Stakeholders Contacted.....	15

3.0 ASSESSMENT FINDINGS..... 15

3.1 Summary of Findings.....	15
3.2 Status of Previously Identified Non-conformities.....	47
3.3 Identified Non-conformances, Corrective Actions Taken and Auditors Conclusions.....	50
3.4 Noteworthy Positive Components and Potential for Improvement.....	52
3.5 Conclusion and Recommendation for RSPO P & C and Supply Chain Certification.....	53
3.6 Issues Raised by Stakeholders and Findings Pertaining to Issues.....	53

4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY 54

4.1 Date of Next Surveillance Visit.....	54
4.2 Acknowledgements of Internal Responsibility and Formal Sign-Off by Client.....	54
Appendix 1: Details of Revised Certificate (if applicable).....	55
Appendix 2: List of Abbreviations.....	57
Appendix 3: List of Stakeholders Interviewed and Contacted.....	57

1.0 SCOPE OF ANNUAL SURVEILLANCE AUDIT

1.1 National Interpretation Used

The operations of the palm oil mill(s) and its supply base of FFB were assessed against RSPO Principles & Criteria INA NI 2016 and RSPO SCCS Nov 2014 with selected Supply Chain Model of MB.

1.2 Type of Assessment

The 2nd annual surveillance audit was carried out on 1 (one) and 2 (two) estates (Sisumut estate and Aek Nabara Utara estate) under PT Perkebunan Nusantara III (Persero).

1.3 Certification Details

The details of RSPO certification of PT Perkebunan Nusantara III (Persero) – Sisumut Mill are as per the table below

Table 1: RSPO Certification details of PT Perkebunan Nusantara III (Persero) – Sisumut Mill

RSPO Membership no.:	1-0030-06-000-00
RSPO Certificate no.:	RSPO 824 502 16053
Date of first RSPO certificate & validity:	October 15, 2015 & Validity October 15, 2016 until October 14, 2020
Date of certification audit:	November 28 – December 03, 2011
Date of previous surveillance audit:	August 29 - September 02, 2016
Date of revised RSPO certificate & validity (if applicable):	N/A
CPO tonnages claimed:	39,926.25 MT
PK tonnages claimed:	7,897.50 MT
Mill capacity	30 tonne FFB/hour
Net GHG Calculation this year (tCO₂e/tCPO)	24.81

RSPO Annual Surveillance Audit Report
PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut
North Sumatera, Indonesia

Rev.2

Page 5 of 57

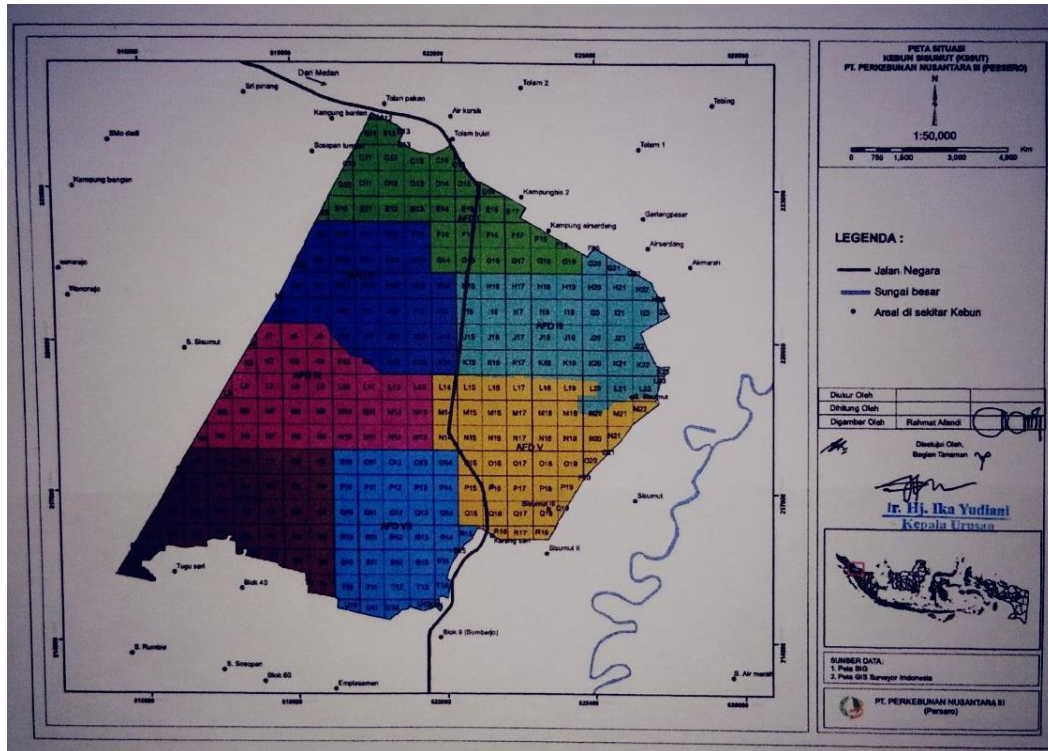


Figure 2: Map of Sisumut Estate

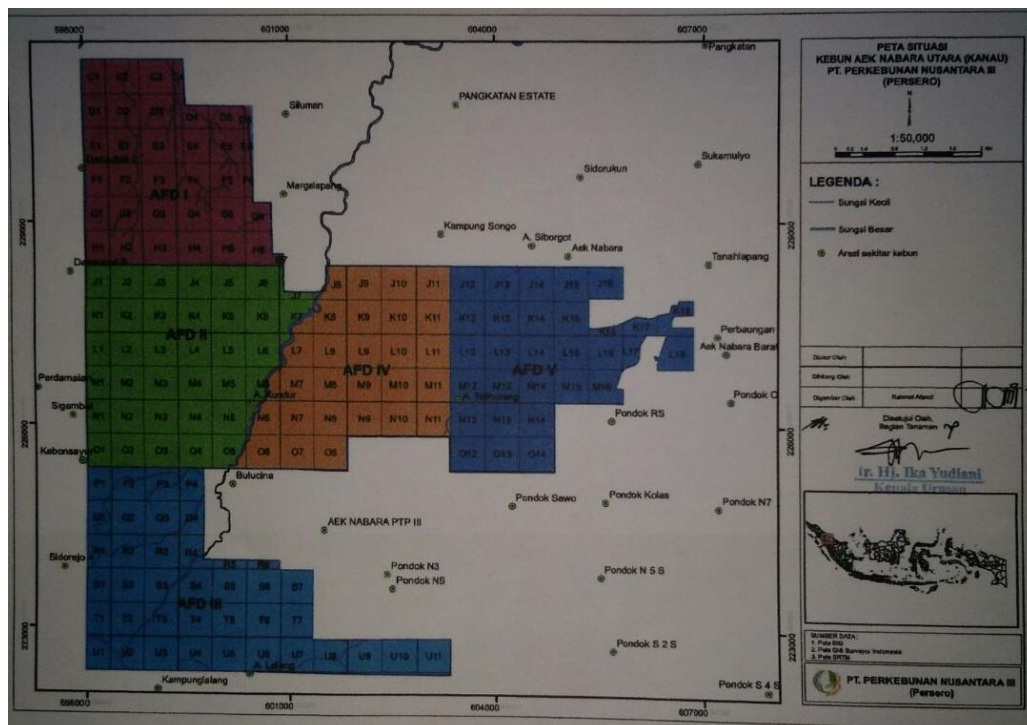


Figure 3: Map of Aek Nabara Utara Estate

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

Name of mill / estate	Location	GPS locations	
		Latitude	Longitude
Sisumut Palm Oil Mill	Kota Pinang Sub District, Labuhan Batu Selatan District, Province of Sumatera Utara, 21464	01°57'50.5" S	100°06'29.4" E
Sisumut Estate	Sisumut Village, Kota Pinang District, District of Labuhanbatu Selatan, Province of Sumatera Utara	01°57'31,307" S	100°6'14,470" E
Aek Nabara Utara Estate	Bilah Hulu Subdistrict, District of Labuhan Batu, Province of Sumatera Utara	02°4'38,109" S	99°51'15,142" E

1.5 Organisational Information / Contact Person

Contacts details of the company are as follows:

Company Name:	PT Perkebunan Nusantara III (Persero) – Sisumut Palm Oil Mill
Address:	Head Office: Jalan Sei Batang Hari No.2, Medan, Sumatera Utara Province
	Sisumut Mill & Estate: Desa Sisumut, Kecamatan Kota Pinang, Kabupaten Labuhan Batu Selatan, Provinsi Sumatera Utara.
	Aek Nabara Utara Estate: Kecamatan Bilah Hulu, Kabupaten Labuhan Batu, Provinsi Sumatera Utara
Contact Person:	Mr. Erwin Mirza Arief
Telephone:	+6261 8452244 / +6261 8455177
Email:	ptb@email ptn3.co.id

1.6 Description of Supply Base

Table 3: FFB Supply Information for Sisumut Mill, period 2016 & 2017

FFB Contributors	FFB supplied Tonnes*		FFB supplied Tonnes**	
	Tonnes	%	Tonnes	%
1. Certified sources, company owned estates (within audit scope):				
1. Sisumut Estate	114,692.430	66.61	78,894.290	77.12
2. Aek Nabara Utara Estate	33,907.220	19.69	15,740.690	15.39
2. Certified sources, company owned estates (out of audit scope):				
3. Rantau Prapat	545.400	0.32	587.820	0.57
4. Mambang Muda	791.590	0.46	53.300	0.05
5. Labuhan Haji	4,018.470	2.33	33.150	0.03
6. Aek Nabara Selatan	2,490.760	1.45	996.310	0.97
Sub total of certified owned estates	156,445.870	90.86	96,305.560	94.14
2. Uncertified sources, company owned estates (out of audit scope):				
1. Bagan Batu	579.840	0.34	1,272.690	1.24
2. Hapesong	91.640	0.05	160.320	0.16
3. Uncertified sources, Outgrowers				
1. UD GUE	9,015.290	5.24	-	-
2. BERKAH JAYA	2,156.960	1.25	947.620	0.93
3. PRATAMA DANISYAH	2,183.350	1.27	525.260	0.51
4. MELALA REZIKINTA	290.620	0.17	-	-
5. SURYA DARMA	1,351.590	0.78	-	-
6. RAM SINAR JAYA	70.380	0.04	-	-
7. Aqila	-	-	3,085.680	3.02
Sub Total of uncertified sources	15,739.670	9.14	5,991.570	5.86
TOTAL FFB Received	172,185.540	100	102,297.130	100

: *) Data from January to December 2016

***) Data from January to July 2017

1.7 Actual production volumes, tonnages and projected outputs.

Table 4: Certified tonnages claimed, certified tonnages purchased or sold, total and projected CPO and PK production from Sisumut Mill

Item	Amount (MT)	
	CPO	PK
Certified tonnages claimed	34,306.13	6,749.49
Certified tonnages sold*	5,500.00	3,200.00
Certified tonnages purchased*	0	0
Actual Production*	37,277.60	8,064.10
Actual certified production**	33,870.53	7,321.67
Actual certified production (within scope)***	32,171.82	6,954.46
Actual OER & KER	21.65	4.68
Projected Total FFB for next 12 months (Jan – Dec 2017)	186,287.43	
Projected Certified FFB for next 12 months (Jan – Dec 2017)	175,500.00	

Projected total output for next 12 months	42,380.39	7,930.38
Projected certified output for next 12 months	39,926.25	7,897.50
Projected OER & KER for next 12 months.	22.75	4.50

*Data from January to December 2016

***) Raw Material (FFB) from Sisumut Estate, Aek Nabara Utara Estate, Rantau Prapat Estate, Mambang Muda Estate, Labuhan Haji Estate & Aek Nabara Selatan Estate (Data of January to December 2016)

****) Raw Material (FFB) from Sisumut Estate & Aek Nabara Utara Estate (Data of January to December 2016)

1.8 Dates of Plantings and Replanting Cycles

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

Table 5: Age and year of plantings of company estate supplying to Sisumut Mill

Age & Year of Plantings	Oil palm planted area at each estate(ha)	
	Sisumut Estate	Aek Nabara Utara Estate
0 – 5 yrs (2012 – 2016)	0	579.72
5-10 yrs (2007 – 2011)*	66.24	151.9
10-15 yrs (2002 – 2006)*	4263.62	674.47
15-20 yrs (1997 – 2001)	528.66	464.36
20-25 yrs (1992 – 1996)	669.35	233.32
25-30 yrs (1987 – 1991)	70.16	161.8
TOTAL	5598.03	2265.57

*) replanted palms

Table 6: Planned and actual oil palm replanting activities for PTPN 3 Sisumut Mill

Year	Total planned replanting area (ha)	Total planned replanting area for each estate (ha)		Actual total area replanted (ha)
		Sisumut	Aek Nabara Utara	
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-

Note: Sources are Rencana Jangka Panjang (RJP) 2015 – 2019

1.9 Area of Plantation (Total, Planted and Mature)

Table 7: Oil Palm Planted Area Summary, FFB Production and Average yield/ha for PT PN 3 Sisumut Mill

Estate Name	Total area (ha)	Oil Palm Planted area (ha)	Mature (Production) area (ha)	Immature (Non-production) area (ha)	FFB Production* (tonnes)	Average yield/ ha
Sisumut	5725.00	5598.03	5598.03	0	138,804.580	24.80
Aek Nabara Utara	3714.31	2265.57	1909.2	356.37	42,193	22.09
TOTAL	9439.31	7863.6	7507.23	356.37	180,997.58	23.445

Table 8: Land use data for PT PN 3 Sisumut Mill

Estate Name	Total area (ha)	Rubber Planted Area (ha)	Oil Palm Planted Area (ha)	HCV/Potential HCV areas* (ha)	Land used for other purposes (ha)			
					Building	Road network	Reserve (ex. Nursery, ex. Claim etc)	Other Purposes
Sisumut	5725.00	0	5598.03	29.71*	27.4	31.1	35.46	33.01**
Aek Nabara Utara	3714.31	1271.97	2265.57	131.01*	135.79	12.98	27.5	0.5***
TOTAL	9,439.31	1,271.97	7,863.6	160.72*	163.19	44.08	62.96	33.51

Note: *) include in oil palm planted area.

**) Conservation area in Sisumut Estate for HCV

***) area allocated for local government in Aek Nabara Utara Estate

1.10 Progress Against Time Bound Plan

Table 9: Time Bound Plan of the Other Management Units

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

1.11 Compliance to Rules for Partial Certification

Compliance of the uncertified management units PT Perkebunan Nusantara III (Persero) against the rules for partial certification according to RSPO Certification System clause 4.2.4 was assessed by by submission self assessment report. A summary of findings is as stated below.

Partial Certification Requirements	Audit Findings
(a) The parent organization or one of its majority owned and / or managed subsidiaries is a member of RSPO.	PT Perkebunan Nusantara III (Persero) is RSPO member with membership number 1-0030-06-000-00
(b-d) A challenging time-bound plan for certifying all its relevant entities is submitted to the Certification Body (CB) during the first certification audit. The time-bound plan should contain a	PTPN III has a time-bound plan to achieve RSPO certification for all relevant entities as shown in the table 9

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 10 of 57

<p>list of subsidiaries, estates and mills.</p> <p>Any revision to the time-bound plan or to the circumstances of the company shall cause the plan to be reviewed. for whether it is still appropriate, such that changes to the time-bound plan are permitted only where the organisation can demonstrate that they are justified</p>	
<p>(e) No replacement of primary forest or any area identified as containing High Conservation Values (HCVs) or required to maintain or enhance HCVs in accordance with RSPO criterion 7.3. Any new plantings since January 1st 2010 must comply with the RSPO New Plantings Procedure</p>	<p>PTPN III's development of a new planting area (Muara Upu at South Tapanuli) had been raised before as a major noncompliance by TUV Rheinland audit team, which is now closed as the company has carried out applying NPP in accordance with this clause and the progress under reviewing of Compensation Task Force. Based on communication with PT PN III. The company still waiting for Head of District decision response, for land exchanged process since the land was included on peat moratorium area according to President of Republic Indonesia decree letter no. 6 year 2013.</p>
<p>(f) Land conflicts, if any, are being resolved through a mutually agreed process, e.g. RSPO Grievance procedure or Dispute Settlement Facility, in accordance with RSPO criteria 6.4, 7.5 and 7.6.</p>	<p>There are some land conflicts/ potential land conflicts ongoing in other PTPN III's management units, such as Silau Dunia. While the company has already made a conflict resolution mechanism, these conflicts remain unresolved as the mechanism is still not agreed by the land claimants.</p>
<p>(g) Labour disputes, if any, are being resolved through a mutually agreed process, in accordance with RSPO criterion 6.3.</p>	<p>TRID Auditor got the issues regarding labour disputes in the unit operational under management of PTPN III after the ASA-01 has conducted. To this matter, TRID Auditor conducted the unannounced inspections on November 29, 2017 in the Sei Baruhur, Sei Kebara and Torgamba Estate. Based on the inspection TRID Auditor found several issue regarding labour disputes i.e.: fertilizer workers in Sei Baruhur did not use PPE; the workers did not have any contract document, not coverage by BPJS (health insurance), did not understood regarding wages, sprayer workers in Sei Kebara did not use complete PPE, and in Torgamba estate found chemical workers is under age (17 years old); not used PPE, also they id not understand regarding chemical type they used and applied in field. After that, TRID Auditor conducted the special audit on December 12 – 13, 2017. Based on this activity TRID Auditor got the conclusion:</p> <ul style="list-style-type: none"> - PTPN III has budgeted 2.8 billion to provide PPE to all worker who work under PTPN III. Also related estate above submit record of PPE distribution to all workers include to sparyer and fertilizer workers. - PTPN III instructs contractors to make payment of employment insurance contributions and PTPN III has been able to show payment receipts of employment insurance contribution from contractors. - PTPN III has been able to show the agreement contract employee. The agreement contract has revised in accordance with the Law No. 13 of 2003 regarding Labours.

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 11 of 57

	The effectiveness of this matter will be detail verified on the next surveillance audit.
(h) Legal non-compliance, if any, are being resolved in accordance with the legal requirements, with reference to RSPO criteria 2.1 and 2.2.	Some of PTPN III's other management units have not complied with certain legal requirements. For example, in Silau Dunia Estate under another PTPN III management unit, an issue has been found with the area stated under the Right of Cultivation certificate (HGU). However, the company is taking action by inviting National Land Agency (BPN) to re-measure the land and resolve the issue. The process is still ongoing. Some legal non-compliance found, it has been reported on surveillance audit report for each PTPN 3 unit.

1.11 Compliance to other RSPO Procedure

RSPO NPP	N/A
RSPO Compensation and Remediation procedure	N/A
Areal Subject to sanction	N/A

1.12 Compliance to RSPO Guidance on GHG calculation

During the audity, the audit tema verify and confirm that

The RSPO PalmGHG Calculator used	Yes, Version 3.0.1
Accurate data has been put into the RSPO PalmGHG Calculator	The data are sourced from unit's self-monitoring according to Palm GHG Calculator, which consist POM and its suply bases.
Net GHG Emission Figure (tCO ₂ e/tCPO)	24.81

1.13 Progress of associated smallholders or outgrowers towards RSPO compliance

There is no smallholder scheme in PT Perkebunan Nusantara III (Persero) that supplies to Sisumut Palm Oil Mill. Additional FFB is supplied from independent outgrowersout growers.

1.14 Approximate Tonnages Certified

The approximate tonnages certified shall be the same as per the original certificate, which is as follows

Crude Palm Oil (CPO) : 39,926.25 MT
Palm Kernel (PK) : 7,897.50 MT

1.15 Other Achievement s and Certification Helds

Name of mill / estate	Certification Standard / Award achieved	Certification Body / Awarder	Date Achieved

2.0 ASSESSMENT PROCESS

2.1 Certification Body

PT TUV Rheinland Indonesia is member of Group TÜV Rheinland Group, a global leader in independent testing and assessment services. The TÜV Rheinland Group was established in 1872 with offices located in over 490 locations in 62 countries on all five continents. PT TUV Rheinland Indonesia offers certification for a wide range of management systems according to established international standards including ISO 9001, ISO 14001, OHSAS 18001, SA 8000, as well as CDM Validations and Verifications. PT TUV Rheinland Indonesia's office is located in Jakarta.

2.2 Qualifications of Lead Assessor and Assessment Team

The assessment team members of this 2nd surveillance audit that were part of the same assessment team for 1st surveillance audit is Wahyu (team member)

New assessment team members that were not part of the previous assessment team are as per the table below:

Name	Position	Qualifications / Experience
Daulatul Wahyu	Lead Auditor	<p>Education: Bachelor degree of Mechanical Engineering - University of Indonesia and Magister of Manufacturing - Pancasila University</p> <p>Relevant trainings: ISO 9001 and ISO 14001 IRCA Lead Auditor Training, Training of ISO 28000, TOT of Maritime Security, ISO 22000, and OHSAS 18001, SVLK Lead Auditor Training, COC – LEI Lead Auditor Training, VLO & RIL Training, ISPO Lead Auditor Training, and RSPO Lead Auditor Training.</p> <p>Professional experience: Around 8 (eight) years as technician and engineer at manufacturing industries, 3 (three) years as QHSE Head at independent surveyor and inspection services company, 3 (three) years as QHSE Consultant, and 6 (six) years as auditor of ISO 9001, ISO 14001, OHSAS 18001, SVLK, COC – LEI, SVLK for Industry, ISPO and RSPO.</p>
Andreas Budi Rahutomo	Lead Auditor (under monitoring)	<p>Education: Bachelor of Forestry – Universitas Gadjah Mada.</p> <p>Relevant trainings: RSPO LA Training, Upgrading ISO 9001:2015; Lead Auditor IRCA Approved ISO 9001, ISPO Lead Auditor Training, IFCC Auditor Training, RSPO Supply Chain Auditor Training, FSC FM/CoC Auditor Training.</p> <p>Professional experience: 5 years of working experience. Consultancy in several environmental projects (forestry and climate change) i.e. Forest Carbon Partnership Facility (Ministry of Forestry – World Bank), UNDP REDD+, and Indonesian Palm Oil Pledges (IPOP). Auditing experiences as palm oil and forestry auditor for several certification bodies i.e. Control Union, Bureau Veritas, and currently as permanent auditor at TUV Rheinland.</p>
Budi Setiawan	Auditor	<p>Education: Bachelors Degree in Forestry - Bogor Agriculture University, Indonesia, (2004 to 2008).</p> <p>Trainings attended: Indonesian Sustainable Palm Oil (ISPO) Lead Auditor Course by Komisi ISPO, Quality Management System (QMS) Auditor/Lead Auditor by IRCA (ISO 9001:2008), Environmental Management Systems Auditor/Lead Auditor Conversion Training by IRCA (ISO 14001-</p>

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 13 of 57

		<p>2004), Calculation of Green House Gas at Palm Oil Plantation by Komisi ISPO, SVLK Auditor Training by Ministry of Forestry, CoC Auditor by LEI, PUB and Café training by ministry of tourism, HCV Training, RSPO P&C and SCCS Training (2016)</p> <p>Work experience: Staff RSPO in PT MAS (2008-2009), Staff Planning & Analysis in PT Bakti Sukses Mandiri (2009-2010), PT Mutu Hijau Indonesia, Jakarta as Technical Manager (2015-2016) and HR and finance manager (2014-2015), Auditor in PT Mutu Hijau Indonesia (2010-2016), and Auditor in PT TUV Rheinland Indonesia (2016-present)</p>
Doni	Auditor	<p>Education: Master in Rural Sociology, Graduate School of Bogor Agricultural University completed in 2005.</p> <p>Training attended: GIS Training, Auditor Training of Indonesian Sustainable Palm Oil (ISPO), Training of Participatory Mapping, Training of Document Preparation HCV and SIA, Auditor Training of Sustainable Production Forest Management (SFM), Training and Up-Grading of SFM, Training of Mentoring technique for the Rural Farmers, Conflict Resolution Training and Journalism Training.</p> <p>Working experience: Frequently conducted certification audits of RSPO and ISPO for Palm plantation, the certification audit of SFM (Sustainable Production Forest Management) for HPH and HTI, worked as a consultant for the National Development Planning Agency, Ministry of Environment and Forestry, Indonesian People Bank (BRI), Ministry of Rural Development (KPDT) and the Ministry of Public Works, Director General of Cipta Karya, JICA and UN-HABITAT and UNDP, HCVF document drafting team for the company of HTI, HPH and constituent team for documents of HCV / SIA for oil palm plantations. Since March 2016 till now, work at PT. TUV Rheinland Indonesia.</p>

2.3 Assessment Methodology & Agenda

The surveillance audit was conducted between 28 – 31 August 2017 as per the assessment program below. The assessment was carried out in accordance with PT TUV Rheinland Indonesia's RSPO audit procedure as well as the RSPO Certification Systems document. During assessment, the qualified TUV Rheinland assessors used the RSPO standard as endorsed for the country in which the assessment took place and recorded their findings.

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

All 2 estates and 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. Verification of closure of major non-conformances was conducted 2 months after the closing meeting of the assessment and implementation of corrective actions for minor non-conformities will be verified during the next surveillance audit. The certification assessment agenda is as explained below.

Assessment Agenda.

Date	Location/ Main sites	Main activities
August 28, 2017	Sisumut Estate	<p>Opening meeting Field and Document Verification about :</p> <ul style="list-style-type: none"> • Compliance of regulation • Agrochemical • Training

		<ul style="list-style-type: none"> • Waste • Efficiency of energy • GHG • NPP (if any) • Continuous improvement • Transparency • Land Conflict • Social and employee • Legal Land • Procedures • EIA • OSHAS • HCV • Management plan • Procedure • Best Practices • Zero burning
August 29, 2017	Aek Nabara Utara Estate	<p>Field and Document Verification about :</p> <ul style="list-style-type: none"> • Compliance of regulation • Agrochemical • Training • Waste • Efficiency of energy • GHG • NPP (if any) • Continuous improvement • Transparency • Land Conflict • Social and employee • Legal Land • Procedures • EIA • OSHAS • HCV • Management plan • Procedure • Best Practices • Zero burning
August 30, 2017	Sisumut POM	<p>Field and document verification about :</p> <ul style="list-style-type: none"> • Compliance of regulation • Training • Waste • Efficiency of energy • GHG • NPP (if any) • Continuous improvement • Transparency • Land Conflict • Social and employee • Legal Land • Procedures • EIA • OSHAS • HCV • Management plan • Procedure • Best Practices • Zero burning • SCCS Nov 2014 <p>Internal meeting for all auditor</p>

		Closing meeting for Estate and Mill
August 31, 2017	Director Office – Medan	<ul style="list-style-type: none"> • Document check for legal requirements, EIA, HCV, Worker policy, and related documentation, SCCS • Internal meeting for all auditor • Closing meeting for Estate and Mill

2.4 Stakeholder Consultation and Stakeholders Contacted

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

Stakeholder consultation took place in the form of stakeholders visit and interviews. Visit to stakeholders were held to seek their views on the performance of the company with respect to the sustainability practices outlined in the RSPO Principles & Criteria, and to comment on aspects where improvements could be made. Meetings with local communities were held at their respective premises within and near the company's area. In all the interviews and meeting, the objectives of the RSPO and the purpose of the assessment was clarified at the outset followed by an evaluation of the relationship between the stakeholders and the company before discussion proceeded to obtain the stakeholders feedback on the company's compliance to different aspects of the RSPO Principles & Criteria. Although several stakeholders were not familiar with RSPO but they agreed with its objective and expressed their willingness to collaborate in the promotion of sustainable palm oil in 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 PTPN 3 Sisumut estates and mill.

The stakeholder consultation meeting held with stakeholders during the audit was extensive and productive, 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 interviewed during the assessment is included as Appendix 4.

3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

During the 2nd surveillance audit, the status of previous audit findings were explained on section 3.2. Identified nonconformities were assigned during this year surveillance audit i.e. 6 (six) nonconformitis against Major Compliance indicators while 0 (zero) nonconformities were assigned against Minor Compliance Indicators. 11 (eleven) observations or opportunities for improvement were identified. Further explanation of the non-conformities raised and corrective actions taken by the company are provided in Section 3.3. The observations & opportunities for improvement are listed in Section 3.4.

The following is a summary of findings made for the criteria listed in the RSPO Principle and Criteria – INA NI 2016.

Criterion 1.1: Growers and millers provide adequate information to relevant stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages and forms to allow for effective participation in decision making.

Findings:

In order to build good relationship with those stakeholders, the company have SOP Stakeholders Communication and Consultation No. Document: PK – 3:00 – 03, second revision and dated December 1, 2015.

List of stakeholders consist of Sisumut, Aek Nabara Utara Estate and Sisumut POM based on stakeholder categorization, and update of stakeholder list is done periodically. Company representative who communicate with stakeholders is *Asisten Personal Kebun (APK)* and assisted by District General Staff. Information from company informed by APK to community and usually this information is related with

Compliance status:

Yes No

NCR No.:

community request and corporate social responsibility programs. Information of corporate social responsibility programs informed to village head in the village or estate officer. As for the example, company had been conducted a socialization about Conflict Resolution and Grazing Areas for the communities surrounding Sisumut Estate, February 10, 2017 in the employee hall KSSUT.

In managing stakeholders, company has build constructive communication with stakeholders with reference to SOP Stakeholders Communication and Consultation. Based on this SOP, in point 6 stated that responsibility to handle stakeholders communication as follows:

- Section Head, District Manager, Estate Manager are responsible to deliver information to stakeholders about company's performance through website, phone, email, letter, facsimile and suggestion box.
- Section Head, District Manager, Estate Manager are responsible to follow up information request, aspiration, received comment and suggestion from stakeholders.
- Plantation District Manager is responsible to letter, email, facsimile, phone/mass media (print and electronic) from stakeholders and it's registered by archivists clerk into the Log Book "Agenda Surat Masuk" and at the same time preparing disposition sheets for response from company management.
- Section Head is responsible upon email, facsimile, phone/mass media (print and electronic) from District Manager and Estate Manager and also from stakeholders that had been registered by Corporate Clerk into Log Book "Agenda Surat Masuk" and at the same time preparing disposition sheets to gain a response from Board of Director.
- In providing an explanation to stakeholders the company uses the database performance of companies that have been provided.

List of stakeholders are as follows:

1. Stakeholder category as : (1) shareholders; (2) employee; (3) customer; (4) supplier/partner; (5) investor; (6) government; (7) competitors; (8) auditor; (9) mass media, NGOs and mass organization; (10) surrounding communities, partners and environment; (11) labor union; (12) legislative; (13) strategic business partners; (14) university and research institution; (15) subsidiary company; (16) smallholder.
2. Based on category, list of Sisumut POM stakeholder consist of 71 stakeholders with various types and categories.
3. Based on category, list of Sisumut Estate stakeholder consist of 84 stakeholders with various types and categories.
4. Based on category, list of Aek Nabara Utara Estate stakeholder consist of 88 stakeholders with various types and categories.

The company already share their documents such as legal and social to stakeholders, for example:

- a. Plantation Report to Regent of Labuhan Batu Selatan District for Period January to June 2017, July 27, 2017.
- b. Report of Manpower Within Company has been reported to Head of Social and Manpower Agency of Labuhan Batu Selatan District, March 13, 2017.

The Sisumut, Aek Nabara Utara Estate and Sisumut POM has maintained records of all requests made by stakeholders in logbook (handwritten), consists of information on the date when request was received, party making the request, details of request, letter number, the responsible person, response from the mill and date of completion.

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.

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 17 of 57

<p>Findings: Documents are publicly available in accordance with the Director of Marketing and Development Planning no. 3.00/SE/01/2015 April 8, 2015 are: Company profile, Annual report, Financial Statements, HGU Certificate, HGB and HPL, GCG handbooks, Evaluation results GCG by independent institutions, award information, Company Registration (TDP), EIA documents (RKL/RPL, UKL/UPL and DPPL), CSR data, documentation of OHS program, policy management system PTPN III, objective/target of Environment Management System and OHS Management System of PTPN III, policy on environmental management systems and safety management systems (K3) PTPN III (Persero), Compulsary Labor Report, Achieving Company Program, Hazardous Waste Storage Permit and License for incinerator operation, Hazardous Waste, and infectious waste, reports the monitoring and measurement, report on production achievement, names estate/unit, document program of continuous improvement (Results of management review meetings), human rights policy, SIA Document, HCV document, and the plan of pollution prevention and reduction, problem/conflict solving flowchart, data of public consultation and certification assessment report and data of stakeholders communications.</p>	<p>Compliance status: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>NCR No.:</p>
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Criterion 1.3. Growers and millers commit to ethical conduct in all business operations and transactions.

<p>Findings: Company has code of conduct in Bahasa which was released in December 2012. In the document, particularly in the part of scope stated that “company develops ethic by taking into account the stakeholder interest and including criteria for satisfaction”. Business ethic and company commitment based on principle of Good Corporate Governance and consist of openness, accountability, responsibility, independent and fairness. In the implementation, code of conduct document has established criteria of stakeholder satisfaction by stakeholder category. The table below describes the stakeholder categories and criteria of satisfaction.</p>	<p>Compliance status: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>NCR No.:</p>																																																						
<table border="1" style="width: 100%; border-collapse: collapse; margin: 0 auto;"> <thead> <tr style="background-color: #e1f5fe;"> <th style="width: 5%;">No</th> <th style="width: 30%;">Stakeholder</th> <th style="width: 65%;">Criteria of Satisfaction</th> </tr> </thead> <tbody> <tr><td>1</td><td>Shareholder</td><td>Shareholder Value, perkembangan usaha dan <i>good corporate governance</i></td></tr> <tr><td>2</td><td>Employee</td><td>Employee satisfaction</td></tr> <tr><td>3</td><td>Customer</td><td>Services quality and Product Quality</td></tr> <tr><td>4</td><td>Supplier/partner</td><td>Satisfying transaction and long cooperation</td></tr> <tr><td>5</td><td>Investor</td><td>Keamanan, Kenyamanan, dan ROI</td></tr> <tr><td>6</td><td>Lender and Bank</td><td>3R (Return, Repayment, Risk Bearing Ability)</td></tr> <tr><td>7</td><td>Government</td><td>Compliance to law and contribute to development</td></tr> <tr><td>8</td><td>Competitor</td><td>Fairness competition</td></tr> <tr><td>9</td><td>Auditor</td><td>Independency</td></tr> <tr><td>10</td><td>Surrounding communities, partner and Environment</td><td>Benefit for community and environmental preservation</td></tr> <tr><td>11</td><td>Mass Media, NGOs and Mass Organization</td><td>Transparency of Information</td></tr> <tr><td>12</td><td>Labor Union</td><td>Equal Opportunity</td></tr> <tr><td>13</td><td>Legislatif</td><td>Compliance to law and regulations , including good relationship between company with legislative and community</td></tr> <tr><td>14</td><td>Strategic Business Partner</td><td>Mutual Partnership</td></tr> <tr><td>15</td><td>University and Research Institution</td><td>Reward upon research product and suggestion</td></tr> <tr><td>16</td><td>Subsidiary company</td><td>Sustainable <i>Value Creation</i></td></tr> <tr><td>17</td><td>Smallholder</td><td>Technical Guidance and Partnership</td></tr> </tbody> </table>		No	Stakeholder	Criteria of Satisfaction	1	Shareholder	Shareholder Value, perkembangan usaha dan <i>good corporate governance</i>	2	Employee	Employee satisfaction	3	Customer	Services quality and Product Quality	4	Supplier/partner	Satisfying transaction and long cooperation	5	Investor	Keamanan, Kenyamanan, dan ROI	6	Lender and Bank	3R (Return, Repayment, Risk Bearing Ability)	7	Government	Compliance to law and contribute to development	8	Competitor	Fairness competition	9	Auditor	Independency	10	Surrounding communities, partner and Environment	Benefit for community and environmental preservation	11	Mass Media, NGOs and Mass Organization	Transparency of Information	12	Labor Union	Equal Opportunity	13	Legislatif	Compliance to law and regulations , including good relationship between company with legislative and community	14	Strategic Business Partner	Mutual Partnership	15	University and Research Institution	Reward upon research product and suggestion	16	Subsidiary company	Sustainable <i>Value Creation</i>	17	Smallholder	Technical Guidance and Partnership
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Corruption, bribery and donations are stipulated in the Code of Conduct. To prevent corruption, the company is committed to develop policies on compliance with *Laporan Harta Kekayaan Penyelenggaraan Negara* (LHKPN) for the Board of Commissioners, Directors and official staff one level below the Board of Directors. Meanwhile, policy prohibiting corruption to the company's employees are not included in the category of Commissioners, Board of Directors and acting one level below the Board of Directors, stated that "every action which is categorized as a bribe if it is proved to be subject to legal action in accordance with the legislation in force". More specifically, the effort to control gratuities are also regulated in part of Gifts/Souvenirs and Entertainment and Receiving Gifts/Souvenirs and Entertainment.

This Code of Conduct has been disseminated by the company to each employee and every employee must sign a Statement of Compliance. Form for a statement of compliance is provided by the company, which states that the employee has read the entire Code of Conduct, understand and can accept fully and commit to implement the best possible way. Every employee who has signed a Statement of Compliance Form, has read, accepted and will run the Code of Conduct. There is evidence of socialization of the documents to the parties (public and employees) conducted on April 10, 11, 12, 13, 14, 17, 2017.

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

Findings:

The company (on directors office) has a complete list of legal requirements are presented in List of laws, regulations and other requirements regarding labor, plantation, environmental, safety and health. The company also perform evaluation of compliance to laws and regulations for year 2016 as documented on "Hasil Evaluasi Peraturan Perundangan Kandir Tahun 2016". The documents show list of legal and result of compliance evaluation. The document show relevant legislation includes land use right, labour, agriculture practices (e.g chemical use, fertilizer, etc), environments, storage, transportation, processing, and etc. Some of compliance evaluation were reviewed, i.e:

1. Labour:
 - UU 21 2016 (labour union), UU No. 2 year 2004.
 - UU No 7 year 1981, about obliged to report about labour
 - UU No 1 year 2000, about ratification of ILO 182 convention
 - UU No. 29 year 1999, about ratification of convention on the Elimination of All Forms of Racial Discrimination (CERD)
 - UU No. 11 year 2005, ratification on international Covenant on Civil and Political Right (ICESCR)
 - UU No. 18 year 1956, ratification on convention of ILO No 98 year 1948.
2. Environments:
 - UU No 5 year 1994, ratification on Convention Biological Diversity (CBD)
3. Plantations:
 - UU N0 39 year 2014, about retraction of UU No. 18 year 2004.
4. OHS
 - Permenaker No. 26 year 2015, about insurances of (tata cara penyelenggaraan Program Jaminan Kecelakaan Kerja, Jaminan Kematian, dan Jaminan Hari Tua bagi Peserta penerima upah)

There are copies of the legal requirements in place both on Directors office and sites (Sisumut estate, Ssumut Mill, and Aek Nabara Utara estate). The company maintains records of laws and regulations compliance including about labour, social,

Compliance status:

Yes No

NCR No.:

- RSPO01443 – Major indicator 2.1.1

environmental, human resources, occupational Health and Safety, RSPO and ISPO. Documents were reviewed, for example on Sisumut estate, i.e.: List of laws and regulations year 2017. The document contained informations: regulation name and number, sources of information, control location and status. There are 65 regulations listed in the documents. However, list of laws and regulations has no completed yet and found as a non conformity (NCR No. RSPO01443).

The company has defined a documented system, i.e.: Sistem Manajemen PT Perkebunan Nusantara III – Prosedur Kerja Identifikasi dan Evaluasi Serta Kompilasi Peraturan Perundangan, document no. PK-3.08-18; revision no. 02, revision dated June 05, 2017. The documented system was include personnel in charge to manage, i.e.:

- Biro Sekretariat: to identify relevant legislation, once a year at minimum and/or as needed.
- Head of Biro Sekretariat and District Manager have responsibility to identify all regulations/legal/local regulations/ once a year and/or as needed.

The company has defined mechanism to ensure legal compliance, i.e.: Prosedur Kerja Identifikasi dan Evaluasi Serta Kompilasi Peraturan Perundangan, document no. PK-3.08-18; revision no. 02, revision dated June 05, 2017. The document said:

- No. 7.5: Sections/Districts/Estates/Units will perform evaluation of compliance to laws and regulations and recorded on document no. FM-3.08-18/02 (Hasil Evaluasi Peraturan/Perundangan)” once a year as minimum.
- No. 7.8: Biro Sekretariat will perform monitoring the compliance to laws and regulations by Sections/Districts/Estates/Units once a year as minimum.

There is evidence that the organization was conducted evaluation of compliance once a year, i.e.: 2016 & 2017

- 2016: Document of Hasil Evaluasi Peraturan Perundangan Kandir Tahun 2016
- 2017: Still in progress, as report no. 10/B/VI/KH-RS/2017, dated June 07, 2017, Subject: Pengantar Laporan Sementara, Letter from Rina Sitompul & Partners Law Office, to PT Perkebunan Nusantara III (Persero), Kepala Biro Sekretariat Up. Unit Hukum. The document informed that the evaluation of compliance has been conducted (especial for Sei Baruhur and Sei Kebara located at Distrik Labuhan Batu II) at July 9 – 11, 2017.

The company has identify and define sources of information of laws and regulations are authority agency (national/provincial/district) & internet, law consultant, and etc. Frequency of update once a year at minimum and as according to the needs.

NCR No. RSPO01443 – Major Indicator 2.1.1

During this 2nd surveillance, the company has not complied to some laws and regulations, ie:

- Sisumut Mill, the temporary hazardous waste store (TPS LB3) has not equipped with eye wash and shower as required by permits of TPS LB3.
- Hazardous waste labels and symbols attached on stored and TPS LB3 not in accordance with the PermenLH no. 14 year 2013 and PermenLH no. 3 year 2008.

Sisumut estate: List of laws and regulations year of 2017 not complete yet, some of applicable regulations have not registered, ie::

1. PP No. 38 year 2011 about River.
2. PP No. 37 year 2012 about Management of Riparian.

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 20 of 57

<ol style="list-style-type: none"> 3. PP No. 26 year 2008 about landscape (Bentang Alam) 4. Kepres No. 32 year 1990 about Criteria of Riparian. 5. Permentan No. 11 year 2015 about ISPO Certification System. 6. PP No. 101 year 2014, about Management of Hazardous Waste. 7. PermenLH No. 14 year 2013, about Hazardous waste symbols and labels. (otherwise, the obsolete regulations still listed, ie Kep-05/Bapedal/09/1995) 8. No laws and regulations listed regarding pesticides. 	
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Criterion 2.2: The right to use the land can be demonstrated, and is not legitimately contested by local communities with demonstrable rights.

Findings:

Sisumut Estate has valid license from National Land Agency (BPN) Certificate No. 1, dated 15 July 1981 with location Sisumut Village, Kota Pinang Sub District, Labuhan Batu Regency, North Sumatera Province. Area covered based on the certificate is 5.725 ha, with extension of HGU rights is 25 years until December 11, 2005. During the 2nd surveillance audit, Sisumut Estate was conducting extension of Land use right (HGU). There is evidence of extension effort of land use right (HGU) since 2004 until 2017 to the competent authority. The last record of extension effort of land use right (HGU) in 2017 is letter number 1430.12.200.6/VIII/2017 dated August 3, 2017 from Director General of the land procurement on behalf of Head of National Land Agency to Head of Regional Office of National Land Agency, Sumatera Utara Province. Content of the letter is approval of Land use right (HGU) renewal.

This estate divided into 7 (seven) divisions (afdeling), total planted area was 5,527.87 Ha, with year of planting from the oldest planting was in 1989, then the youngest planting was 2011. This youngest planting was from re-planting process, not new planting.

Based on hectarage statement 2017, planted area + other land uses comply with land use rights, which is 5,725 Ha. Based on hectarage statement and on-site visit verification, planted area was comply with the legal land use rights.

Aek Nabara Utara Estate has land use right (HGU) Certificate number 02.12.08.13.2.00013, dated January 22, 2008 with location at Aek Nabara Village, Labuhan Batu Regency, North Sumatera Province concerning the granting of HGU certificate up to 22 December 2040 with area covered is 11,026.99 ha. In the HGU certificate number 02.12.08.13.2.00013 with area covered is 11.026,99 ha, there is two estate:

1. Aek Nabara Utara Estate with area covered of HGU is 3,714.31 ha
2. Aek Nabara Selatan Estate with area covered of HGU is 7,312.68 ha

Aek Nabara Utara Estate with area covered of HGU 3,714.31 ha is divided into 2 (two) area, oil palm commodity with area of 2,265.57 ha and rubber commodity with area of 1,271.97 ha, and other usage with area of 176.77 ha. This estate consist of 5 (five) divisions (afdeling), with year of planting from the oldest planting was in 1989 and the youngest planting was in 2010 for oil palm commodity.

The company has a legal map showing location of boundary markers (HGU Map) with scale 1:10,000. Sisumut Estate has record map of boundary pillars and record of boundary pillar maintenance, i.e.: boundary pillars monitoring report carried out on June 2017. Based on monitoring report it was identified 176 units, with 167 units in good condition, 4 units broken and 5 units missing. For this condition (missing boundary pillars) the estate followed-up by report to the estate manager then to District Manager.

Aek Nabara Utara Estate has record map of boundary pillars and record of boundary

Compliance status:

Yes No

NCR No.:

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 21 of 57

pillar maintenance, i.e.: boundary pillars monitoring report carried out on June 2017. Based on monitoring record was identified 217 units with good condition.

During field visit at Sisumut Estate, it was found that boundary pillars were in good condition at Block T3 division VII. At Aek Nabara Utara Estate, it was found that boundary pillars were in good condition at Block H2 division I.

Sisumut and KANAU estate has established procedure for monitoring and maintaining boundary pillars document number PK-3.18-10, rev. 2, dated April 3, 2017. Monitoring and maintaining will be carried out every six month and reported to the estate manager. During 2nd surveillance audit, there is no smallholder in company's area and also there is no land dispute within company's area and member of the surroundings community.

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

Findings:

Company has SOP on Conflict Resolution No.: PK-3.11-12, dated December 1, 2015. The procedure describes the process of settlement by consensus, but if no agreement is reached, then the company will do a settlement through legal means. Sisumut POM has never experienced land conflicts with community. This is because mill rarely interacts with Community compared to estate (Sisumut and Aek Nabara Estate).

Based on information from the Aek Nabara Utara and Sisumut Estate, land conflict has never occurred with community in the surrounding plantation. After conducted verification in N1 Village as the nearest village, informant (village head and community leader) said that there is no conflict between Aek Nabara Utara Estate and community.

Company has *SOP Proses Bisnis Perencanaan Pengendalian* No. Document : PK-PB-3.01. This procedure states about Free, Prior, Informed and Consent (FPIC) and the directive procedure for new land development. For Sisumut Estate, there is no legal documentation related with FPIC Process for the identification of communal land or communal right. The similar situation can be found in the Aek Nabara Utara Estate, there is no legal documentation of communal land or communal right. This condition caused by both of things, namely:

- First, company has opened land before released RSPO Standard and also FPIC approach. RSPO Standard was released and became a guidance for sustainable palm oil in 2007. At the same time, FPIC approach has been adopted but implemented for the new land development after November 2010.
- Second, company is a part of State Owned Enterprise and the land is inherited from the time of Dutch colonialism. Then nationalization of plantation was carried out by the Indonesian Government against companies under the Dutch administration.

Compliance status:

Yes No

NCR No.:

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

Findings:

PT Perkebunan Nusantara III (persero) Medan has documented business plan in document "Rencana Jangka Panjang (RJP)/Long Term Plan for periods 5 (five) years (2015 until 2019). The RJP was included cost budget per year and cover the following items:

- Areal
- Production and results of process
- Cost of investment of palm oil
- Cost of investment of non palm oil

Compliance status:

Yes No

NCR No.:

<ul style="list-style-type: none"> - Palm oil production per year's planted - Volume of sold price and result of palm oil sales - Cost of production - Charge of business of palm oil - Profit and loss - Gneral cost - Harvestng cost - Cost of Mature maintenance - Wokforce estimation - etc <p>The company has no palnning for expansion (e.g.: area, mill capacity, infrastruc-ture, social amenitie, etc) till 2019. Based on RJP, Mill and estates defined work plan budget as namely <i>Rencana Kerja Anggaran Perusahaan</i> (RKAP) as a form of elaboration of RJP are made each year. For example Sisumut mill has been established RKAP for year 2017. The RKAP was incude the following:</p> <ul style="list-style-type: none"> - Monthly production plan (FFB processes, CPO production, Kernel production, and etc), - OER & KER trends - Detail of cost (including cost per tonne of CPO trends) - External FFB, and etc. <p>Sisumut and Aek Nabara Utara estates has ben established RKAP for year 2017 that contained:</p> <ul style="list-style-type: none"> - RAB of Production Cost - RAB of Mature Maintenance - RAB of Harvesting Charge and Transportation - RAB of Overhead Cost - RAB of General Cost - RAB of Production Cost - Plan of Non Plantation Investment - etc <p>The company has established a mechanism for annual review of RJP and there is evidence that tha RJP has reviewed annually. There is an annual replanting programme projected for five years, i.e: 2015: No; 2016: No; 2017: Planned 70,85 ha (cancel); 2018: No; 2019: No.</p>	
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Criterion 4.1: Operating procedures are appropriately documented and consistently implemented and monitored.

<p>Findings:</p> <p>The company has established a documented SOPs both for mills and plantations The SOP was cover key processes, harvesting, transportation, manuring, IPM, GAP, supply chain requirements (mill), secretariat, finance/accounting, and etc. The SOPs was developed by head office and distributed to all sites at General Information Portal 10.3.5.45.</p> <p>The copy of the SOP available on sites (mill and estates) and accessible at website http://10.3.5.45, with intranet bases on On-line system application. Each site can access the SOP, download, and pint out the SOP. All of SOP's was written in Bahasa so can easy to understand by all workers at all functions and levels within the organization.</p> <p>There is sufficient evidence that SOPs are implemented and understood by workers, for example a document no. IK-3.9-05/04 (revision 02, dated May 19. 2016) namely</p>	<p>Compliance status: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>NCR No.:</p>
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Instruksi Kerja Panen Kelapa Sawit (work instruction of harvesting). The document said: on 4.1.2: "FFB can be harvested if the palm oil naturally fall with criterion:

- Hilly area: 1 palm oil per FFB
- Waved area: 3 palm oil per FFB
- Flat area: 5 palm oil per FFB

Based on field interview with Assitent Afdeling VI and workers at block Q8 Afdeling VI – Sisumut estate were informed that the harvest criterion as stated on the document has been known and understood

SOP was put on their online system application and accessible at all sites. The mechanism for document control was dfined in the document No. PK-3.16-01; (revision 03, dated Nopember 21, 2016) namely Prosedur Kerja Pengendalian Dokumen SM PN3. The mechanism governed by the procedure ensure that all SOPs are available at the point of use.

The company has master lists of all SOPs, ie:

- Document List of Working Procedure and work Instruction – Biro Sekretariat (3.08); Containing 13 documents
- Document List of Working Procedure and work Instruction/Supporting Document – Plantations (3.09); Containing 94 documents
- Document List of Working Procedure and work Instruction – Bagian Teknik (3.10); Containing 37 documents
- Document List of Working Procedure and work Instruction – Bagian Teknologi (3.11); Containing 79 documents
- Document List of Working Procedure and work Instruction – Bagian Perencanaan & Pengembangan (3.12); Containing 20 documents
- Document List of Working Procedure and work Instruction – Bagian Keuangan (3.13); Containing 55 documents
- Document List of Working Procedure and work Instruction – Bagian Akuntansi (3.14); Containing 21 documents
- Document List of Working Procedure and work Instruction – Bagian Komersil (3.15); Containing 26 documents
- Document List of Working Procedure and work Instruction – Bagian TI/TB & MR (3.16); Containing 76 documents
- Document List of Working Procedure and work Instruction – Bagian SDM (3.17); Containing 34 documents
- Document List of Working Procedure and work Instruction – Bagian Hukum (3.18); Containing 22 documents.
- Document List of Working Procedure and work Instruction – Bagian Umum (3.19); Containing 20 documents
- Document List of Working Procedure and work Instruction – Bagian PKBL (3.20); Containing 5 documents
- Document List of Working Procedure and work Instruction – Bagian Pengadaan (3.21); Containing 7 documents
- Document List of Working Procedure and work Instruction – Bagian Satuan Pengawasan Intern (3.22); Containing 5 documents

The company has defined and implemented mechanism for keep track of revisions i.e.

Sistem Manajemen PT Perkebunan Nusantara III (Persero) Medan Prosedur Kerja, Judul Pengendalian Dokumen SM PN3, nomor dokumen PK-3.16-01, revision 03, dated 21 Nopember 2016. In order to keep track of revision made no. and dated of revision at ach document and made list of documents.

The company has established documented procedure namely Prosedur Kerja Audit Sistem Manajemen, document no. PK-3.16-03; revision 02, dated Nopember 21,

2016. The procedure was defined that the internal audit shall be conducted once a year as minimum.

The last internal audit on Sisumut Estate was performed on Februari 2016 and for year 2017, the internal audit will conducted on October 2017.

The company has established a documented procedure for third party FFB sourcing, i.e: SOP No. PK-3.11.09, Rev. 01, dated May 19, 2016, namely Handling/Maintanance of FFB Suppliers and Out-growers. The purposes of the SOP is to ensure that FFB received meet quality requirements and legal aspects. The SOP states that all third party FFB suppliers should be assessed to ensure that the suppliers meet all defined requirements. The company has maintained list of third-party FFB suppliers, i.e.: UD Gue, UD Berkah Jaya, CV Pratama Danisyah, CV Melala Rezekinta, UD Surya Darma, Ram Sinar Jaya, and Aqila.

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

Findings:

There is procedure for fertilising i.e. Instruksi Kerja Pemupukan Tanaman Kelapa Sawit (IK-3.09-03/16 rev. 03 dated 16 Jan 2017). The procedure explains methods to manuring, non-productive palm dosage for manuring. The amount of fertiliser at Sisumut per ton FFB is

	2016	to July2017
Pupuk	kg/ton TBS	kg/ton TBS
Dolomite	15.85	5.87
NPK	29.21	18.08
PHE	0.69	0

For Kanau Estate:

	2016	to July2017
Pupuk	kg/ton TBS	kg/ton TBS
Dolomite	13.84	7.22
NPK	26.3	17.85
PHE	0.34	

Sisumut estate has record of fertiliser recommendation by PT Socfindo for year 2017. This recommendation is based on leaf sample analysis in 2016 and soil analysis in 2014. The fertiliser recommendation is stated by division, block of leaf sampled, planting year, ha, palm amount, fertiliser dosage for NPK and Dolomite. For example for NPK 6.75 kg/palm while for dolomite is 1.25 kg/palm for division 1, Sisumut estate block G18 and F 18. The same happens fo Kanau Estate where they uses IOPRI recommendation for 2017 manuring activity. Those two recommendations were produced based on annual leaf sampling activity, which in this case had been conducted in 2016. In the recommendation there is the data of sampled leaf sent to researcher.

The Sisumut estate applies EFB mulching and POME land application from Sisumut POM. Based on field verification to land application monitoring well and ditch at Block O-19 division 5 the LA is conducted through drains and wells flowed through by pipes from the mill.

The EFB mulching data at Sisumut estate is stated on Evaluasi Angkut Jankos Kebun Sisumut, the data consist of contractor name, month of delivery, division, EFB amunt based on material balance (22.45% of processed FFB), trip amount, average amount per truck (6 ton), and amount of transported EFB. The total of transported EFB from March - July 2017 at Sisumut Estate were 9,088,520 kg. Kanau Estate also conducts EFB application however it is not as intensive as its neighbour since it's located quite far from Sisumut POM, approx. 27 km. the document is progress report of EFB at division I-V for semester I 2017, e.g. at division 5 395,295 kg had been dis-

Compliance status:

Yes No

NCR No.:

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 25 of 57

tributed.
There is POME land application permit i.e. no: 503/1073/BPPTPM-LS/2016 dated 22 December 2016 valid until 22 November 2019. The POME application data is recorded at mill, i.e. Laporan Bulanan Aplikasi Limbah Cair 2016 dan 2017 where 91,900 m³ was applied in 2016 and 53,950 m³ was has been applied from January until July 2017.

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

Findings:

The company has map of soil type, for Sisumut Estate namely Peta Sistem Lahan scale 1:15.000, the dominant land system in Sisumut Estate is Muara Beliti (sediment on weavy to hilly land with soil type of ultisol, inceptisol, and oxysol) and a small portion of Sungai Aur (sediment of hilly land with soil type of ultisol, inceptisol, and oxysol). Based on field verification and interview with estates staffs there is no marginal land exists in Sisumut Estate where mostly the land are relatively flat. Meanwhile in Kanau Estate based on Peta Sistem Lahan scale 1:35.000 where the land system are Muara Beliti (sediment on weavy to hilly land with soil type of ultisol, inceptisol, and oxysol) Sungai Aur (sediment of hilly land with soil type of ultisol, inceptisol, and oxysol), Bakunan (small valley and hill with soil type inceptisol and entisol), Kuranji (medium slope volcanic alluvial with soil type Dceptisol), Pakasi (hilly volcanic tuff with soil type ultisol, inceptisol, and oxysol), and Teweh (sedimented rocks on hilly land with soil type: ultisol and inceptisol). Based on HCV document the land at Sisumut Estate is classified flat and weavy with altitude of 5 – 271 mdpl according data GDEM Aster 2009. The land at Kanau Estate is also considered relatively flat based on Topgraphy map scale 1:35.000, where there is no sign of drastic elevation change in the area.

The road maintenance program is in place in Sisumut Estate. Sighted the Daftar Biaya Kegiatan Bulanan (monthly activity for 2017) as the realisation of road maintenance program, which classified in blocks and target (m). The similar condition also happens at Kanau Estate for example in 3rd quarter 2017 it is planned 170.45 m of road maintenance. The road condition in the estates however is considered good for transportation. The budgeting is secured with rencana Anggaran Belanja 2017 where road maintenance program is stated along with detailed road maintenance budget for each month in 2017. The road maintenance activity is conducted by contractor e.g. through SPK heavy equipment rent for Road Grader and Compactor in Sisumut Estate with CV Vini Pratama no: 3.10/SPK/390/2017 dated 5 May 2017.

There is no peat soil in both Kanau and Sisumut Estate.

Compliance status:

Yes No

NCR No.:

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

Findings:

The organization has established a water management plan for mill and plantation i.e.: Prosedur Kerja, Title: Pengelolaan dan Penggunaan Air, Document no. PK-3.11-05, rvision 01, dated May 19, 2016. The document was scoped water providing, distribution, and utilization on PTPN III (Persero). The purpose of procedure is to ensure that water management and utilization in accordance of norm or standard.

Water management plan also contained in Rencana Pengelolaan Lingkungan (RKL) and Rencana Pengelolaan Lingkungan (RPL). The RKL & RPL including water sources. The organization has Water Treatment Plant (WTP). The sources of water come from Barak River, and collected in "Waduk". Processes of WTP consist of Bak Endapan I, Tank (60 tonne) → Mill, Clarifier Tank, Bak Pengendapan II, Sand Filter (1, 2, and 3), Tank (30 tonne), Kation, Anion, Feed Tank, Dearator Tank → Boiler (1 & 2)

There evidence that the organization (Sisumut Mill) has appropriate treatment of mill effluent to required levels and monthly regular monitoring of discharge quality, i.e: BOD, COD, and other parameters in accordance of national requirement.

Compliance status:

Yes No

NCR No.:

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 26 of 57

Monitoring and measurement of effluent discharge quality was performed by third party laboratory. There is evidence that the water discharge quality has compliance with national regulation (KEPMENLH No. 28 Tahun 2003) Results of monitoring during periods January – June 2017, the BOD value still under threshold value ($\leq 5,000$ mg/l). Based on observation to mill's effluent treatment (IPAL), there is evidence that the organization has maintained IPAL appropriately.

The organization (Sisumut Estate) has valid license for land application of mill effluent regarding Decree of Head of Badan Pelayanan Perizinan Terpadu dan Penanaman Modal Kabupaten Labuhan Batu Selatan No. 503/390/BPPTPM/2013, dated November 2013.

The organization has established a procedure to measure mill water usage, i.e: Prosedur Pengelolaan dan Penggunaan Air, Document No. PK-3.11-05, Revision 01, date May 19, 2016. The purposes of procedures was defined, in order to ensure that water usage according to standard

The organization has define standard of chemical and water usage as defined at Document No. DP-3.11-03/01, Revision 03, Dated May 19, 2016. Namely Quality Plan of Production Processes / *Rencana Mutu Proses Produksi* and Norm List of Chemical Usage and Processing Water of Mill / *Daftar Norma Penggunaan Bahan Kimia dan Air Pengolahan di Pengolahan Kelapa Sawit*. Raw water usage standard are: 1,5 – 2,0 M3 per Tonne FFB; Water for Boiler 0,7 – 0,9 M3 per Tonne of FFB. The organization has maintained records of mill water use per tonne of FFB, i.e: 2017 (until July) was 0.625 M3 per tonne FFB and 2.50 M3 per tonne CPO.

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

Findings:

The company has a document of IPM Program 2017, where it consists of i.e. Turnera and Antigonon planting which consists seedling, planting, and insertion with time schedule over the year. Based on interview at Sisumut Estate with Mr. Hutagaol (EWS Officer at Division 3) there are 4 main threats at the estate i.e. Orytes, rat, fire worm, and bagworm. The regular pest survey is conducted daily with sampling method for each block and each division. The monitoring is conducted by cutting the frond of sampled palm and check the existence of worms. For rats the checking goes to bite mark on FFB. The worm attack is categorized into 3, i.e. low: 2-3 worms per frond, medium: 3-5 worms per frond, and heavy: >5 worms per frond. Once the monitoring is conducted then the data will be compiled at division and estate level, sighted the Monthly Report of Bagworm and Fireworms July 2017 where there is no sign of attack at all. There is application of Antigonon and Turnera by Sisumut Estate, stated on Inventory until July 2017 per division with total turnera 520 plants and Antigonon 58 plants. The estate also develop other bio agent i.e. Eucantechona (beetle) that eats fire worm. However, this is not effective since the existence of fireworms is almost non-existent.

The Sisumut Estate pest-monitoring officer has been trained, stated on Sosialisasi Pengendalian Hama Terpadu attended by each Division (1-7) IPM officers. The training includes ways to conduct telling (counting), for worms and rats.

Compliance status:

Yes No

NCR No.:

Criterion 4.6: Pesticides are used in ways that do not endanger health or the environment.

Findings:

The company uses pesticides based on needs analysis. The safety aspect of pesticide usage are stated on procedure for chemical spraying. For Sisumut Estate there is Recommendation from Manpower Authority number 560/05/Naker/I/2017 dated 3

Compliance status:

Yes No

NCR No.

January 2017 valid for 1 year, that the company may use Emulgator, Sevin 85.5, Decis 25EC, Agristick 400L, Matador 25 EC 1.46, Bayfolan, Antracol 70 WP, Daconil 75 WP, Glifosat Side Up 490 SL, Gliposat Posat, Dolomite M100, NPK 14.10.23+1TE, PHE organic fertiliser, NPK 12.12.17.2. For Kanau Estate there is Rekomendasi Penggunaan Pestisida/Bahan Kimia no: 458-7/Rek/Pstd/DTK/2017 dated 22 February 2017 from Manpower Authority valid for 1 year. The list consists of 25 items which already include all pesticide used by company.

The Sisumut and Kanau Estate have already recorded the LD50 for every pesticide used, i.e. Sida Up, Sun Up, Glifosat, and Ally. Beside the listed LD 50, the active ingredients and LD50 have also already available on company's MSDS. Pesticide application is implemented based on planning for each estate division and blocks. In division V Sisumut Estate for example, there is working map on plant maintenance for chemical spraying period July – September 2017, where July is planned 226.6 ha, August 258.6 ha and September 228.24 ha so the total planned is 713.44 ha by using Isoprophil amina glyphosate 480 g/L. The realisation progress is monitored by Map of Plant Maintenance Realisation, where in July the total planned has been achieved while in August only 141.07 ha achieved from the targeted 258.6 ha mostly due to rainy weather. For Sisumut Estate, the total amount of herbicide used in 2016 and until July 2017 was stated at rekapitulasi of pesticide usage where:

Sisumut Estate

Herbicide	Active ingredient (litre/ha)	
	2016	2017 until July
Sida Up 490 SL	0.41	-
Ally 20 WDG	-	0.01
Sun Up 480 SL	0.36	-
Gliphosate480 SL	0.4	-

Kanau Estate

Herbicide	Active ingredient (litre/ha)	
	2016	2017 until July
Sida Up 490 SL	0.53	
Ally 20 WDG	-	0.39
Sun Up 480 SL	-	-
Gliphosate480 SL	0.32	0.52

The use of pesticide is conducted by planning on area treated and amount. There is no prophylactic use of pesticide moreover, the Sisumut Estate has never got any animal pest outbreak so far. There is no insecticide usage in 2016 and 2017. Although the use of pesticide for animal pest is considered low due to low attack, it is necessary to establish data analysis showing the relation of pesticide usage reduction with the existing IPM using bio agent.

The company does not use paraquat as pesticide. There is no stock of paraquat on both document and chemical warehouse. The company has a complete listing of WHO class 1A, class 1B, and Stockholm or Rotterdam Conventions pesticide. Based on WHO document assesment according to LD50 level, there is no class 1A nor 1B pesticide that is being used by the company.

Chemical spraying activity is conducted by sub-contractor, for example in Division V Sisumut Estate the sub-contractor is CV Giok Raja Persada with working order no: 3.09/SPK/463/2017 dated 9 March 2017. Based on visit to warehouse the MSDS are readily available for reference. Based on visit to Block Q3 Division 3 of Kanau Estate it was evidenced that chemical spraying is conducted as per procedure, interviewed 4 sprayers and they have undergone training. The sprayers are wearing proper PPE i.e. mask, goggles, apron, rubber gloves, and boots. The foreman brings first aid kit for emergency response. The sprayers have been able to demonstrate proper ways to conduct spraying. There is evidence of PPE distribution on document of PPE Receipt for each division at Kanau Estate. However, the company need to conduct analysis

RSPO01444 (Major indicator 4.6.11)

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 28 of 57

on justification to use Ratgone at Kanau Estate with its LD50 consideration, this is due to its active ingredient of Brodifacoum is listed under class 1A WHO.

Based on field verification to Sisumut Estate, pesticide storage is collected to hazardous waste warehouse located in Sisumut Estate. The company however needs to ensure that there is no flowerpots using empty chemical container along with dissemination measure to workers. This is due to during field visit to housing at division 5 Sisumut estate there is an indication that several flower pots are using empty chemical container, yet direct evidence that the container is from company's operational could not be found. To follow up this issue, the estate have already conducted dissemination to workers and inhabitants regarding prohibition to use chemical storage as flower pots evidenced by attendance list on 29 August 2017 attended by 30 participants.

The method for chemical application is conducted in a standardised manner regarding walking speed, nozzle height from ground level, PPE, and spraying equipment. Based on interview with CV Silumba foreman at division 3 Kanau Estate the contractor conducts regular calibration to ensure pesticide dosage applied by knapsack is still accurate. However, the company does not retain the record of calibration, moreover there is no special method applied yet for chemical application calibration to ensure the exact amount applied by each knapsack is in line with dosage. The procedure for safety usage of chemical is stated on working instruction for hazardous chemical application (IK-3.09/14 rev.1 dated 19-5-2016) where MSDS shall be referred, PPE is a must for all workers, no eating, drinking, smoking while applying chemical, and not to wash working equipment in natural water courses. There is no aerial application of pesticide.

Example of training was in Sisumut Estate the training on pesticide handling is evidenced by Dissemination on Chemical Usage for Internal and Sub-contractor Workers year 2017, regarding work instruction for planting including manuring, spraying, HCV protection, waste management, etc. (on 10 Aug, 11 Aug, 15 Aug,) attended by 7 divisions, which amongst from sprayers were 120 personnel.

The chemical storage is handled as per legal requirement where it is part of hazardous waste management. The wastes are put into hazardous waste warehouse to be further collected by licenced 3rd party. The handling process is according to work instruction on handling and storing hazardous waste (IK-3.11-19/01 rev.2 dated 19-5-2016).

The company conducts medical surveillance for chemical sprayers including special test for cholinesterase which is so far only done annually. Based on letter form PTPN 3 to PT Sri Pamela Medika Nusantara (Hospital), on 11 Aug 2017, which states the offer from company to hospital to conduct special medical surveillance in 2018. Similar situation also exists in Kanau Estate. There are evidences of cholinesterase check for sprayers including those 4 interviewed on field with result "healthy", as stated on Laboratory Analisis Result no: 564/BHP/VIII/2017. The check was jointly conducted on 16 August 2016. There is cholinesterase record in 2015 where all workers are classified as normal. However there is no cholinesterase check conducted in 2016, moreover in 2017 it had been only one cholinesterase check done which was in August 2017. This is a non-conformance to Permenaker no: PER-03/MEN/1986 on health and Safety Requirement at Workplace Dealing with Pesticide. **(NCR no: RSPO01444)**

Chemical spraying activity is conducted by sub-contractor, for example in Division V Sisumut Estate the sub-contractor is CV Giok Raja Persada with working order no: 3.09/SPK/463/2017 dated 9 March 2017. In the Job Agreement (SPK) there is a clause number 2.1.6 which states that sub-contractor has to ensure regular medical surveillance of its worker. The sub-contractor pays the medical bill while the execution is jointly conducted with estate staffs. There is also prohibition of pregnant and breast-feeding women to conduct chemical activity. The company has permitted maternity leave for 1.5 month prior to and 1.5 month after childbirth, which stated on the Mutual Work Agreement/Perjanjian Kerja Bersama (PKB) 2016-2017.

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

Findings:

PT Perkebunan Nusantara III (Persero), especially at Sisumut Mill has defined management system policy namely Kebijakan Sistem Manajemen PT Perkebunan Nusantara III, signed by Operational Director, dated June 23, 2016. The policy is written in Bahasa, so it is easily understood by all levels within the organization. The organization has defined OHS Policy, signed by P2K3 and approved by District Manager Labuhan Batu 3 on January 9, 2017. The policy is written in Bahasa and covers risk mitigation to workers. Based on interview with some operators, there is evidence that the policy has been disseminated.

The organization has established work plan of HSE Management System Implementation. The program was arranged by P2K3 Secretary and approved by Head of P2K3. The OHS program covers:

- OHS Monthly Meeting
- Defined OHS Working Plan
- Identification of hazard, risk assessment, and risk control
- Training need analysis
- Implementation of policy, commitment and OHS objectives
- Defined OHS working plan
- Skill development and ability of personnels
- Training of emergency response
- General inspection
- Identification of medical checkup of employee
- Checking of emergency response equipments
- OHS internal audit
- OHS external audit
- OHS performance evaluation and management review

There is evidence that the plan was implemented, some evidences were reviewed, such as:

- Monthly inspection of emergency response equipment such as Fire Extinguisher (APAR, Hydrant, Hoses, Hydrant Nozzle, and Hydrant Pump), for example: record dated August 09, 2017, scope POM and Complex, consist of :
 1. APAR : 43 pcs (6 of them are in in-appropriate conditions)
 2. Hydrant: 6 pcs (all OK)
 3. Hoses: 6 pcs (all OK)
 4. Nozzle: 6 pcs (all OK)
 5. Hydrant Pump: 2 pcs
- Identification of hazard, risk assessment, and risk control all process year 2017
- Socialization of OHS year 2016 and 2017
- medical checkup of employee year 2017

The organization (KANAU Estate) has establish OHS Plan for semester I 2017, i.e.:

- Socialization of OHS and organization's policy, dated April 10, 2017, at Afdeling I, the socialization was attended by 43 persons
- Socialization of OHS and organization's policy, dated April 11, 2017, at Afdeling II, the socialization was attended by 79 persons
- Socialization of OHS and organization's policy, dated April 11, 2016, at Afdeling III, the socialization was attended by 94 persons
- Socialization of OHS and organization's policy, dated April 13, 2017, at Afdeling IV, the socialization was attended by 165 persons
- Socialization of OHS and organization's policy, dated April 14, 2017, at Afdeling V, the socialization was attended by 117 persons

The Company already has an official report on the handover of the needs of PPE in 2017. Examples of delivery of PPE on June 12, 2017 to employees afdeling V (Si-

Compliance status:

Yes No

NCR No.
RSPO01445 (Major indicator 4.7.3)

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 30 of 57

sumut Estate) with details as follows: Shoes 49 pieces, 3 rubber long gloves, 42 dust glasses, cloth gloves 42 pieces.

The organization has conducted risk assessment for all operation where health and safety is an issue such as: loading ramp, sterilizer, press, hoist crane operation, press, weigh-bridge, threshing, FFB elevator, digester, storage tank, office activities, and etc. Results of risk assessment, and risk control are stated on hazard identification document, risk assessment and risk control. There is matrix of occurrence and severity for defined risk levels (Low, Medium, High and Extreme). Each risk level has defined what actions should be taken.

The procedure for hazard identification, risk assessment and risk control has been established, i.e: Working Procedure of Management System Plan of PT Perkebunan Nusantara III (Persero), Document No. PK-3.16-02, Rev. 02, dated May 19, 2016.

The management of Sisumut Mill has defined OHS Committee (P2K3) in accordance with national regulation i.e: Regulation of Ministry of Labor No. PER.04/MEN/1987. The P2K3 has been approved by Head of Social, Labor, and Transmigration Agency of Labuhanbatu Selatan Regency No. KEP.14/P2K3/Naker/I/2017, January 20, 2017, concerning Approval of P2K3 (OHS Committee) at the Organization. The secretary of P2K3 has competency as required by regulation that is General OHS Expert certificate (AK3 Umum) holder, i.e.: Mr. Suraji, holder AK3 Umum based on decree of Ministry of Labor and Transmigration No. KEP.3687/NAKER-BINWASK3/VI/2016, June 20, 2016, regarding assignment of AK3 Umum.

KANAU Estate also has approved P2K3 by head of Social, labor and Transmigration Agency of Labuhan Batu Regency, as decree No. KEP.06/P2K3/DSTKT-4/2016, dated February 04, 2016, concerning approval of P2K3.

Sisumut Estate also has approved P2K3 by head of Social, labor and Transmigration Agency of Labuhan Batu Regency, as decree No. KEP.12/P2K3/Naker/I/2017, dated January 5, 2017, concerning approval of P2K3.

There is evidence that the P2K3 meeting has been conducted monthly with related personnel from other functions in Sisumut Estate, for example:

- Minute meeting dan attendance list dated January 01, 2017
- Minute meeting dan attendance list dated February 9, 2017
- Minute meeting dan attendance list dated March 3, 2017
- Minute meeting dan attendance list dated April 4, 2017
- Minute meeting dan attendance list dated May 4, 2017
- Minute meeting dan attendance list dated June 6, 2017
- Minute meeting dan attendance list dated July 24, 2017

The organization has established a prosedur for handling and reporting of OHS, document no. PK-3.12-11, Rev.00. The procedure covers major potential emergency such as fire, earthquakes, chemical spillage, riots, etc. Accident records form has been prepared to record accident and investigation results namely "Laporan Penyelidikan Masalah K3", form No. FM-3.12-11/02, Revision 00. The procedure and records (forms) are available in Bahasa Indonesia, so it is easy to understand by all persons at all levels within the organization.

There is evidence that the organization has operators which is licensed and trained in First Aid, e.g: Mr. Lanang Taruna Nimprang, No. DTK-TR/SU/IX/2015, valid until September 22, 2017. Based on observation to fields and activities such as harvesting, spraying, office, stores of chemical, hazardous waste, evidenced that first aid equipment available at worksites. There is evidence that first aid kits are adequately stocked and regularly checked in accordance to Permenaker No. 15 year 2008. Based on document verification and explanation of representative of the organization, there is no reported accident within 1 (one) year in mill.

The organization provides all workers with medical care, and covered by accident insurance as required by the national regulation, i.e: BPJS. This is evidenced by the slip of salary payment which includes name, NRK, NPWP, No KPJ (accident insur-

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 31 of 57

ance), Position, Education, Date of Birth, Age, Date of Work Period, Family Structure and Religion. There is evidence of membership card of BPJS Insurance. The form of "Laporan Penyelidikan Masalah K3", form No. FM-3.12-11/02, Revision 00, contains loss time accident and work hours, so if any accidents/injuries happen, the occupational injuries recorded will include lost time accident (LTA) metrics. For example, at mill, for periods January until June 2017, was recorded no accident.

However, the Company has not been able to show PPE usage periode mechanism for each type of PPE. This issue has been raised as **NCR no: RSPO01445**.

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

Findings:

The company has identified training needs for annual basis, i.e. Identification Result of HR Development Program Needs year 2016/2017 for Sisumut Estate, which includes problem solving, archiving, hazardous chemical usage, harvesting and transporting. For Kanau Estate the training program is stated on Identification Result of HR Development Program Needs year 2017, consist of harvesting and productivity, work accident and hazardous waste handling, RSPO training, first aid training, and hazardous waste expert training. The planning document consists of method, duration, attendance list target, schedule, venue, and spokesperson. The targeted participants have also been identified for 2017, including foreman, harvesters, and clerk. For Sisumut POM there is a data showing 2017 training need for employees along with each relevant employee names dated 22 September 2016. There are 21 personel identified for example in processing activity Mr. Gunandar to be trained for technical processing to acquire SIO.

Several evidences of training activities at Sisumut Estate:

- Dissemination on IPM attended by each Division (1-7) IPM officers. The training includes ways to conduct telling (counting), for worms and rats. (on 17, 18, 19, 23, 24, 25, 26 January 2017 attended by 22 personnel of IPM officers from each divisions)
- Dissemination on Chemical Usage for Internal and Su-Contractor Workers year 2017, regarding work instruction for planting including manuring, spraying, HCV protection, waste management, etc. (on 10 Aug, 11 Aug, 15 Aug,) attended by 7 divisions, from sprayers in total of 120 personnel.
- Dissemination on planting work instruction especially regarding seedling, manual weeding, PPE, HCV protection, production domestic waste management, protection of RTE species. The training was attended by harvesters and sprayers from each divisions on 12-14 August 2017 with total 327 participants.
- Dissemination on Company Policy year 2017, includes vision mission, RSPO, OHS etc from 26 – 30 January attended by staffs and harvester workers along with security team.

Several evidences of training activities at Kanau Estate

- Dissemination on Domestic Waste Handling & Management on 10 April 2017 at all division for both rubber and oil palm workers as many as 583 participants.
- Dissemination and Training on IPM attended by 26 personnel for IPM on 16 January 2017
- Harvesting and Oil Palm productivity on 16 April 2017 attended by 36 participants from foreman and clerk.
- Dissemination on RSPO on March – April 2017 attended by 113 participants from all aspect workers representative.
- Dissemination on Manuring on 10 April 2017 attended by 113 participants from manuring workers and foremen.
- Dissemination on chemical usage regarding MSDS dan LD50 dated 10 April 2017 attended by 113 participants.

Meanwhile, several evidences of training at POM are OHS aspect for steam engine for Abdul Rahim and Agus Riadi dated 9 March 2017 with certificate from Ministry

Compliance status:

Yes No

NCR No.:

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 32 of 57

of Manpower.	
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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 continual improvement.

<p>Findings:</p> <p>During the time of surveillance, there is no document changes about environmental impact assessment (EIA). The organization has documented EIA in accordance to scope of operation covering building new roads; processing mills or other infrastructure; putting in drainage or irrigation systems; replanting and/or expansion of planting areas; management of mill effluents; management of palm pests and disease by controlled burning; transportation operational, etc.</p> <p>The EIA has been conducted and documented according to local and national requirements, firstly the organization (Sisumut estate) has an approved EIA, namely Study of Environmental Evaluation or Studi Evaluasi Lingkungan (SEL). The SEL was approved by Ministry of Agriculture according to Decree No. Rc.220/269/B/II/1994, dated February 09, 1994.</p> <p>The scope of SEL is Sisumut Estate that located at Sisumut Village, Kota Pinang Sub-district, Labuhan Batu Regency, with area of 5,725 ha of land use right (HGU) and Palm Oil Mill with 30 tonne FFB per Hour in capacity.</p> <p>Due to Government Regulation (PP) No. 27 year 2009 concerning Analysis of Environmental Impact, the organization has revised their Environmental Management and Monitoring Plan (RKL and RPL) which has been approved by District Environmental Impact Management Agency (Bapedalda) of Labuhan Batu Regency, No. 61/RKL-RPL dated December 29, 2006.</p> <p>Environmental management plan (Rencana Pengelolaan Lingkungan/RKL) is available and includes the following identification of responsible person(s); potential impacts from current practices; measures to mitigate negative impacts; timetable for change (if any). There is evidence that management plan has been implemented appropriately.</p> <p>Environmental monitoring plan (Rencana Pemantauan Lingkungan/RPL) was available also and there is evidence that monitoring plan has been implemented to monitor effectiveness of the management plan and mitigation measures. The environmental monitoring results was reviewed and reported to competent authority body regularly once every 6 (six) months.</p>	<p>Compliance status: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>NCR No.:</p>
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Criterion 5.2: The status of rare, threatened or endangered species and other 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 operations managed to best ensure that they are maintained and/or enhanced.

<p>Findings:</p> <p>There is no change regarding HCV management since previous audit. The company has identified HCV on their HGU, through the HCV assessment conducted by Research Center of Biological Resources and Biotechnology (PPSHB), Research Institute and Community Service, Bogor Agricultural University on September 2011.</p> <p>Based on HCV Report Identification, Sisumut estate has High Conservation Value Area for 69,75 ha with the following details:</p> <ul style="list-style-type: none"> o Titik Barak Riparian River 19,25 ha o S Riparian River : 10.46 ha 	<p>Compliance status: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>NCR No.:</p>
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- o Reservoir: 6,28 ha
- o Raso lake: 33,76 ha

 Totally HCV area is 69,75 ha
 Aek Nabara Utara has High Conservation Value Area for 125,95 ha

- o Aek Talihoran riparian : 29,49 ha
- o Aek Kundur riparian : 35,32 ha
- o Kali Bening riparian river :27,14 ha
- o Erosion control and sedimentation : 34 ha

 Total HCV area is 125,95 ha

The company has evidence to manage their HCV through the working program, evidenced by:

- a. Implementation schedule of HCV management on Division 5 and 6, Sisumut Estate with activity of signboard maintenance, agrochemical prohibition along the riparian zone, boundary markers maintenance.
- b. Implementation schedule of HCV management on Division 1, Aek Nabara Utara Estate with activity of signboard maintenance, agrochemical prohibition along the riparian zone, and boundary markers maintenance especially for HCV area.

Based on species identification in the HCV assesment report, there is no existence of RTE species in the company area. To show its commitment to preserve and maintain the HCV area, the company has conducted HCV socialization for employee, evidenced by attendance list on June 10, 2016 at Sisumut Estate, attended by 35 participants. While in Aek Nabara Estate, HCV socialization has been conducted on March 11, 2016, attended 25 participants.

The company has established regulation regarding prohibition of catching, hunting; of all species include flora and fauna in the company area. Company also has installed signboard in the estate area as a warning to reminder every one in the company area that is not allowed to disturb the HCV area.

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

Findings:
 The company has identified sources of waste, where in Sisumut and Kanau Estate there is Solid Waste Source List 2017, consists of waste type, source, and means of control. The list is classified into hazardous and solid waste. e.g. used lubricants, used bateray, used chemical containers etc. Such identification of waste sources are also stated on WI of Handling and Storing of Hazardous Waste (IK-3.11-19/01 rev.2 dated 19-5-2016), e.g. used battery, used chemical, used lubricant filter, etc. The company has established procedure on hazardous waste handling. Kanau Estate has permit for temporary hazardous waste storage which is stated on Investment Authority Decision no: 503/990/DPMPPTSP-LS/2017 dated 29 August 2014 valid until 29 August 2022. On the other hand Temporary Hazardous Waste Storage Permit for Kanau Estate is available i.e. Keputusan Bupati Labuhan batu no: 503.660/73/BLH-LB/WAS/2014 dated 18 March 2014. The company reports the 3 monthly hazardous waste handling to local authority evidenced by letter no: KSSUT/X/26/2017 dated 4 April 2017 to Environmental Authority of Labusel period January – March 2017. And KSSUT/X/48/2017 for period April – June 2017. The Company has conducted cooperation with 3rd party collector, i.e. PT Wira Gemilang Anugrah to collect the waste from the warehouse. The contractor has been given collection permit through Hazardous Waste Transporting Recommendation no: B-3826/Dep.IV/LH/PDAL/04/2015 from Ministry of Environment dated 30 April 2015 valid for 5 years. The company also records all hazardous waste manifest as a prove of collection by contractor, e.g. no. AOH0000493 in the form of liquid waste

Compliance status:
 Yes No
 NCR No.:

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 34 of 57

of used lubricant code B105d as much as 145 litre on 2 August 2017 at Sisumut Estate. For Kanau Estate there is record of manifest e.g. AOH0000451 of used lubricants as much as 100 litre on 6 July 2017. In Sisumut POM there is hazardous waste balance (Neraca) until July 2017, for example in July 2017 there were 0.2954 ton of empty container. Other wastes are fuel filter, oil filter, and fluorescent light bulb. Report of 3 monthly management of hazardous waste is also available for 1st and 2nd quarter of 2017 delivered to district level Environmental Authority. There is also evidence of collection by 3rd party e.g. hazardous waste manifest no: AOH0000489, which was used fluorescent light bulb (B107d) as many as 70 kg collected on 2 August 2017. The mill also has temporary hazardous storage permit i.e. no: 503/1068/BPPTPM-LS/2016 dated 22 December 2016 valid for 5 years. Based on field verification to estates, office, and housing facilities there is no sign of garbage burning. The company has already announced burning prohibition for garbage on signboards. Both estates have conducted proper management of waste, e.g. classification of organic/an-organic domestic waste. On the waste identification list document, there are means of domestic waste reduction e.g. by reusing and recycling. The hazardous waste handling is conducted by cooperation with 3rd party collector. The company prohibits waste burning activity through Internal Memo 18 April 2016 and 12 January 2017 regarding trash-burning prohibition. This commitment had been disseminated to all workers evidenced by dissemination attendance list attended by 97 participants from all over division.

Criterion 5.4: Efficiency of fossil fuel use and the use of renewable energy is optimized.

Findings:

At Sisumut Estate there is data of fossil fuel usage in 2016 and 2017 i.e. for FFB and personnel transport per ton of FFB produce. The data is classified for each type of vehicle (truck and SUV) and divided by amount of FFB produced. For example, Hino truck BK 9527 CQ uses 0.00004 litre of fuel/Ton FFB in 2016. Total vehicle fuel usage in 2016 at Sisumut Estate was 0.00033 litre/ton FFB while for 2017 (until July) is 0.00012 litre/ton FFB.

Similar situation also exist in Kanau Estate, where fuel consumption is recorded for each vehicle type and all registered vehicle and fuel consumption for other machinery, e.g. grass mower.

The Sisumut POM has recorded electricity usage for mill operation, social building, and housing. The mill operation and social building (clinic, mosque, church, hall, etc) are using turbine-powered electricity, while employee houses are using grid electricity. There is data record of January – July 2017 electricity usage by turbine along with usage norm (threshold), and it was evidenced that the usage in 2017 are still within the threshold, for example in July 2017 the usage was 281750 KWH while the threshold is 477892 KWH. The record for grid electricity usage are recorded in the form of electricity bills for example in July 2017 the total employee houses were using Rp 3,562,896.- with most of the power are 950 VA.

The mill also uses shell and fiber as an alternative source of energy for diesel. There is a financial analysis that compares fibre and shell usage to diesel, where in 2016 there was an efficiency achievement as much as Rp 21,258,652,653.- from the usage of fibre as much as 20,662,265 ton and shell as much as 10,075,344 ton.

For 2017 there are data until July, fibre: 12,261,143 kg and shell: 6,130,571 kg and efficiency achievement was Rp 26,320,800,000.-

Fuel usage for 2016 at mill: 0.8245 litre/ton CPO and 0.1785 litre/ton FFB

Fuel usage until July 2017 at mill; 0.8404 litre/ton CPO and 0.1791 litre/ton FFB.

Compliance status:

Yes No

NCR No.:

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

Findings:

In order to establish plantation development the company does not use fire method. This is according to company's procedure i.e Working Instruction on Oil Palm Preparation and Planting (IK-3/09-02/03 rev.1 dated 19 May 2016). To prevent fire, the company also conducts fire drill and socialisation of fire prohibition in 2017 to workers. The company also conducts regular patrol to prevent fire outbreak. All fire prevention activities are stated on Report on prevention, handling, and monitoring of Fire semester I 2017. The company has never used fire to conduct plantation operational activity.

Compliance status:

Yes No

NCR No.:

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

Findings:

The company conducts GHG identification and mitigation according to Procedure on Identification, calculation, mitigation, and reduction of GHG Emission Sources (PK-3.16-12 rev.1 dated 19-5-2016). Stated that the calculation method uses RSPO PalmGHG Calculator. In Sisumut Estate there are GHG mitigation plan for 2016 and 2017 i.e.: RSPO GHG Emission Mitigation Program year 2016 and 2017. Similar situation also happens in Kanau Estate where there are also those 2 documents in place. The document consist of emission source, amount of emission (tCO₂e), mitigation program, phasing for each month in year, PIC, and remarks. The identified emission sources are land conversion, fertiliser transport, N₂O from fertiliser application, and fuel consumption. The monitoring of such planning is conducted evidenced by the document of Evaluasi Mitigasi Emisi GRK RSPO Semester I, Semester II 2016 and Semester I 2017, where they were conducted based on planned mitigation measures with the result "effective", for example no burning activity at conservation area. For example, emission from fertiliser application in 2017 is 2968.15 ton CO₂e and will be mitigated by optimising manuring activity, applying fertiliser according to SOP, and prioritising slow release fertiliser to be applied. As a means to reduce emission from fertilizer Sisumut Estate applies EFB mulching and POME land application from the POM. GHG mitigation measures which have been conducted by the company e.g., EFB application and POME land application could have been taken into account to GHG Mitigation Program along with their evaluation. The Sisumut Mill also has GHG mitigation program for 2017, which consists of identification of emission source, total emission, and mitigation program. For example, POME emission source as much as 12171.82 tCO₂e is being mitigated by routine effluent analysis, pond maintenance, and mitigation evaluation. Other emission source are fuel consumption and grid electricity utilisation. The evaluation for 2017 program has resulted on Satisfactory result.

Compliance status:

Yes No

NCR No.:

Summary of Net GHG Emissions

Emissions per Product	tCO ₂ e/t Product
CPO	24.81
PK	24.81

Production	t/year
FFB processed	157,117
CPO produced	34,443
PK produced	7,373

Extraction	%
OER	21.92
KER	4.69

Land Use	Ha
OP planted area	22,624.77
OP planted on peat	0
Conservation (forested)	0
Conservation (non-forested)	0

Summary of Field Emissions and Sinks

	Own Crop		Group		3 rd party	
	tCO ₂ e	tCO ₂ e/t FFB	tCO ₂ e	tCO ₂ e/t FFB	tCO ₂ e	tCO ₂ e/t FFB
Emissions						
Land Conversion	74039.15	0.5	134100.04	0.17	0	0
*CO ₂ Emissions from Fertilizer	432936.61	2.91	571665	0.72	0	0
**N ₂ O Emissions	5465.83	0.04	4951.26	0.01	0	0
Fuel Consumption	248.92	0	572.72	0	0	0
Peat Oxidation	0	0	0	0	0	0
Sinks						
Crop Sequestration	-72743.22	-0.5	-127109.03	-0.16	0	0
Conservation Sequestration	0	0	0	0	0	0
Total	438947.29	2.95	584179.99	0.73	0	0

Summary Oil Mill Emissions and Credits

	tCO ₂ e	tCO ₂ e/t FFB
Emissions		
POME	12171.82	0.08
Fuel Consumption	141.6	0
Grid Electricity Utilization	2063.74	0.01
Credits		
Export of Grid Electricity	0	0
Sales of PKS	0	0
Sales of EFB	0	0
Total	14377.16	0.09

Palm Oil Mill Effluent (POME) Treatment

Divert to compst	0 %
Divert to anaerobic digestion	100%

POME Divert to Anaerobic Digestion

Divert to anaerobic pond	100%
Divert to methane capture (flaring)	0
Divert to methane capture (electricity generation)	0

Criterion 6.1: Aspects of plantation and mill management that have social impacts, including replanting, 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 continual improvement.

Findings:

Document of Social Impact Assessment for Sisumut Estate had been composed in 2011 by an independent consultant team from North Sumatra University. The process of preparing social impact assessment document uses method of Participatory Rural Appraisal (PRA), the use of such method is able to explain condition of community in the villages surrounding Sisumut Estate. The document of Social Impact Assessment describes about community land use access, community livelihoods, cultural and communities activities, health and education facilities. The document also explains about impact of Sisumut Estate for each village, including public consultation with community and to employee, which have been conducted.

In order to improve the monitoring and implementation system of social impact to village communities around the plantations, Sisumut and Aek Nabara Utara Estate has already making plan for impact monitoring. The document that have been

Compliance status:

Yes No

NCR No.:

prepared by company for social impact monitoring are as follows:

1. Document of Monitoring Schedule for Social Impact Assessment (SIA) Sisumut Estate - 2017. This document refers to a document prepared by the Social Impact Assessment that has been composed in 2011. As for which belong to the area of impact is as follows Sisumut Estate, namely : (a) Sisumut Village; (b) Pekan Telan Village; (c) Aer Merah Village; (d) Kotapinang Village (e) Sei Rumbia Village.
2. Document of Monitoring Schedule for Social Impact Assessment (SIA) Aek Nabara Utara Estate - 2017. This document refers to a document prepared by the Social Impact Assessment that has been composed in 2011. As for which belong to the area of impact is as follows Aek Nabara Utara Estate, namely: (a) Desa Lingga Tiga; (b) Desa Danau Bale A; (c) Desa Danau Bale B; (d) Desa Danau Bale C; (e) Desa N1; (f) Desa N2.

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:

Sisumut and Aek Nabara Utara Estate are under the management of PTPN III, meaning that both estates have the same working procedure. Sisumut and Aek Nabara Utara Estate have SOPs related to stakeholders communication, which emphasizes aspects of participation and consultation with stakeholders.

Sisumut and Aek Nabara Utara Estate has maintained a list of stakeholders which has to be updated periodically. The Company also need to record stakeholder communication in the "Log Book of Communication with Stakeholders". In Sisumut Estate, stakeholder communication process is conducted by Field HR Asistant/Asisten Personalia Lapangan (APL) with every communication are recorded in the Log Book. Communication with stakeholders includes communication via letters, proposals, and emails which the responded by the Company. Same thing happens in Aek Nabara Utara Estate and Sisumut Mill.

All estates and Mill have lists of relevant stakeholders, which are divided into 2 categories, i.e. internal and external stakeholders (Code of Conduct 3rd edition, December 2012). Any correspondence is documented in the logbook. Efforts have been made by Administration and Personnel (APK) to ensure understanding of the community, by placing one staff to always provide information about company, and evidence of any follow-up action in response to input from stakeholders, which are also documented in the log book.

Compliance status:

Yes No

NCR No.:

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 owns Circular Letter No: 3:16/SE/33/2016 concerning Violations Reporting (whistleblowing system) on 29 June 2016. This Circular Letter has been distributed to all Head of Division, all Head/Bureau, all District Manager, all Estate Manager/Unit all MR of PTPN 3. Each violations reporting, including complaints and grievances can be reported directly through call centers that have been mentioned in the informational boards, which are posted at every entrance to the estate. Complaints are documented in the Board of Director office.

PT PN III corporate also has call centre 9600 as an open system to receive complaints and grievances from its stakeholders, which is openly announced at the

Compliance status:

Yes No

NCR No.:

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 38 of 57

frontgate of estate or mill offices. The call centre is centralised in Medan head of office and checked daily by corporate public relationship. Any incoming complaint or request of information from stakeholders through call centre will be forwarded to relevant sections for follow-up. The complaint was submitted to leadership directly and subsequently reported to the Estate/Mill Manager to be answered/responded. Documentation on complaints are handled by Document Control staf.

There is documentation of employee complaints, namely housing Complaints, crop tool quality Complaints and broken bath-tub Complaint. For example, on April 5, 2017, employee, Kardiono, harvester complained about broken ceramic in bath-tub. Company has responded and repaired that broken bath-tub.

Based on interview result with head of Sisumut village, it has known that company has been cooperative and quick response to each complaint and request from community. Public Relation Staff has actively communicated with community.

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:

Company has *SOP Proses Bisnis Perencanaan Pengendalian* No. Document : PK-PB-3.01. This procedure stated about Free, Prior, Informed Consent (FPIC) and the procedure directive for new land development. For Sisumut Estate, there is no legal documentation related with FPIC Process for the identification of communal land or communal right. The similar situation can be found in Aek Nabara Utara Estate, there is no legal documentation of communal land or communal right. This condition caused by both of things, i.e. Firstly, company had opened the land before RSPO Standard and FPIC approach were even established. RSPO Standard was released and became a guidance for sustainable palm oil in 2007. At the same time, FPIC approach was adopted, but only implemented for the new land development after November 2010. Secondly, the company is a part of State Owned Enterprise which inherited from the Dutch colonialism, then nationalized by the government.

Because of those two things above, FPIC approach as in the adoption of RSPO standard cannot be applied to Sisumut Estate and Aek Nabara Utara Estate, which is under the umbrella of PT. Perkebunan Nusantara III. In Sisumut Estate, land claim are documented, but in Aek Nabara Utara Estate there is no documentation related to land claim, because there is no land claim in Aek Nabara Utara Estate.

Based on interviews with the village head of Sisumut, it was evidenced that there is no indigenous land or customary rights in the company area. Since the beginning of land acquisition for estate construction, there has never been any customary land or customary rights in the area.

Compliance status:

Yes No

NCR No.:

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

Findings:

There is Directors Decree No. 3.17/SKPTS/R/14/2017 on PTPN III Employee Salary Increase in accordance with the North Sumatra Governor's Decree No. 188.44 /623/KPTS/2016 dated October 20, 2016 on 2017 North Sumatra Minimum Wage of IDR 1,961,354.69. Staff and workers receive salary payment receipts (monthly pay slips) in a timely manner. Management staffs are paid through bank transfer, while workers are paid in cash, Example: Jona Sitanggung (harvester), category 1A/0, basic salary and allowances (IDR 2,118,855).

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

Company has a Collective Labor Agreement 2016/2017 period, which consists of responsibilities of each parties, employers and workers union relations, changes

Compliance status:

Yes No

NCR No:

- RSPO01446 (Major Indicator 6.5.1)
- RSPO01447 (Major indicator 6.5.2)

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 39 of 57

and additions to the agreement, facilities recognition and guarantee, labor relations, working time, education and training, remuneration, permit not come to work and leave, work safety, sanction rules, termination, and settlement of complaints. Socialization of PKB Period of 2016 -2017 to all level of workers in estate of Sisumut and Mill was conducted on 6, June 2017, in Aek Nabar Utara Estate on January 10, 2017.

The Company already provide proper facilities to all workers, i.e workers housing, sports facilities etc. Water supply for worker obtained from wellbore/electric water pump in each worker house (include in electricity allowance). Company has worker Cooperative which provides household goods for workers and their families, and company allow the workers to sell its household goods. For health services PTPN III provide company hospital at South Aek Nabara.

Company provides facility and infrastructure for personnel, such as worship facility, mosque, primary health service, sport field, water collection facility, soccer field, personnel hall, child care, personnel health post and clean water source. Based on field visit to housing facility in Sisumut Estate, it is known that company provides sufficient housing and health facility for its personnel. Emplacement department is in charge on maintaining the facility and infrastructure for personnel. Company provides medical clinic that provides medical service for personnel and provides school bus for elementary and junior high school students.

Based on a visit to the G10 employee housing in Aek Nabara Utara Estate and housing Block 05, it was known that housing facilities were in good condition, the availability of adequate water and clean residential neighbourhood are in place.

The Company has conducted contractor evaluations including the rights of its workers, for example CV Giok Raja Persada.

Based on field trips to KANAU Estate division III Block Q3, there was a worker from CV Silumba as partner/contractor for spraying. But there is no working contract between PTPN III KANAU and CV Silumba, only a letter of appointment on the provision of goods and services No.3.20/X/Tim.B/SPPBJ/VII/2017. The company has not been able to show the results of contractors evaluation that contain workers' rights, such as contractual agreements between contractors and their workers. These issue has been raised as non conformity **(NCR no: RSPO01446)**

The company does not yet have a mechanism on the replacement of self-purchased work equipment. Based on interview with harvesters in KANAU Estate division I, there was information that the FFB manual carrier purchased alone. This issue has been raised as non-conformity **(NCR no: RSPO01447)**.

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 on sustainable palm oil in which has several points regarding freedom of association. This policy uses Bahasa Indonesia. One form of the company's commitment to actualize freedom of association is by acknowledging the existence of Plantation Workers Union (Serikat Pekerja Perkebunan – SP BUN). In the Sisumut Mill, Sisumut Estate and Aek Nabara Utara Estate, Minutes of Meeting is available at each meeting of Plantation Workers Union (Serikat Pekerja Perkebunan – SP BUN).and can be accessed anytime by employees.

Statement on freedom of association for workers is also stated in Article 5 of the company's Joint Employment Agreement (PKB). The policy has been disseminated to all employees and workers through internal memorandum. There is a worker union in PTPN III, i.e. Plantation Labour Union (SPBUN) with documented minutes of meeting between management and representatives of SP BUN for example, on August 2, 2017, discussing about undiscipline employees.

Based on information from worker union officer, company provides freedom for its

Compliance status:

Yes No

NCR No.:

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 40 of 57

personnel to establish union and there is no pressure or discrimination from company, and company fulfils its responsibility related to personnel's welfare matter.

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 written policy relating to the minimum recruitment age. This can be seen in the policy of sustainable palm oil. This policy does not only applies to PTPN III, but also applies to contractors who became partner of PTPN III. During the audit process in the Sisumut Mill, Sisumut Estate and Aek Nabara Utara Estate found that no underage workers. It is also evidenced by checking employee data in the Sisumut Mill, Sisumut Estate and Aek Nabara Utara Estate. Based on the verification results on the employee list document in July 2017 evidenced that no employees in the company were under 18 years of age at the time of admission to work. There are no workers under 18 years old in Mill and Estate especially permanent workers, all of them mostly are adult person and had been working for 5 to 25 years. In job vacancy, one of the requirements is the candidate must be minimum 18 years old. The Company have disseminated policy regarding age of workers, at least 18 years old to the third party (contractor).

Compliance status:

Yes No

NCR No.:

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 rewards employees as its assets with dignity regardless of race, color, religion, origin, physical barriers, gender, and age. The employees are continuously given capacity building through consistent education and training. This statement stated in the Code of Conduct PTPN III, Business Ethics and commitment to Stakeholders. The company has implemented a policy of equal employment opportunities to gain employment and worker's minimum age requirement policy. Based on employee list in July 2017, it was evidenced that the employees came from different background and social identity. The list of employee consists of name, place and date of birth, date of recruitment, origin, religion, education, local and non local, tribe, and position.

Through interview with workers, it was confirmed that there was no discrimination on working opportunities, all workers were treated equally. Records of employee's recruitment and their contract agreement were available. In company there was no migrant worker. Based on interview result with labour union, it was known that no discrimination on workers have taken place. The company do not treat workers in discriminative way from the moment of recruitment until enrolment in the company.

Compliance status:

Yes No

NCR No.:

Criterion 6.9: There is no harassment or abuse in the work place, and reproductive rights are protected.

Findings:

The Company has policy to protect the reproductive rights of female worker in the company's Joint Employment Contract (PKB) Article 26, permission for 1,5 month before and 1,5 after child birth and article 27 permission absent from work due to menstruation period.

Concerning the Handling Whistle-blower mechanism, stated in the Code of Conduct PTPN III, Chapter IV Work Ethics as follow:

1. Presented in writing and can be reported by email, stating the complaint box complete personal identity.
2. Confidentiality of the complainant's identity is guaranteed by the company.
3. The reported information must be supported by sufficient and reliable evi-

Compliance status:

Yes No

NCR No.:

dence as the initial basis for further investigation.
 All workers should sign the Statement of Obedience to implement Code Of Conduct in every year (Evidence of policy Socialization). Policy on reproductive rights have been disseminated to all levels of employees on 19 June 2017. In addition, the policy is also posted on the office announcement board, housing, clinics and Division Offices. Based on interviews with women workers in Sisumut Estate, it was known that the workers understand the reproductive leave entitlements, i.e. 2 days menstrual leave and 3 months maternity leave.
 There was Gender Committee Organization. Gender committee activity is education about the harassment and benefit of gender committees, education about hygiene and environmental management, reproductive counseling and benefits of breastfeeding, the activities to enhance skills of housewife. On June 19, 2017, it has been implemented socialization about harassment and benefits of gender committee, the participants were men and women around the estate. Results of interviews with women who is spraying personnel and a kindergarten teacher stated that the company gives leaving entitlement H-1 (menstruation) and H-2 (childbirth).

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

Findings:

Refer to Director's Circular Letter No: 3.05/SE/01/2009 dated 12 February 2009, Director's Memorandum No: 3.11/Distrik/MO/03/205 dated 5 January 2017, Head of Commercial Department Memorandum No: 3.15/Kbn/MOM/01/2017 dated 5 January 2017 and Memorandum of Commercial Department Head No: 3.15/Kbn/MO/77/2017 dated 21 April 2017, price of Fresh Fruit Bunch from third parties as follows:

CPO Price	: Rp. 7,929.90/kg
Kernel Price	: Rp. 5,034.73/kg
Selling Price	: Rp. 283.62/kg
Processing Price	: Rp. 329.21/kg

There are three independent supplier i.e. CV Pratama Dansyiah, CV Aqila, and UD Berkah Jaya. All of them supply FFB to Sisumut Mill and payment is made one week after delivery, for example in the agreement between Sisumut Mill and CV Pratama Dansyiah No: PSSUT/SPJ/01/2017 dated 27 March 2017; Sisumut Mill and CV Aqila No: PSSUT/SPJ/03/2017 dated 29 March 2017; Sisumut Mill and UD Berkah Jaya No: PSSUT/SPJ/02/2017 dated 27March 2017.

FFB Price on March 3, 2017 was IDR. 1,830/kg and FFB price on 22 April 2017 was Rp. 1.745 / kg. Information on the price of FFB to suppliers is delivered through SMS and price board installed at the Mill entrance.

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

- POM proposes tonnage, FFB criteria and prospective suppliers
- District SPJ publishes purchase and purchase price guidelines of FFB
- Commercial section provides information on CPO and kernel prices,
- The accounting department to formulate a 3rd party FFB purchase price,
- POM makes purchases and summarize purchase and publish the minutes
- District makes payments for 3rd party FFB and report the results and evaluate the purchase
- The technology evaluation and monitoring.

Compliance status:

Yes No

NCR No.:

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

Findings:

The company conducts social programs based on proposals from the communities. The proposal submitted by the community to Sisumut and Aek Nabara Utara Estate will be reviewed by the company and then decided. The result of this decision will be consulted with the people who submitted the proposal. Some assistance with establishment of communities around Sisumut Estate and Aek Nabara Utara Estate are as follows :

1. Donation/contribution to house of worship (mosque)
2. Donation/contribution to road maintenance
3. Donation/contribution to improvement of school building
4. Donation/contribution to natural disaster

During the audit process, field visit was carried out to Sisumut Village as the closest village to Sisumut Estate. Based on interviews with the Sisumut Village Head it was confirmed that the company has provided assistance to the community, such as:

1. Improvement of roads, facilities and other infrastructure
2. Assistance for natural disasters
3. Empowering the community by recycling the paper waste
4. Donation and assistance of moslem school

For example, the company makes contributions to local development under following evidences:

- Loan of capital for computers and train tickets vendor business in Aek Nabara Utara Estate on September 27, 2016, IDR 90,000,000.
- Loan of capital for sweet potato, beauty salon, herbal medicine, vegetables vendor in Sisumut Estate on June 2017, IDR 200,000,000.

Compliance status:

Yes No

NCR No.:

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

Findings:

The company has policy related to forced labor, which consists sustainable palm oil policy in which there are points about the statement that the company is committed to not doing forced labor to its employees. The entire recruitment process are carried out by the head office and going through administrative processes as well as some tests that have been determined by the central office. All employees who have been recruited will be fixed employee and no employees were recruited with contract system. The statement is as follow: "Prohibits all forms of forced labor in every employee and prohibits the practice of labor trade". Based on employee data in estate and mill, there is no migrant workers/temporary migrant workers.

Compliance status:

Yes No

NCR No.:

Criterion 6.13: Growers and millers respect human rights.

Findings:

PT PN III has a Code of Conduct, which states that employees have a policy related to the rights of Human Rights. The policy applies to the PTPN III, businesses, suppliers and contractors. Human right policy ensures to respect right and dignity of workers, to treat fairly and free of discrimination, including prevention of any kind of abuse and sexual violence, and protect reproduction right as well. The company is not discriminatory in treating workers from the moment of acceptance until enrolment in all types of jobs. Based on interview with management side, it was

Compliance status:

Yes No

NCR No.:

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 43 of 57

known that socialization of Human Right policy was conducted by representative of management, workers union, and security. Socialization of human rights policy has been carried out on April 15, 16, 18, 2016 in Sisumut Estate, while in Aek Nabara Utara on August 30, 2017.

Criterion 7.1: A comprehensive and participatory independent social and environmental impact assessment is undertaken prior to establishing new plantings or operations, or expanding existing ones, and the results incorporated into planning, management and operations.

Findings:

There is no new planting development both of Sisumut Estate and KANAU Estate, all existing area is the area under the company's existing HGU (land use right), which is all previously planted and no planting in HCV area. Therefore, the P&C 7, Responsible development of new plantings are considered to not applicable.

Compliance status:

Yes No

Not applicable

NCR No.:

Criterion 7.2: Soil surveys and topographic information are used for site planning in the establishment of new plantings, and the results are incorporated into plans and operations.

Findings:

There is no new planting development both of Sisumut Estate and KANAU Estate, all existing area is the area under the company's existing HGU (land use right), which is all previously planted and no planting in HCV area. Therefore, the P&C 7, Responsible development of new plantings are considered to not applicable.

Compliance status:

Yes No

Not applicable

NCR No.:

Criterion 7.3: New plantings since November 2005, have not replaced primary forest or any area required to maintain or enhance one or more High Conservation Values.

Findings:

There is no new planting development both of Sisumut Estate and KANAU Estate, all existing area is the area under the company's existing HGU (land use right), which is all previously planted and no planting in HCV area. Therefore, the P&C 7, Responsible development of new plantings are considered to not applicable.

Compliance status:

Yes No

Not applicable

NCR No.:

Criterion 7.4: Extensive planting on steep terrain, and/or on marginal and fragile soils, is avoided.

Findings:

There is no new planting development both of Sisumut Estate and KANAU Estate, all existing area is the area under the company's existing HGU (land use right), which is all previously planted and no planting in HCV area. Therefore, the P&C 7, Responsible development of new plantings are considered to not applicable.

Compliance status:

Yes No

Not applicable

NCR No.:

Criterion 7.5: No new plantings are established on local peoples' land without their free, prior and informed consent, 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:

There is no new planting development both of Sisumut Estate and KANAU Estate, all existing area is the area under the company's existing HGU (land use right), which is all previously planted and no planting in HCV area. Therefore, the P&C 7, Responsible development of new plantings are considered to not applicable.

Compliance status:

Yes No

Not applicable

NCR No.:

Criterion 7.6: Local people are compensated for any agreed land acquisitions and relinquishment of rights, subject to their free, prior and informed consent and negotiated agreement

Findings:

There is no new planting development both of Sisumut Estate and KANAU Estate,

Compliance status:

Yes No

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 44 of 57

all existing area is the area under the company's existing HGU (land use right), which is all previously planted and no planting in HCV area. Therefore, the P&C 7, Responsible development of new plantings are considered to not applicable.	Not applicable NCR No.:
Criterion 7.7: Use of fire in the preparation of new plantings is avoided other than in specific situations, as identified in the ASEAN guidelines or other regional best practice.	
Findings: There is no new planting development both of Sisumut Estate and KANAU Estate, all existing area is the area under the company's existing HGU (land use right), which is all previously planted and no planting in HCV area. Therefore, the P&C 7, Responsible development of new plantings are considered to not applicable.	Compliance status: <input type="checkbox"/> Yes <input type="checkbox"/> No Not applicable NCR No.:
Criterion 7.8: New plantation developments are designed to minimise net greenhouse gas emissions.	
Findings: There is no new planting development both of Sisumut Estate and KANAU Estate, all existing area is the area under the company's existing HGU (land use right), which is all previously planted and no planting in HCV area. Therefore, the P&C 7, Responsible development of new plantings are considered to not applicable.	Compliance status: <input type="checkbox"/> Yes <input type="checkbox"/> No Not applicable NCR No.:
Criterion 8.1: Growers and millers regularly monitor and review their activities and develop and implement action plans that allow demonstrable continuous improvement in key operations.	
Findings: Continual improvement has been conducted by the company which encompasses reduction in chemical pesticides. This is also due to low rate of pest attack. The company has also conducted EIA, which covers holistic environmental impact assessment, which is monitored each semester. Waste reduction is implemented by establishment of registered hazardous waste storage along with waste handling and administration as per government requirement. The GHG emission mitigation is also depicted in plan document and the company has already comply with RSPO requirement through the use of PalmGHG Calculator. The company has established SIA to identify and monitor social impact and reduce negative while promoting positive impacts to stakeholder. Optimisation of FFB yield from its supplier is continuously conducted by estates as part of their production plan and activity. Overall, the continual improvement activity is maintained using procedures in every work elements and annual management review conducted covering key aspects of the operation.	Compliance status: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No NCR No.:

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

E.1. Definition	
Findings: During year of 2016 Sisumut Mill was received FFB from 6 (six) certified estates owned by PT Perkebunan Nusantara III (Persero), i.e.: Sisumut, Aek Nabara Utara, Aek Nabara Selatan, Rantau Prapat, Mambang Muda, and Labuhan Haji Estates, and 2 (two) un-certified estates owned by PTPN III (Persero). i.e.: Bagan Batu and Hapesong estates, and 6 (six) un-certified third party estates, i.e.: UD.GUE, Berkah Jaya, CV Pratama Danisyah, CV Melala Rezikinta, Surya Darma, and Ram Sinar Jaya. However, during year of 2017, FFB supplied only from 3 (three) un-certified third-parties estates, i.e.: Aqila, Berkah Jaya and Pratama Danisyah estates.	Compliance status: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No NCR No.:

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 45 of 57

Sisumut POM has implemented the RSPO-SCCS Mass Balance model. This SCCS model allowed to mixing of certified and uncertified product but shall be control by the Mass Balance record to ensure the quantity of certified product, and only certified product could be claim by the organization as certified palm oil product.

The organization has identified the volume of certified and uncertified FFB supplied to the mill. Based on record of Mass Balance showed the amount of FFB certified and uncertified, when the certified FFB is come from own estate (Sisumut, Aek Nabara Utara, Aek Nabara Selatan, Rantau Prapat, Mambang Muda, and Labuhan Haji, Estates). And for uncertified FFB is come from outside/outgrower and sister company such as (GUE, Gemilang, Berkah Jaya, Pratama Danisyah, Melala Rezi-kinta, Surya Darma and Ram Sinar Jaya estates) and others. Data of FFB received by PSSUT from owned estates and other estates for year 2015 and 2016 (until July) as table below:

Year	Certified FFB		Uncertified FFB		Total FFB Received (Tonne)
	Tonne	%	Tonne	%	
2016	156,445.870	90.86	15,739.670	9.14	172,185.540
2017*	96,305.560	94.14	5,991.570	5.86	102,297.130

Note: * until July
PSSUT Mill just produced Crude Palm Oil and Palm Kernel.

Mass balance records also showed the certified product, the data of 2016 and 2017 (January until July) for certified CPO and PK as table below:

Year	Certified CPO		Uncertified CPO		Total CPO Produced
	Tonne	%	Tonne	%	
2016	33,870.531	90.86	3,407.073	9.14	37,277.604
2017*	20,539.634	94.31	1,239.217	5.69	21,778.851

Note: * until July

Year	Certified PK		Uncertified PK		Total PK Produced
	Tonne	%	Tonne	%	
2016	7,321.667	90.79	742.437	9.21	8,064.104
2017*	4,591.841	94.31	277.039	5.69	4,868.880

Note: * until July

Compliance status : Full Compliance

E.2. Explanation

Findings:

Estimated of tonnage CPO and PK products has been recorded in to the public summary of the P&C certification report.
PSSUT Mill has registered in RSPO IT Platform (e-Trace) with the RSPO member No. 1.0030-06-000-00

Compliance status:

Yes No

NCR No.:

Compliance status: Full Compliance	
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E.3. Documented procedures

<p>Findings: There is no revision of documented procedures since last audit, they are:</p> <ul style="list-style-type: none"> - IK-3.01-18/01 "Realization of Production in Planning and Control and Plant - Rejuvenation", Revision : 02, Date : 06-05-2011. - IK-3.01-20/08 "Transporting of FFB to Factory", Revision : 03, Date : 01-05-2012. - IK-3.03-01/16 "Receiving of FFB in Palm Oil Mill" Revision : 03, Date : 06-05-2011. - IK-3.03-04/01 "Sorting FFB of Palm Oil", Revision : 06, Date : 06-05-2011. - IK-3.07-45/01 "Procurement of FFB Raw Materials or Rubber" Revision : 02, Date : 01-02-2012. - IK-3.03-01/24 "Production Storage", Revision : 04, Date : 06-05-2011. - IK-3.03-07/02 "Delivering Production from Factory to Belawan Installation, PT. Sarana Agro Nusantara, PT. IKN dan Private Parties", Revision : 05, Date : 01-05-2012. - IK-3.07-05/01 "CPO Non CSPO Sales", Revision : 06, Date : 06-05-2011. - IK-3.07-39/01 "CPO CSPO Sales", Revision : 01, Date : 01-02-2012. - IK-3.03-15/01 "Mechanism of Supply Chain (SCCS)", Revision : 01, Date : 01-02-2012. - The Decree of Directors of PT. Perkebunan Nusantara III Number: 3.03/SKPTS/01/2012 on 2 January 2012 on the application of Supply Chain <p>The organization (Sisumut Mill) has appointed persons in charge to manage SCCS in the organization as stated in the Decision Letter of Sisumut Mill Manager No. PSSUT/SKPTS/51A/2016, dated March 20, 2016 about Appointment of SCCS Personnel. However, the designated personnel have not received SCCS Training. This condition raise as a non conformity (NCR NO. RSPO01448).</p> <p>NCR No. RSPO01448 (E3.1.b) The appointed personnel in charge to manage SCCS have not received SCCS Training, especially Module E of SCCS, i.e: Mr. Awaluddin (Asiten Lab).</p> <p>Compliance Status: Not Compliance</p>	<p>Compliance status: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>NCR No.: RSPO01448 (E.3.1.b)</p>
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E4. Purchasing and good in

<p>Findings: PSSUT mill has been recorded volume of FFB's certified and uncertified in mass balance record. Based on field observation in weight bridge activity, person in weighbridge understood the different of certified and uncertified incoming FFB through the mass balance stamp in weighing slip and delivery FFB slip. In delivery FFB slip showed the RSPO SCCS model, origin/estate, field number, unit transport number and others. During 2016, FFB certified received in PSSUT Mill is about 156,445.870 tonnes of</p>	<p>Compliance status: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>NCR No.:</p>
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RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 47 of 57

<p>FFB or 90,86% from the FFB received total in once year. Until 2nd surveillance audit, there is no over-production of certified palm product or FFB, but if the overproduction will happen, the mill has mechanism to inform to the certification body through the mill procedure.</p> <p>Compliance status: Full Compliance</p>	
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E.5. Record keeping

<p>Findings:</p> <p>The Mill has maintained records and balance all receipts of RSPO certified FFB and non-certified FFB, an also RSPO certified CPO and Palm Kernel (PK). Based on the Mill's records, during year of 2016, shown data as follow:</p> <ul style="list-style-type: none"> - Total FFB received: 172,185.54 tonne - Certified FFB received: 156,445.87 tonne (90.86% from total FFB received) - Non-certified FFB received: 15,739.67 tonne (9.14%) - Certified CPO produced: 33,870.53 tonne - Non Certified CPO produced: 3,407.07 tonne - Certified PK produced: 7,321.67 tonne - Non-certified PK produced: 742.44 tonne - Certified CPO delivered/sold: 5,500 tonne - Certified PK delivered: 3,200 tonne <p>Based on the above data, evidenced that until December 2016, palm oil products (CPO & PK) still in positive quantity. There is evidence that mass balance records was evaluated every 3 (three) month regularly. The Mill also was demonstrated that the mass balance records has been supported by relevant documents.</p> <p>Compliance status: Full Compliance</p>	<p>Compliance status: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>NCR No.:</p>
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3.2 Status of Previously Identified Non-conformities

A total of 10 nonconformances were identified during the 1st annual surveillance assessment. These consisted of 5 major non-conformities and 5 minor non-conformities. During this surveillance assessment, it was found that there was sufficient evidence for closure of all non-conformities.

The following is a description of the evidence of action taken to close the non-conformities raised during the previous assessment, as well as auditor's conclusions on the status of the non-conformities.

Non Conformity Report No.	Non-conformity Description	Verification of Correction/Corrective Action	Status
RSPO 00638 Minor	The organization's Stakeholders List has no specifically categorized and there is no evidence that the list regularly updated. This matter found in Sisumut Palm Oil Mill, Sisumut Estate and KANAU Estate.	The company already has a list of stakeholders containing information on the agency name, the head name, position, cellphone number and address. List of stakeholders consists of category: (1) shareholders; (2) employees; (3) customers; (4) suppliers/partners; (5) investors; (6) government; (7) competitors; (8) auditor; (9) mass media, NGOs and mass organizations; (10) surrounding communities, partners and environment; (11) unions; (12) the	Closed

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 48 of 57

		legislature; (13) strategic business partners; (14) universities and research institutes; (15) subsidiaries; (16) farmers. A list of stakeholders was also created for the Labuhan Batu and Labuhan Batu Selatan District.	
RSPO 00639 Major	Hoist crane's operator (upon which Parasian Sitompul) at Sisumut Mill has no license namely Surat Izin Operator (SIO) from competent authority.	There is Memorandum No. 3.17/MO/1092/2016, dated September 17, 2016, from Head of HR Department, regarding planning of Certification of Crane Operator, that will be held on September 21 – 24, 2016. Based on verification, all operators have attained their license (SIO)	Closed
RSPO 00640 Minor	There is no evidence that the result of HCV monitoring was taken into account for next HCV management plan, for example: some of HCV's signboards has no maintained appropriately.	There is internal Memo No. KANAU/Int/144a/2016, dated September 13, 2016, from Kanau Estate's Manager, regarding Socialization of HCV and Related Legals and Regulation. Based on field verification to Sisumut and Kanau Estate, it was evidenced that signboards are in proper condition.	Closed
RSPO 00641 Minor	During visit site to KANAU Estate at Afdeling IV, was found that pouring a chemical (starlon) from the container (jerigen) into Kap-sack was performed at surface's land without equipped by "collecting spillage"	There is memo No. KANAU/Int/149/2016, dated September 24, 2016, from Kanau Estate's Manager, regarding socialization of "collecting spillage" usage during pouring any chemicals. Based on field verification it was found that there is no chemical spillage and the chemical handling was conducted plastic cover to prevent contact with soil.	Closed
RSPO 00642 Major	<ul style="list-style-type: none"> - The organization has not defined documentation regarding social impact mitigation, implementation, and monitoring which considering SIA document (Sisumut and Kanau estates). - The organization has not defined document of planning to mitigate negative impacts and implementation in accordance with defined timeline (Sisumut Mill and Sisumut & Kanau estates) 	Sisumut Mill, Aek Nabara Utara, and Sisumut Estate have document of mitigation, implementation and monitoring on social impacts that considers SIA documents. Its preparation is conducted in a participatory way. Mitigation, implementation and monitoring of social impacts are carried out once a year by Bina Mitra, CSR team and Universitas Sumatera Utara.	Closed
RSPO 00643 Minor	<ul style="list-style-type: none"> - The organization has no document of planning & implementation and monitoring & evaluation regarding management of social plan (Sisumut and Kanau Estates). - The organization has no reviewed planning of social man- 	The Sisumut and Aek Nabara Utara estate already have a document on the social impacts management and monitoring plan which is the result of routine evaluation every 2 year. The review process is carried out in a participatory manner from all affected parties. The document was	Closed

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 49 of 57

	agement 2 (two) yearly at minimum.	established in 2016.	
RSPO 00644 Minor	Records of affected parties, communication with the affected parties, input from them, and any actions needed to mitigate risk due to estates operation (Sisumut and Kanau Estate).	The Company shows the results of monitoring and input from stakeholders at Sisumut and Aek Nabara Utara Estate. The monitoring and input process was conducted in a participatory manner from all affected parties in September 2016.	Closed
RSPO 00645 Major	The organization has not defined policy of non-discrimination specifically.	The Company has Sustainable Palm Oil Policy. The policy is to respect the rights and dignity of workers, to be treated fairly and free from all forms of discrimination including to prevent all forms of sexual harassment and violence, and to protect the reproductive rights of all workers, as required in: <ul style="list-style-type: none"> o Law Number 21 of 1999 on Discrimination in Employment and Employment (ILO Convention No. 111) o Law Number 39 Year 1999 on Human Rights For All Employees o Law Number 13 Year 2003 regarding Manpower 	Closed
RSPO 00646 Major	<ul style="list-style-type: none"> - The organization has policy of Sustainable Palm Oil, however, the policy has not contained sexual harassment and violence specifically. - The organization has not established Gender Committee 	<p>The Company has Sustainable Palm Oil Policy. The policy is to respect the rights and dignity of workers, to be treated fairly and free from all forms of discrimination including to prevent all forms of sexual harassment and violence, and to protect the reproductive rights of all workers.</p> <p>The company has a Gender Committee Organization whose activities are education on health and environmental management, reproductive counseling and breastfeeding benefits, activities to improve the skills of housewives. On June 19, 2017, socialization was held on harassment and benefits of gender committees, participants were men and women around the plantation area.</p> <p>The Company has also evaluated the required legal compliance:</p> <ul style="list-style-type: none"> o Law Number 21 of 1999 on Discrimination in Employment (ILO Convention No. 111). o Law Number 39 Year 1999 on Human Rights For All Employees. o Law Number 13 Year 2003 regarding Manpower. 	Closed
RSPO 00647 Major	The organization has no defined specific policy to respect of human right.	Perusahaan memiliki Kebijakan Pengelolaan Kelapa Sawit Lestari (Kebijakan Sawit Lestari). Kebijakan tersebut adalah "Menghormati hak	Closed

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 50 of 57

		<p>dan martabat pekerja, diperlakukan secara adil dan bebas dari segala bentuk diskriminasi termasuk mencegah segala bentuk pelecehan dan kekerasan seksual, dan untuk melindungi hak reproduksi semua pekerja.</p> <p>Perusahaan juga telah mengevaluasi kepatuhan hukum yang dipersyaratkan:</p> <ul style="list-style-type: none"> • Undang-Undang Nomor 21 Tahun 1999 tentang Diskriminasi dalam Pekerjaan (Konvensi ILO No. 111). • Undang-Undang Nomor 39 Tahun 1999 tentang Hak Asasi Manusia Untuk Semua Karyawan. • Undang-Undang Nomor 13 Tahun 2003 tentang Ketenagakerjaan. 	
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3.3 Identified Non-conformances, Corrective Actions Taken and Auditors Conclusions

During this surveillance assessment, a total of 6 nonconformances were identified. These consisted of 6 major non-conformities. For the major non-conformances, the company has taken the necessary corrective action to close these non-conformances within 60 days of completion of the assessment, and this was verified by the audit team through checks of documents submitted by the company. A summary of all identified non-conformances, corrective actions taken and auditor conclusions is as below:

3.3.1. Major non-conformities

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

Indicator	NCR No.	Evidence Observed	Deadline for implementation (Date)	Correction/ Corrective Action taken/	Auditor Conclusion
2.1.1	RSPO 01443	<p>Verified the photograph installation of shower and eyewash along with proper symbol and labels of hazardous waste at the waste warehouse.</p> <p>Verified the Regulation List of 2016 issued by Legal Department, which contains PP no: 101/2014, PP no: 38/2011, PP no: 37/2012, PP no: 26/2008, Kepres no: 32/1990, PermenLH no: 14/2013, Permentan no: 1/Permentan/OT.140/1/2007, Permentan no.7/Permentan/SR.140/2/2007, Permentan no: 11/Permentan/OT.140/3/2015. The document has been disseminated via Memorandum</p>	30-09-2017	<p>Correction: To install eyewash at hazardous storage, to install proper hazardous material and waste symbol, to record and disseminate all relevant regulations.</p> <p>Corrective Action To conduct regular monitoring on Hazardous waste storage equipment compliance and annually disseminate updated regulations and evaluations.</p>	Closed

RSPO Annual Surveillance Audit Report
PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut
North Sumatera, Indonesia



Rev.2

Page 51 of 57

		from Legal Department Head to all Department no: 3.18/Bag/MO/566/2016.			
4.6.11	RSPO 01444	Verified the establishment of cholinesterase check schedule for all PTPN III Units, including Sisumut and Aek Nabara Utara Estates, evidenced by document of Internal Memo No. 3.16/Int/62/2017 dated 13 September 2017 signed by Erwin Mierza Arief.	30-09-2017	<p>Correction: To create schedule and conduct special health check as per regulation.</p> <p>Corrective Action: To document special health check consistently.</p>	Closed
4.7.3	RSPO 01445	Verified the establishment of Procedure on Supervising and Monitoring of PPE Usage (PK-3.16-45 rev.3 dated 1-8-2017)	30-09-2017	<p>Correction Conduct checklist on PPE Usage Monitoring adjusted with FM-3.16-45/02.</p> <p>Corrective action To conduct PPE replacement if it is found to be unappropriate to be used and to document PPE inspection at the work place.</p>	Closed
6.5.1	RSPO 01446	Job Order Letter (SPK) of Plant Maintenance Semester II 2017 no: 3.09/SPK/1401/2017 between PT PN3 and CV Silumba dated 12 July 2017. Statement Letter by CV Silumba confirming 7 workers along with their daily wages.	30-09-2017	<p>Correction To document the contract of CV. Silumba in plant maintenance activity in semester II 2017 at Division III office. Distribute contractor performance evaluation result semester I 2017 to all estate Divisions and to complete distribution evidences.</p> <p>Corrective action Ensure all contract are documented at division office. To document and distribute contractor performance evaluation result semester I 2017 to all estate Divisions and to complete distribution evidences.</p>	Closed
6.5.2	RSPO 01447	Memorandum on the Provision of Employee Working Equipment from Kanau Estate Manager dated 30 Aug 2017.	30-09-2017	<p>Correction To conduct revision on and addition on Procedure PK-3.09-05 and conduct checklist on harvest equipment usage monitoring and availability of equipment as per requirement.</p> <p>Corrective action To conduct harvest equipment replacement when it is not eligible to use and to document result on checklist on harvest equipment usage monitoring to all estate division.</p>	Closed
E3.1.b	RSPO 01448	Memorandum on RSPO – SCCS Training Permit dated 6 Sept 2017, already include the	30-09-2017	<p>Correction To conduct training on implementation of SCCS</p>	Closed

		PIC for Sisumut POM		Mass Balance as per Training Need Analysis issued by HRD. Corrective action Annually to propose training need analysis as per Estate/Unit needs.	
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3.3.2. Minor non-conformities

It is recommended by the lead auditor to award the system of the company a certificate pursuant to the above-mentioned RSPO standards. The non-conformities identified shall be audited again in line with the timeframe during the next surveillance audit. During this surveillance audit, there was no minor NCR raised.

Indicator	NCR No.	Evidence Observed	Deadline for implementation (Date)	Correction/Corrective Action taken/	Auditor Conclusion
N/A	N/A	N/A	N/A	N/A	N/A

3.4 Noteworthy Positive Components and Potential for Improvement

Positive Observation:

No.	Indicator	Positive Components
1	-	A proactive response from all corporate teams in response to potential field findings.
2	-	There is evidence of minimal use of chemical pesticides in both gardens.

Potential for Improvement:

No.	Indicator	Potential for improvement
1	1.3.1	Socialization of the code of conduct to be re-upgraded to all levels of POM, estates, and contractors employees.
2	2.2.2	It is recommended that in the document of monitoring result of boundary pillar, also provide coordinates for each pillar (Sisumut & KANAU Estate) and registration number of pillars (KANAU Estate)
3	4.6.3	Although the use of pesticides for pests is low due to the small number of attacks, it is necessary to draw up data showing the relation between the reduction of chemical pesticide use with the application of IPM with biological agents.
4	4.6.5	The company needs to do a justification analysis of Ratgon usage in KANAU Estate by considering its LD50 level, this is because Ratgon with Brodifacoum active ingredient is listed in the WHO 1A class.
5	4.6.7	It is advised to conduct calibration against spraying kit to ensure spraying volume is inline with its specification.
6	4.7.2	Safety induction should be conducted for guests who come to the estates/POM.
7	4.7.5	Preferably, there is first aid kit available at the pump house for POME Land Application.
8	5.6.2	Efforts that already made by companies such as the application of EFB and POME land applications should be incorporated into the GHG Emission Mitigation Program along with their evaluations.
9	6.13.1	Socialization of human rights to be re-upgraded to all levels of POM, estates, and contractors employees.

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 53 of 57

10	6.11.1	PKBL to be realized in each unit so that it is represented for each unit.
11	6.5.1	It is advised to improve the socialization of PKB 2016-2017 to all levels of Estate and POM workers. To ensure that contractors provide wages to their workers in accordance with the applicable District Minimum Sector Wage (UMSK).

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

The audit team has confirmed through the audit process that PT PN 3 Sisumut POM has established and maintains an effective system to ensure compliance with the RSPO P & C (INA NI 2016) and Supply Chain Certification System requirements (dated November 2014). It is also confirmed that the company's annual volume of CPO and PK sold for the period of 2016 has not exceeded the certified annual tonnages as claimed in the organization's RSPO certificate.

TUV Rheinland recommends that PT PN 3 Sisumut POM be continuing approved for certification of compliance to the RSPO P & C and Supply Chain Certification System requirements.

3.6 Issues Raised by Stakeholders and Findings Pertaining to Issues

Below is a summary of issues raised by stakeholders interviewed on-site

No.	Issues Raised	Management Response	Audit Verification
1	Workers' health and safety and grievance mechanism.	The company has provided proper health and safety scheme. All grievance are properly handled.	Contractor provides PPE. The contractor also pays the wage properly. Contractor will cover any work accident. Should there be any grievance, the contractor will follow-up.
2	Workers wage and housing.	The company has provided wage according to regulation and proper housing.	The company has provided proper wage as per regulation. The company also provide proper housing with enough water and electricity allowance. if there is any broken facility the company will repair it.
3	Child worker, gender committee, wage.	There is no child worker. The company has provide proper wage.	There is gender committee and worker union. There is no child worker employed.
4	Positive impact of company.	The company has given positive impacts to society.	There are positive impact e.g. employment in the company, community busines. There is no land conflict with community, and every year company gives support to community e.g. health centre.

4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Next Surveillance Visit

The next surveillance visit is planned for August 2018

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

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

Signed on behalf of PTPN III (Persero)



.....
Ahmad Diponegoro
RSPO Management Representative
Date: 5 February 2018

Signed on behalf of PT TUV Rheinland Indonesia



.....
Daulatul Wahyu
Lead Auditor
Date: 3 August 2017

APPENDICES

Appendix 1: Details of Revised Certificate (if applicable)

Certificate

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

Certificate Registr. No. : 824 502 16053


Certificate Holder : PT TUV Rheinland Indonesia certifies :
PT Perkebunan Nusantara III (Persero)
Sisumut Palm Oil Mill
Sisumut Village, Kota Pinang Sub-District,
Labuhan Batu Selatan District,
North Sumatera Province, Indonesia;
and its company owned estates according to the annex

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

Validity : An audit was performed, Report No. ASA282450216053. Proof has been furnished that the requirements according to Indonesian National Interpretation of RSPO Principles & Criteria for the Production of Sustainable Palm Oil; July, 2016 and RSPO Supply Change Certification System; 2014 are fulfilled.
The due date for all future surveillance audits is 15.08 (dd.mm).
The certificate is valid from 15-10-2015 until 14-10-2020.
The certificate shall remain valid in period stipulated above provided that the certificate holder mentioned here continues to comply with the RSPO P&C requirements. Status of compliance of the certificate holder shall be based on the annual inspections conducted by PT TUV Rheinland Indonesia.

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

Date of first certificate : October 15, 2015 Issued by Sucofindo International Certification Services


PT TUV Rheinland Indonesia
Director

Indonesia, 07-02-2018

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

Annex to certificate

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

Certificate Registr. No.: 824 502 16053

Location: PT Perkebunan Nusantara III (Persero)
Address : Sisumut Palm Oil Mill
 Sisumut Village, Kota Pinang Sub-District,
 Labuhan Batu Selatan District,
 North Sumatera Province, Indonesia;

Name of mill / estate	Location	GPS locations	
		Latitude	Longitude
Sisumut Palm Oil Mill	Kota Pinang Sub District, Labuhan Batu Selatan District, Province of Sumatera Utara, 21464	01°57'50.5" S	100°06'29.4" E
Sisumut Estate	Sisumut Village, Kota Pinang District, District of Labuhanbatu Selatan, Province of Sumatera Utara	01°57'31,307" S	100°6'14,470" E
Aek Nabara Utara Estate	Bilah Hulu Subdistrict, District of Labuhan Batu, Province of Sumatera Utara	02°4'38,109" S	99°51'15,142" E


CPO Tonnage Total Production: 37,277.60 tonnes
 PK Tonnage Total Production: 8,064.10 tonnes
 Company Estates FFB Tonnages: 175,500.00 tonnes
 FFB Tonnages from other sources: 10,787.43 tonnes
 CPO Tonnage claimed for certification: 39,926.25 tonnes
 PK Tonnage claimed for certification: 7,897.50 tonnes

Scope of SCCS & supply chain model assessed : FFB receipt, produce and delivery of CPO & PK with implementation of the following SCCS :

Identity Preserved
 Mass Balance

Indonesia, 07-02-2018

Issued by PT TUV Rheinland Indonesia


 PT TUV Rheinland Indonesia
 Director

RSPO Annual Surveillance Audit Report

PT Perkebunan Nusantara III (Persero) – Palm Oil Mill Sisumut

North Sumatera, Indonesia



Rev.2

Page 57 of 57

Appendix 2: List of Abbreviations

AMDAL	Analisis Dampak Lingkungan & Sosial (Social & Environmental Impacts Assessment)
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
IPM	Integrated Pest Management
LTA	Lost Time Accident
MSDS	Material Safety Data Sheets
NGO	Non-Government Organization
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
SOP	Standard Operating Procedure
UKL	Upaya Pengelolaan Lingkungan (Environmental Management Efforts)
UPL	Upaya Pengelolaan Lingkungan (Environmental Management Efforts)

Appendix 3: List of Stakeholders Interviewed and Contacted

No.	Name of Stakeholder	Institution - Address	Remark
Stakeholders Interviewed On-Site			
1.	Indra Kelan (HR Asistant)	PTPN 3 Sisumut	Employee
2.	Mulyanto (Document Control)	PTPN 3 Sisumut	Employee
3.	Supria Darma (General Clerk)	PTPN 3 Sisumut	Employee
4.	J.P Silalahi (Head Assistant Div. 1, 2, 3)	PTPN 3 Sisumut	Employee
5.	Sudarman (Assitant)	PTPN 3 Sisumut	Employee
6.	Misdariadi (Harvester Div. 3)	PTPN 3 Sisumut	Employee
7.	Mardiansah (Harvester Div. 3)	PTPN 3 Sisumut	Employee
8.	Kardiono (Harvester Div. 3)	PTPN 3 Sisumut	Employee
9.	Romadoni (Harvester Div. 3)	PTPN 3 Sisumut	Employee
10.	Yudi Lesmana (Harvester Div. 3)	PTPN 3 Sisumut	Employee
11.	Sugiman (Harvester Div. 3)	PTPN 3 Sisumut	Employee
12.	Ninuk	CV Giok Raja Persada	Contractor
13.	Maryani	CV Giok Raja Persada	Contractor
14.	Sunarti	CV Giok Raja Persada	Contractor
15.	Atika Wahyuni Batubara	Sisumut Village Official	Community
16.	Haryadi	Sisumut Village Representative	Community