



Roundtable on Sustainable Palm Oil

Annual Surveillance III

May 22nd – 27th, 2017

Assessment Report

PT. Kresna Duta Agroindo – Jelatang Mill, Jambi, Indonesia

This annual surveillance assessment report has been prepared in accordance with RSPO requirements and the information included is the result of a full RSPO assessment of the Mills and supply base as included in the scope of the certificate.

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| A. Scope of Certification | |
|---|--|
| A.1. National Interpretation Used | |
| The management of the Palm Oil Mill and associated suppliers of Fresh Fruit Bunches (FFB) were assessed for compliance against RSPO Principle and Criteria Standard (2013), P&C Generic Checklist 2013, RSPO Certification Systems 2017, Indonesia NI RSPO P&C 2013, RSPO Supply Chain Certification Systems (2014), RSPO Supply Chain Certification Standard (2014), RSPO New Planting Procedure, RSPO RaCP and related statutory & regulatory and the scope of certification. | |
| A.2. Assessment Type (Mill and Estate) | |
| Certification Unit: PT Kresna Duta Agroindo – Jelatang Mill located at Desa Jelatang, Kecamatan Pamenang, Kabupaten Merangin – Jambi, INDONESIA. | |
| A.3. Data of the Mill, certified tonnages (CPO, PK, FFB), and Certified Area | |
| Name of Mill | Jelatang Mill - PT. Kresna Duta Agroindo |
| Location Address | Desa Jelatang, Kecamatan Pamenang, Kabupaten Merangin |
| Capacity | 30 MT/Hour |
| Actual Production (2016) | FFB : 4,891.78 MT CPO : 912.31 MT PK : 225.38 MT |
| Projected Production (2017) | FFB : 5,692.40 MT CPO : 1,166.94 MT PK : 284.62 MT |
| Certified Area | 218.08 Ha |
| Planted Area | 203.3 Ha |
| RSPO Certified tonnages sold | CPO : 0 MT PK : 0 MT |
| RSPO Certified tonnages purchased | CPO : 0 MT PK : 0 MT |
| Last year's Actual sold conventional | CPO : 16,570.55 MT PK : 4,809.42 MT |
| Last year's Actual sold volume (Other Schemes Certified) | CPO : 2,348.77 MT PK : 0 MT |

| B. Description of the Certification Unit |
|---|
| B.1. General Description |
| PT. Kresna Duta Agroindo operates 3 palm oil mills under PT. Kresna Duta Agroindo, named PT. Kresna Duta Agroindo - Jelatang Mill (JLTM), PT. Kresna Duta Agroindo – Langling Mill (LNGM) and PT. Kresna Duta – Pelakar Mill (PLKM) |
| This report scope is only for PT Kresna Duta Agroindo - Jelatang Mill and its supply bases. (Bangko Estate only). |
| The raw material/FFB for PT. Kresna Duta Agroindo - Jelatang Mill is supplied from the |

own estate, scheme smallholders, and outgrowers as listed below:

1. Own estate : Bangko Estate (Division 4), PT. SKU – Batang Gading Estate
2. Scheme smallholders : Batang Gading KKPA;
3. Outgrowers

Totally supplied FFB from own estate, scheme small holders, and outgrowers to the mill from January 2016 - December 2016 were 90,340.43 MT.

All supply bases are located in Jambi, Indonesia. PT. Kresna Duta Agroindo is a subsidiary of PT SMART Tbk which is a member of RSPO and they are maintaining RSPO Certified Palm Oil for all its production.

B.2. Location Coordinates

| No. | Name | Location | Latitude | Longitude |
|-----|---------------|--|---------------|----------------|
| 1 | Jelatang Mill | Desa Jelatang, Kecamatan Pamenang, Kabupaten Merangin, Provinsi Jambi, Indonesia | S 02° 05' 50" | E 102° 21' 58" |
| 2 | Bangko Estate | Desa Langling, Kecamatan Bangko, Kabupaten Merangin, Provinsi Jambi, Indonesia | S 02° 05' 50" | E 102° 21' 58" |

B.3. Maps of Location



B.4. Statistic of Supply Base (Actual Year 2016)

| Own Estate | | | | | | |
|---------------------------|--|---------------|--------------------------------|------------------|----------------------|-----------------------|
| No. | Estate Name | Planting Year | Area/ Planting Year (Ha) | FFB/Year (MT) | CPO/ Year (MT) | CSPK/ Year (MT) |
| 1 | Bangko Estate Divisi 4 (Certified) | 1993 | 103.3 | 2,528.31 | 474.69 | 120.31 |
| | | 1995 | 100 | 2,363.47 | 437.62 | 105.07 |
| | | | 203.3 | 4,891.78 | 912.31 | 225.38 |
| 2 | PT. SKU – Batang Gading Estate (Non certified) | 1995-2009 | 1,512.99 | 13,272.23 | 24,911.97 | 63,175.81 |
| Scheme Smallholder | | | | | | |
| No. | Estate Name | Planting Year | Area/Planting Year (Ha) | FFB/Year (MT) | CPO/Year (MT) | CSPK/Year (MT) |
| 1 | Batang Gading KKPA | 1996-1999 | 1,494.99 | 9,810.27 | 1,829.62 | 451.27 |
| Outgrowers | | | | | | |
| No. | Estate Name | FFB/Year (MT) | CPO/Year (MT) | CSPK/Year (MT) | | |
| 1 | Outgrower | 62,366.15 | 11,631.29 | 2,868.84 | | |

B.5. Statistic of Supply Base (Projection Year 2017)

| Own Estate | | | | |
|---------------------------|--------------------------------|---------------|---------------|----------------|
| No. | Estate Name | FFB/Year (MT) | CPO/Year (MT) | CSPK/Year (MT) |
| 1 | Bangko Estate Divisi 4 | 5,692.40 | 1,166.94 | 284.62 |
| 2 | PT. SKU – Batang Gading Estate | 43,153.85 | 8,102.09 | 2,053.49 |
| Scheme Smallholder | | | | |
| No. | Estate Name | FFB/Year (MT) | CPO/Year (MT) | CSPK/Year (MT) |
| 1 | Batang Gading KKPA | - | - | - |
| Outgrowers | | | | |
| No. | Estate Name | FFB/Year | CPO/Year | CSPK/Year |
| 1 | Outgrower | 90,144.32 | 16,924.51 | 4,289.55 |

B.6. Other Certifications Held

1. SMK3 (Indonesian Occupational Health and Safety Management System) PP 50 2012

2. ISPO (Indonesian Sustainable Palm Oil) certified 2015

B.7. Contact Details

| | | |
|---|--------------------------------|--|
| 1 | Company Name | PT. KRESNA DUTA AGROINDO |
| 2 | Personal Contact | Ismu Zulfikar |
| 3 | Unit Management Representative | Suwarno Akhsan |
| 4 | Company Address | Sinar Mas Land Plaza, Tower II, 30th Floor Jl. MH. Thamrin No. 51, Jakarta, Indonesia |
| 5 | Company Status | PMDN |
| 6 | Phone/ Fax | Fax : 021 50389999 |
| 7 | E-mail | ismu.zulfikar@sinarmas-agri.com |
| 8 | Website | www.smart-tbk.com |
| 9 | RSPO membership number | 1-0019-05-000-00 |

C. Assessment/Audit Process

C.1. Composition of the Audit Team

Tuti Suryani Sirait (Lead Auditor) :

Graduated from Institute Agriculture in Bogor (IPB), 1991

She has more than 10 years audit experiences in auditing HACCP, GMP, ISO 9001:2008, ISO 22000:2005, ISPO and RSPO.

She has successfully completion training RSPO by Komisi RSPO, Jakarta, SCC Standard Training by David Ogg & Partner – Jakarta, ISPO Lead Auditor Training by Komisi ISPO, Jakarta, Lead Auditor Training of ISO 9000/19011 organized by SICS – Sucofindo, ISO 22000 : 2005 FSMS Auditor / Lead Auditor by Moody International, Singapore; Lead Assessor for Food Safety Management System (HACCP&GMP) by QAS Sydney, Australia and Social Lead Auditor Training (SA 8000) from Social International Audit (SIA), Turkey. She is actively participated in RSPO meeting to discuss RSPO P & C and also as a trainer in ISPO Lead auditor training.

Nuzwardi Sjahwil (Auditor) :

He graduated from Institute Agriculture of Bogor (IPB). He has more than 5 years audit experiences in OSHAS and SMK3. He has successfully completion from Lead auditor for SMK3, Lead Auditor for OHSAS and Lead Auditor for ISO 9001. He has successfully completion training RSPO by Komisi RSPO, Jakarta, ISPO Lead Auditor Training by Komisi ISPO, Jakarta, and Supply Chain Training

Agit Supriadi (Auditor)

Graduated from Institute Agriculture in Bogor. He was completed several training such as IRCA Reg. Lead Auditor Training for ISO 14001 and ISO 9001, Occupational Health and Safety Expert Training (AK3 Umum) from Ministry of Manpower – RI. He has successfully

completion Lead Auditor Training ISPO by Komisi ISPO, Lead Auditor RSPO by Proforest and Diameter, Bogor.

Puji Sulistiono (Auditor):

He was graduated from Bogor Agricultural University (IPB) majoring in Agricultural Engineering (bachelor) and Civil/Environmental Engineering (master). Experienced as research assistant in several agricultural development project and as engineer in several water infrastructure project. He was completed several training such as IRCA Reg. Lead Auditor Training for ISO 14001 and ISO 9001, Occupational Health and Safety Expert Training (AK3 Umum) from Ministry of Manpower - RI, Lead Auditor Training in Indonesian Sustainable Palm Oil (ISPO) from Komisi ISPO, Ministry of Agriculture - RI. He has attended the RSPO P&C Lead Auditor Course : Indonesia by Proforest.

Sarsongko Wachyutomo (Auditor)

Graduated from Gadjah Mada University, Yogyakarta. He has successfully completion Lead Auditor Training ISPO by Komisi ISPO, Lead Auditor RSPO by Proforest and Diameter, Bogor, High Conservation Value (HCV) by HCV-NI and Auditor Training VLK by Pusdiklat Kehutanan, Bogor.

Bagus Ferry (Auditor in Evaluation)

He was graduated from Bogor Agricultural University (IPB). He has successfully completion completed several training such as IRCA Reg, Lead Auditor Training for ISO 9001, and Lead Auditor Training ISPO by Komisi ISPO. He has attended the RSPO P&C Lead Auditor Course : Indonesia by Proforest.

C.2. Audit Schedule

Surveillance III

| Date/Time | Functions / areas / Department / activities to be audited (include related requirements) | Auditor(s) |
|----------------------|---|-------------------|
| 22/05/2017 | 1st Day | |
| 09.10 – 10.30 | Flight from Jakarta (CGK) to Jambi (DJB) via GA126 | Team |
| 10.30 – 16.30 | Trip to audit site | Team |
| 16.30 – 17.30 | Opening meeting | All |
| 17.30 | End of 1st day audit | All |
| 23/05/2017 | 2nd Day | |
| 08.00 – 12.00 | Follow up audit from previous Major NCR | Team |
| 12.00 | Break | All |
| 14.00 – 17.00 | - Social impacts (6.1) | TSS |

| | | |
|----------------------|---|----------------------------------|
| | <ul style="list-style-type: none"> - Communication and consultation (6.2) - Pay and conditions for employees and contract workers (6.5) - Smallholders and other local businesses (6.10) - Local sustainable development (6.11) | |
| 14.00 – 17.00 | <ul style="list-style-type: none"> - Free, prior and informed consent (FPIC) (2.3) - Soil fertility (4.2) - Erosion and degradation control of soils (4.3) - Integrated Pest Management techniques (4.5) - High Conservation Value (HCV) (5.2) - Indigenous peoples, local communities and other stakeholders (6.4) - Principle 7: Responsible development of new plantings (if any) | SSW, BFA |
| 14.00 – 17.00 | <ul style="list-style-type: none"> - Partial Certification & Timebound - Environmental impacts (5.1) - Waste management (5.3) - Efficiency of fossil fuel use and the use of renewable energy (5.4) - Plans to reduce pollution and emissions (5.6) | PS |
| 14.0 – 17.00 | <ul style="list-style-type: none"> - Information to relevant stakeholders (1.1) - Management documents (1.2) - Occupational health and safety plan (4.7) - Use of fire for preparing land or replanting (5.5) - Compliance with OHS & environmental laws and regulations (2.1) - Complaints and grievances (6.3) | NS, AGT |
| 17.00 | End of 2nd day audit | All |
| 24/05/2017 | 3rd Day | |
| 07.00 – 12.00 | Site visit to estate | Team |
| 12.00 | Break | |
| 14.00 – 17.00 | Site visit to mill (Jelatang & Langling) <ul style="list-style-type: none"> - SCCS - Best practices & OHS - Environmental aspects | TSS SSW, BFA NS, AGT PS |
| 17.00 | End of 3rd day audit | All |

| | | |
|-------------------|--|------------------|
| 25/05/2017 | 4th Day | |
| 08.00 – 12.00 | - Management plan (3.1) - Operating procedures documentation (4.1) | TSS, SSW, BFA |
| 08.00 – 12.00 | - Commit to ethical business operations (1.3) - Quality and availability of surface and ground water (4.4) | PS |
| 08.00 – 12.00 | - Compliance with OHS laws and regulations (2.1) - Pesticides related to health and the environment (4.6) | NS, AGT |
| 12.00 | Break | All |
| 14.00 – 17.00 | - Harassment or abuse (6.9); | TSS |
| 14.00 – 17.00 | - Training program (4.8) - Continual improvement (8.1) - Compliance with environmental & OSH laws and regulations (2.1) | PS, AGT |
| 14.00 – 17.00 | - Compliance with all laws and regulations (2.1) - Right to use the land (legal, customary or user rights) (2.2) | SSW, BFA |
| 14.00 – 17.00 | - Right of workers (labor unions or workers representatives) (6.6) - Children are not employed or exploited (6.7) - Discrimination (6.8) - Forced or trafficked labor (6.12) - Human rights (6.13) | NS |
| 17.00 | End of 4th day audit | All |
| 26/05/2017 | 5th Day | |
| 08.00 – 11.30 | Team audit meeting and reporting ... | Team |
| 11.30 | Break | |
| 14.00 – 15.30 | Closing meeting | Team |
| 15.30 – 20.30 | Trip to Jambi (stay in Jambi) | |
| 20.30 | End of 5th day audit | All |
| 27/05/2017 | 6th Day | |
| 08.05 – 09.25 | Flight from Jambi (DJB) to Jakarta (CGK) via GA131 | Team |
| 10.00 | End of follow up and surveillance audit | All |

| Follow Up Audit | | |
|------------------------|---|-------------------------------|
| Date/Time | Functions / areas / Department / activities to be audited (include related | Auditor(s) |
| 31 July'17 | 1st Day (Monday) | |
| 11.00 | Departure from Jakarta to Jambi | Team |
| 12.30 | Arrive at Jambi and lunch | |
| 14.00 | Departure from Jambi to Site | Team |
| 19.00 | Arrived at site & end of the day 1 | Team |
| 01 Aug'17 | Day 2nd Audit (Tuesday) | |
| 05.00 | Morning Muster /Apel Pagi | All |
| 08.00 | Opening Meeting at Kresna Duta Agroindo Office | |
| 09.30 | See the previous major findings : Visit estate - Best practices in related with OSHAS - Worker welfare policy : Interview worker for working hour & overtime, pays suste,complaint status and facility. | AGT TSS/SSW |
| 12.00 | Break | All |
| | Visit Mill See the implementation of : - Best practice in related with OSHAS - Worker welfare policy - SCCS | AGT TSS/SSW TSS/SSW |
| 17.00 | End of the day 2 | All |
| 02 Aug 2017 | Day 3rd Audit (Wednesday) | All |
| | Kresna Duta Agroindo Office | |
| 08.00 | Audit Documentation of : - Worker welfare - OSHAS/SMK3 - Complaint - SCCS | TSS/SSW AGT/SSW TSS/SSW |
| 10.00 | Reporting | Team |
| 12.00 | Break | All |
| 14.00 | Closing Meeting | All |
| 16.00 | End of Closing Meeting | All |
| | Departure from Site to Jambi | All |
| 21.00 | End of the day -3 | |

| | | |
|---|---|-------------|
| 03 Aug 2017 | | |
| 08.05 | Departure from Jambi to Jakarta with GA | Team |
| 08.40 | End of the day -4 | All |
| <p>ASA III & Follow Up Audit Scope : 1 mill and 1 estate Number of assessor participating: 4 auditor Number of days spent for the assessment on site : 5 days Total number of mandays used for the assessment on site : 20 days</p> <p>Follow Up Audit II Scope : 1 mill and 1 estate Number of assessor participating: 3 auditors Number of days spent for the assessment on site : 3 days Total number of mandays used for the assessment on site : 9 days</p> <p>Total mandays : 29 Mandays</p> | | |
| C.3. Audit Methodology | | |
| <p>The assessment was carrying out in conformity with the SBU SICS RSPO manual and procedures for auditor and certifier. The assessment was conducted by qualified auditors and referred to RSPO certification standard.</p> <p>Partial certification audit conducted during audit to check compliance with RSPO Certification System for partial certification. The opening and closing meeting was conducted at the office of Langling Estate and then continue in mill's and estate's offices. Stakeholders meeting was conducted once during audit.</p> | | |

| D. Stakeholder Consultation | | |
|---|---|---|
| D.1. Stakeholders Consultation and Company Responses | | |
| Issue | Company Responses | Assessor Findings |
| Chairman of Union | | |
| Not all grievance and complaints made by union was responded properly. There were complaints made by Union regarding minimum wages, bonus, even by engaging strike, however none of proper response has been made | The company never received such letter of complaints. The complaint letter taken by auditor did not have any written evidence if this letter has been received by company | Conform, the letter of complain from the union did not show the written evidence to have been received by company |
| Chairman of Union : Union already conducted a routine meeting on March 28, 2016 while the agenda discussed was the issue of workers, which was attended by members of the union as much as 34 Members. | | Conform |

| | | |
|---|---|-----------------------------------|
| <p>Corporation - KUD Sumber Rezeki</p> <p>1. The determination of grading and penalties shall be made unilaterally by the company (art. 5). So far, the company imposed an average penalty of 2% of the tonnage submitted to the POM and there was no testimony from the cooperative / plasma party. This is not in accordance with those listed in each SPK article 7b.</p> <p>2. The Cooperative switches to other POMs since uncertain price determination, the difference between the selling price of plasma and the third party to the POM, the cost of the tip for the operator (inspector) and the loading and unloading costs 2.</p> | <p>1. The Letter of Agreement on the sale and purchase of TBS Article VII paragraph 1 and 2 has been regulated regarding the witness in the process of FFB grading of Plasma in PKS. So far it was represented by FFB truck drivers, but it is not clearly stated in the SPK that the truck drivers are grading witnesses for representing KUD.</p> <p>2. Since 1990, the opening of plasma is done by the company. Up to 2005, FFB sales were still delivered to the company in accordance with the 2001 Production Sharing Agreement, but after 2006 where the unsupported POM started the operations around the Plasma, KUD made a "FFB Plasma purchase statement" in which FFB sales were no longer required to be delivered to langling / jelatang POM" and they can sell their FFB to mills around the estates. The company has sent a letter to the Merangin Regent and several POM without estate around Plasma. It's related "the relationship between PT KDA and Plasma is not conducive due to the emergence of POM without estate".</p> | <p>Minor Non Conformity no. 3</p> |
| <p>Gender committee</p> <p>1.The activities of gender committees have been more activities of housewives.</p> <p>2. Based on the socialization materials and interviews, the socialization provided only contains the type of minimal sexual harassment (ie whistling, and flirting intentionally etc).</p> | <p>1. The work programs of the Gender Committee are still limited to general activities such as socialization of sexual harassment and integrated service post. It's not yet comprehensively covering the purpose of the Gender Committee.</p> <p>2. Socialization materials will be improved. Socialization of harassment has been</p> | <p>Observation No.1</p> |

| | | |
|--|--|--|
| | committed to all employees but the socialization materials are difficult to understand by employees. | |
|--|--|--|

E. Compliance to the RSPO Certification System

E.1. Time Bound Plan (TBP) and Adequacy of the Commitment

PT. Kresna Duta Agroindo has confirmed membership of the RSPO with No. 1-0019-05-000-00

RSPO Certification System 4.2.4

A Time Bound Plan for achieving certification within relevant entities:

| No | Name of Mill | Supply Base | Company | Location | Certification Status |
|----|---------------------|---|---|--------------------|--|
| 1 | Padang Halaban Mill | Padang Halaban Estate Pernantian Estate Adipati Estate Kanopan Ulu Estate | PT. SMART TBK | North Sumatera | Re Certification-Surveillance 1 |
| 2 | Batu Ampar Mill | Batu Ampar Estate Batu Mulia Estate Sungai Panci Estate Sungai Panci KKPA | PT. SMART TBK | South Kalimantan | Re Certification |
| 3 | Tanah Laut Mill | Tanah Laut Estate Kintapura Estate | PT. SMART TBK | South Kalimantan | Re Certification |
| 4 | Langga Payung Mill | Langga Payung Estate Paya Baung Estate Normak Estate | PT. Tapian Nadenggan | North Sumatera | Re Certification |
| 5 | Hanau Mill | Hanau Estate Tasik Mas Estate Tanjung Paring Estate Langadang Estate Medang Sari Estate | PT. Tapian Nadenggan | Central Kalimantan | Certified Certified Certified Certified 2018 |
| 6 | Leidong West Mill | Leidong West Utara Estate Leidong West Selatan Estate Bukit Intan Estate Bukit Mas Estate | PT Maskapai Perkebunan Leidong West Indonesia | Bangka | Certified |
| 7 | Semilar Mill | Semilar Estate Sei Rindu Estate Mandang Estate Puri Estate | PT. Tapian Nadenggan | Central Kalimantan | Certified |
| 8 | Jak Luay Mill | Pantun Mas Estate Jak Luay Estate Long Buluh Estate Bukit Subur Estate | PT. Tapian Nadenggan | East Kalimantan | Certified Certified Certified Certified |

| | | | | | |
|----|--------------------------------------|---|--------------------------|------------------|---|
| | | Bukit Subur KKPA Pantun Mas KKPA Jak Luay KKPA | | | 2019 2019 2019 |
| 9 | Gunung Kombeng Mill/Muara Wahau Mill | Gunung Kombeng Estate Muara Wahau Estate Gunung Kombeng KKPA | PT. Kresna Duta Agroindo | East Kalimantan | Certified Certified 2018 |
| 10 | Jelatang Mill | Bangko Inti Estate Batang Gading Estate Batang Gading KKPA Tiga serumpun KKPA | PT. Kresna Duta Agroindo | Jambi | Certified 2017 2017 2017 |
| 11 | Pelakar Mill | Pelakar Estate Tiga Serumpun KKPA Batang Merangin Estate Batang Tembesi Estate | PT. Kresna Duta Agroindo | Jambi | Plan of Main Audit November 2017 |
| 12 | Langling Mill | Bangko Inti Estate Batang Gading Estate Batang Gading KKPA Tiga Serumpun KKPA | PT. Kresna Duta Agroindo | Jambi | Certified 2017 2017 2017 (Plan of Main Audit November 2017) |
| 13 | Sungai Bengkal Mill | Sungai Bengkal Estate Sungai Bengkal KKPA Kilis Estate Kilis KKPA | PT. Satya Kisma Usaha | Jambi | Certified Certified Certified 2019 |
| 14 | Bukit Kapur Mill | Sungai Cantung Estate Bukit Kapur Estae | PT. SMART TBK | South Kalimantan | 2020 2020 |
| 15 | Rantau Panjang Mill | Rantau Panjang Estate Rantau Panjang KKPA | PT. SMART TBK | East Kalimantan | 2017 2018 |

E.2. Partial Certification

RSPO Certification System 4.2.3

Ascertainment of partial compliance with this certification, performed by the company in the annual internal audit that has been conducted on October 24th – 29th, 2016.

The Company has full Smallholder Manage / one management, namely Batang Gading KKPA.

Independent Smallholders are operating under KUD Bangko Plasma, Bukit Bungkul KKPA, Kubong Ujo Plasma and Pamenang Plasma .

Independent plasma consisting of :

KT Bangkit Sejahtera,

KT Harapan Jaya,
 KT Makarti Sawit,
 KUD Sumber jaya,
 KUD Sumber Rejeki,
 KT Lunas Sejahtera,
 KT Maju Sejahtera,
 KT Ragil,
 KT Sido Mukti,
 KT Sido Mulyo,
 KT Sinar Rahayu,
 KT Usaha Tani,

All Independent Smallholders above is categorized as outgrower.

There is one (1) company as outgrower ie. PT. PNK

The Company revised the timebound dated January 31, 2016. It revised some units / estates and the certification process is in retreat but still within the period of 2015 - 2020.

The Company has sent an email to the RSPO dated May 17, 2017. The email content asked the RSPO to agree that independent smallholders be removed from timebound because they did not agree to be certified. The plasma groups are Bangko plasma, Bukit bungkul KKPA, Kubong Ujo Plasma and Pamenang Plasma.

Major finding found in ASA II

In plasma timebound, Batang Gading (scheme smallholder) is planned to be certified in 2019. In this case the company can not ensure PT SKU / BGDA is certified within 3 years after the mill is certified (RSPO Certification system clause 4.2.4.b & A4.2.3. 1).

Verification At ASA 3 and Follow Up Audit 1 :

The Company has signed contract with Sucofindo which is the audit will be conducted at Batang Gading KKPA in 2017 to meet the timebound and the RSPO Certification System (Timebound Plasma Certification). The finding was grading as observation.

Conclusion : Observation

a. Significant Conflicts

The company has the SOP for Conflict Land Resolution refers to RSPO criteria 6.4, 7.5 and 7.6. All the conflicts so far has been resolved with mutual agreement. GAR also registered as member of RSPO Dispute Settlement Facility Advisory Group as a representative of grower.

b. No replacement of primary forest and or area with HCV's since November 2005 or year 2007 (National interpretation)

PT SMART Tbk has conducted Historical HCV Assesment (HHA) in collaboration with Faculty of Forestry, Institut Pertanian Bogor (IPB) April 2011. Historical HCV Assesment (HHA) Report has been submitted to RSPO on May 2011. As a follow up from the Historical HCV Assessment (HHA) Report, GAR has been proposed HCV Remediation Plan to

RSPO. The management has submitted to RSPO Compensation team on Friday 8/29/2014 regarding the Liability Data on Land Cleared without HCV assessment and Zero Liability on GAR/SMART/IMT concessions as requested by the BHCV WG/CTF. The management stated that they are using the Zero Liability template developed by RSPO for GAR.


c. No labor disputes that are not being resolved through an agreed

The company has the SOP and mechanism to resolve dispute with union labor with mutually agreement.

d. No evidence of non-compliance with law in any of the non-certified holdings

There are no land dispute or court cases. The last case was in 2012 relating to the PT SMART Tbk land located in North Sumatera. The people occupied land under the company's HGU and the case was won by the company.

E.3. Date Certificate Issued and Scope of Certificate

| | |
|---------------------------------|--|
| Name of Client | PT KRESNA DUTA AGROINDO |
| Client Number | RSPO 00005 |
| Certificate Number | RSPO 00005 |
| Certification Decision Date | August, 18 th 2014 |
| Issued by | PT SUCOFINDO, SBU SICS |
| Address | Graha Sucofindo, SBU SICS. Jl Raya Pasar Minggu Kav 34 Jakarta 13640 |
| Telephone /Fax | Tel.: +62-21-7983666 / Fax.: +62-21-7987015 |
| Email | tuti@sucofindo.co.id |
| Website | www.sucofindo.co.id |
| Scope : | |
| Mill | Jelatang Mill |
| Estate | Bangko Estate |
| Projected mass balance CPO & PK | CPO : 1,166.94 MT ; PK : 284.62 MT |
| Certification Registration Code | RSPO 00005 |
| Type of Certification | Single site |
| Certifier | Triyan Aidilfitri |
| Signed |  |

E.4. Lead Assessor’s Summary and Recommendation for Certification

In ASA III, the audit team visited all of the estates and mills PT. Kresna Duta Agroindo – Jelatang Mill on the date May 22nd – 27th 2017. This is in conjunction with follow up audit for major findings raised in ASA II. During this ASA III, there are 2 majors finding still open ie. criteria 4.7.2 and criteria 6.5.1 and therefore, the certificate status is suspended. Total findings during ASA III are 4 majors, 3 minors and 1 observation. The Company has taken corrective action against all of these findings.

In accordance with the procedures at SICS, the team conduct verification to ensure that major findings are addressed and implemented correctly. Verification is done during follow up audit on August 1st – 2nd 2017.

The team found that the corrective action and implementation are appropriate so that the suspension status can be lifted on August 16th 2017.

The final conclusion regarding all of these findings are 3 minors, and 2 observations. The team will see the evidence of implementation on the next surveillance audit.

The management (Mill and estate) showed the commitment to the implementation of the principles and criteria of the RSPO NI-INA.

There is commitment of management to make corrective action and for continuous improvement. The audit team found that PT. Kresna Duta Agroindo – Jelatang Mill and its estates is complying against RSPO P & C approved for Indonesia. Therefore, certification can proceed to PT. Kresna Duta Agroindo – Jelatang Mill (Mill and supply bases).



Tuti Suryani Sirait

October 4th 2017

F. Results / Assessment Findings

Principle 1: Commitment to transparency

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.

| | |
|-------|--|
| 1.1.1 | List of information related to criterion 1.2 that can be accessed by relevant stakeholders shall be available. |
| Minor | |

Company has established procedure of Communication and Consultation (SOP / SMART / UMUM / SADV / I / 004). It explained the hierarchy of responsible person for the provision of information to the relevant parties. SOP stated that every information request should be responded not later than four weeks since the date of information receiving.

Each aspirations has been recorded in the form of F / SMART / UMUM / SADV / 004/001. Personnel in charge of updating stakeholder data is social officer. This stakeholder data is updated once a year or if there is a change (As per SK 037 / RC / BNGE / XI / 14). The company has updated the list of stakholders by 2017. The company should develop mechanisms to verify the validity of each stakeholder.

The Company had of list the types of information that can be accessed by the public such as land legality, corporate legality, and employment.

Conclusion: Conform

| | |
|-------|--|
| 1.1.2 | Records of requests for information and responses to the information requested shall be available. |
| Major | |

Request of information was recorded on the books of communication and consultation while provisions of information to relevant agencies are recorded in the book of information requests and responses. Until April 2017, there is no demand for information from stakeholders.

Conclusion: Conform

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.

| | |
|-------|--|
| 1.2.1 | Publicly available documents shall include, but are not necessarily limited to: |
| Major | <ul style="list-style-type: none"> a. Land titles/user rights (Criterion 2.2) b. Occupational health and safety plans (Criterion 4.7) c. Plans and impact assessments relating to environmental and social impacts (Criteria 5.1, 6.1, 7.1 and 7.8) d. HCV documentation (Criteria 5.2 and 7.3) e. Pollution prevention and reduction plans (Criterion 5.6) f. Details of complaints and grievances (Criterion 6.3) g. Negotiation procedures (Criterion 6.4) h. Continual improvement plans (Criterion 8.1) i. Public summary of certification assessment report j. Human Rights Policy (Criterion 6.13). |

The company already has communication procedures. Number: SOP / SMART / UMUM / SADV / I / 004 under the title of Communication and Consultation SOP.

The Company has set personnel responsible for providing information contained in its Decision Letter no. 014 / PC-LNGM / XI / 2015 on Appointment of Social Officer. The decree referred to Mill Manager as Social Officer at Jelatang Mill.

In SOP No: F / SMART / UMUM / SADV / 004/003 already contain the provisions required in criterion 1.1.1 including list of categories of information that can be accessed by relevant list of stakeholders. The list includes information on employee numbers and employee wage list, NPWP data, local tax payments, environmental documents, company deeds, land tenure certificates, HCV reports, SIA reports, CSR reports, P2K3 reports, improvement program documents, RSPO audit reports, and human rights policies.

In SOP No: SOP / SMART / UMUM / SADV / I / 004 already stipulate provision of response information within 3 (three) weeks after letter received.

Information requests and informational responses have been recorded in the Notes and Information Response Book, but so far there has been no request for information from

relevant stakeholders so that the recording of outgoing mail contained in the book only contains an outgoing letter to the local Environmental Agency for the reporting of UKL-UPL.

Conclusion: Conform

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

| | |
|-------|---|
| 1.3.1 | There shall be a written policy committing to a code of ethical conduct and integrity in all operations and transactions along with the documentation of socialisation process of the policy to all levels of the workers and operations. |
| Minor | |

The company has established Business Ethics Policy. Business ethics stated commitment to Integrity. Business Ethics also stated the strict sanctions for employees who engage in corruption, bribery and fraud. This policy was signed by the Regional Controller on February 2, 2014. Socializing has been done to contractor on April 11, 2016.

Conclusion: Conform

Principle 2: Compliance with applicable laws and regulations

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

| | |
|-------|---|
| 2.1.1 | Evidence of compliance with relevant legal requirements shall be available. |
| Major | |

The company has established procedure of compliance regulation and other requirement in SOP/SMART/UMUM/SADV/I/002. List of regulation is made on form compliance evaluation and other requirement (F/SMART/UMUM/SADV/002/002). List of regulation include environmental aspect, social, worker welfare, K3, HCV, and other requirement. For example, the company has identified and evaluated 53 worker welfare regulation. It is relevant regulation for Mill and Estate. The last review of regulation was conducted on May, 18 2017.

These regulations include:

1. Undang -undang no. 13 of 2013 on Manpower
2. Government Regulation no. 75 of 2015 on Wages
3. Government Regulation no. 101 of 2014 on the management of hazardous waste
4. Permenakertrans No. 8 of 2010 on Personal Protective Equipment
5. Permenakertrans No. 15 of 2008 on First Aid in Accidents

Conclusion: Conform

| | |
|-------|---|
| 2.1.2 | A documented system, which includes written information on legal requirements, shall be maintained. |
| Minor | |

Evaluation of regulations is conducted by SPO Officer and P2K3 Secretary in each Estate and Mill. Personnel in charge to update the regulations is SPO Officer PCM.

Conclusion: Conform

| | |
|-------|---|
| 2.1.3 | A mechanism for ensuring compliance shall be implemented. |
|-------|---|

| | |
|---|--|
| Minor | |
| <p>The company conducted internal audit twice a year to ensure compliance with the requirements in regulation. The last review was conducted on May 18, 2017. Based on the results of the internal audit/review in May 2017, PT. KDA has met the requirements of the regulations set by the Government.</p> <p>Conclusion: Conform</p> | |
| 2.1.4 | A system for tracking any changes in the law shall be available and implemented. |
| Minor | |
| <p>The Company has implemented SOP/SMART/UMUM/SADV/II/002 about Other Regulatory Compliance Requirements (SOP Pemenuhan Peraturan Persyaratan Lainnya) which set the mechanisms in updating legislation relating to the Company's activities. The media for updating legislation i.e :</p> <p>a. Information from the Head Office b. Information from relevant agencies c. Website</p> <p>The last review was conducted on May, 18 2017.</p> <p>Conclusion: Conform</p> | |
| <p>2.2 The right to use the land is demonstrated, and is not legitimately contested by local people who can demonstrate that they have legal, customary or user rights.</p> | |
| 2.2.1 | Documents showing legal ownership or lease, history of land tenure ownership/control, and the actual legal use of the land shall be available. |
| Major | |
| <p>Location Permit</p> <p>The Company has decree letter of Governor Jambi No. 494 Year 1988. This decision mention reserve land covering an area 9000 Ha to PT Kresna Duta Agroindo. The area is located in district of Pauh and Sarolangun, Sarolangun Bangko regency.</p> <p>SK HGU</p> <ul style="list-style-type: none"> - The Company has had a concession area with number 01 / HGU / BPN.15 / 2014 to PT Kresna Duta Agrindo located in Merangin district, Jambi Province. SK HGU decided to give of state land with an area of 92.89 Ha, 33.07 Ha and 81,56 Ha. - HGU Decree from BPN of Jambi Province with No. 02 / HGU / BPN.15 / 2014 decided to give HGU area with area of 10.56 ha, 4.76 ha and 5.80 ha. HGU area located in the Karang Berahi village and Jelatang Village, district Pamenang, Merangin regency. <p>Certificate of concession</p> <ul style="list-style-type: none"> - The company has a concession (HGU) certificate No 08 which located in the village of Karang Berahi, district Pamenang, Merangin regency (NIB: 06.04.00.00.00020) covering an area of 4,76 hectares. - The company has a concession (HGU) certificate No 10 which located in the village of Jelatang, district Pamenang, Merangin regency (NIB: 06.04.00.00.00021) covering an area of 5,80 hectares. - The company has a concession (HGU) certificate No 07 which located in the village of Karang Berahi, district Pamenang (NIB:06.04.00.00.00016) covering an | |

- area of 33,07 hectares.
- The company has a concession (HGU) certificate No 9 which located in the Jelatang village, district Pamenang (NIB:06.04.00.00.00015) covering an area of 81,56 hectares.
- The company has a concession (HGU) certificate No 06 which located in the Karang Berahi village, district Pamenang (NIB:06.04.00.00.00014) covering an area of 92,89 hectares.
- The Company has not HGB for Development POM with an area 12,85 H according to in government regulation No. 40 year 1996.

Plantation Business Registration License (SPUP)

Plantation Business Registration License No. 960 / Menhutbun-VII / 2000 Forestry and Agricultural Department in Jakarta on 08-08-2000. For estate and mill in Pelakar, Langling and Jelatang

- Area : 8,359 Ha
- Location: District of Sarolangun, Bangko and Pamenang, Sarko Regency, Jambi Province

Results processing unit:

- Type: POM
- Total: 3 (three) units (Jelatang, Langling dan Pelakar)
- Capacity permit: 30 tons/hour to 60 tons/hour and 60 ton/hour
- Installed capacity: 30 ton/hour, 60 ton/hour and 60 ton/hour

Conclusion: Conform

| | |
|-------|---|
| 2.2.2 | Legal boundaries are demonstrated clearly and maintained. |
| Minor | |

The number of HGU poles in Division 4 is 65 poles. The company has a HGU poles monitoring plan every 3 months. The last monitoring was conducted in April 2017 for Divisions 4. The criteria monitored were: repair of Pole, painting, clearing of poles area, and coordinate monitoring.

Conclusion: Conform

| | |
|-------|--|
| 2.2.3 | In the event that there is a dispute or a dispute has occurred, adequate evidence of legitimate acquisition and compensation or compensation settlement process through conflict resolution which has been received through Free, Prior and Informed Consent by all related parties shall be provided. |
| Minor | |

Based on information from the company, stakeholder consultation and Log Book Communications (Incoming Letter) PT. Kresna Duta Agroindo, from 2016 to May 2017 there was no record of incoming letter regarding land disputes.

Conclusion: Conform

| | |
|-------|---|
| 2.2.4 | There shall be an absence of significant land conflict, unless requirements for acceptable conflict resolution processes (see Criteria 6.3 and 6.4) are implemented and accepted by the parties involved. |
| Major | |

Based on information from the company, stakeholder consultation and Log Book

Communications (Incoming Letter) PT. Kresna Duta Agroindo, from 2016 to May 2017 there was no record of incoming letter regarding land disputes.

Conclusion: Conform

| | |
|-------|---|
| 2.2.5 | For any conflict or dispute over the land, the evidence of the extent of disputed area is mapped out in a participatory way with involvement of affected parties (including neighboring communities and local government where applicable), shall be available. |
| Minor | |

Based on information from the company, stakeholder consultation and Log Book Communications (Incoming Letter) PT. Kresna Duta Agroindo, from 2016 to May 2017 there was no record of incoming letter regarding land disputes.

Conclusion: Conform

| | |
|-------|---|
| 2.2.6 | To avoid escalation of conflict, there shall be no evidence that palm oil operations have instigated violence in maintaining peace and order in their current and/or planned operations |
| Major | |

During field observation, there was no use of military, police and thugs to securing palm oil activity. Based on contract observed for security, the security service was provided by legal security service company.

Conclusion: Conform

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.

| | |
|-------|--|
| 2.3.1 | Maps with appropriate scale showing the extent of recognized legal, customary or user rights (Criteria 2.2, 7.5 and 7.6) shall be developed through participatory mapping involving affected parties (including neighboring communities where applicable, and relevant authorities). |
| Major | |

Company has set the SOP of Land Conflict Settlement on the procedure (SOP / SPO / SMART / LH- 04). In addition the company also has set the SOP of Implementation of the free prior and informed consent (FPIC) - SOP / SMART / SENS-CSR / SADV / I / 003. The SOP expressed the commitment of the company to pursue the acquisition of the land according to government regulations and the principle of FPIC.
The land has been cleared before year 2005 so there was no information regarding FPIC in land aquisition and compensation.

Conclusion: Conform

| | |
|-------|--|
| 2.3.2 | Copies of negotiated agreements including the process of free, prior and informed consent (FPIC) (Criteria 2.2, 7.5 and 7.6) shall be available and these include: |
| Minor | <ul style="list-style-type: none"> a. Evidence of consultation b. Statement of transfer of rights c. Evidence of compensation See specific guidance 2.3.2 |

The land has been cleared before year 2005 so there was no information regarding FPIC in land aquisition and compensation.

Conclusion: Conform

| | |
|---|--|
| 2.3.3 | Relevant information shall be available in appropriate forms and languages, including analysis of impacts, proposed benefit sharing, and legal arrangements. |
| Minor | |
| The land has been cleared before year 2005 so there was no information regarding FPIC in land acquisition and compensation. | |
| Conclusion: Conform | |
| 2.3.4 | Evidence shall be available to show that communities are represented through institutions or representatives of their own choosing, including legal counsel. |
| Major | |
| The Estate has been opened before year 2005 and no land acquisition after 2005. | |
| Conclusion: Conform | |

| | |
|---|--|
| Principle 3: Commitment to long-term economic and financial viability | |
| 3.1 There is an implemented management plan that aims to achieve long-term economic and financial viability. | |
| 3.1.1 | A documented management plan, a minimum of three years shall be available, including, where appropriate, plan for scheme smallholders. |
| Major | |
| The Company has long-term plans of the Year 2010 until 2020. In the plan already contains data trend FFB production quantities of the nucleus, Toll-in and FFB of plasma and outer fruit. It also includes production of CPO, PK, forecast price for CPO and PK, Real cost, Mill cost, KCP Kernel Crushing Plant (at Pelakar Mill) cost and net profit / loss. The existing Long-term Plan contained Yield aspect, OER / KER. | |
| Conclusion: Conform | |
| 3.1.2 | An annual replanting program projected for a minimum of five years (but longer where necessary to reflect the management of fragile soils, see Criterion 4.3), with yearly review, shall be available. |
| Minor | |
| Minor Non Conformity found during ASA 2: | |
| The Company has long-term plans of the Year 2010 - 2020 but the plan has not been contained in the replanting plan. | |
| Verification of minor findings on ASA 3 : | |
| The company has identified the root cause that the age of plant in Bangko Estate almost approached the replanting one. | |
| The company has developed new SOP as a standard in conducting replanting program which refers to the following considerations: | |
| <ol style="list-style-type: none"> 1. The plant Age > 25 Years 2. The average height of the trees > 13 Meter 3. Production per year < 14 tons / ha 4. The total of standing tree < 100 trees / ha | |

During audit, the company has improved the replanting program for Bangko estate (own and plasma) in long-term plans year 2010-2020. For this revised plans then the minor non conformity is closed.

Conclusion: Conform

Principle 4: Use of appropriate best practices by growers and millers

4.1 Operating procedures are appropriately documented, consistently implemented and monitored.

| | |
|-------|--|
| 4.1.1 | Standard Operating Procedures (SOPs) for estates (land clearing to harvesting) and SOP for mills (reception of FFB to dispatch of CPO and PKO) shall be available. |
| Major | |

The company has set documented procedures regarding best practice in estate e.g : Land clearing process refers to the Technical Guidance for Land Preparation (Palm Oil Plant) is a collection of related SOP and WI land preparation (new planting). Published in 01/07/2010 as well as the Technical Guidelines for Oil Palm Planting (MCAR), which refers to the set of SOP - IK Technical Oil Palm Cultivation, Smart Agribusiness and Food, issue dated 01/09/2012.

The company has the SOP of processing (SOP-PENGOLAHAN/Review MCMD/1/2013). Documents such as SOPs from FFB Reception, Sterilization, thressing Station, Pressing Station, Clarification Station, Nut Kernel Station, Boiler and engine rooms, Water treatment, and Final effluent to SOP Tank leaching was available in place. In the laboratory was provided work instruction of palm oil analysis.

Conclusion: Conform

| | |
|-------|--|
| 4.1.2 | Checking or monitoring of operations procedures is conducted at least once a year. |
| Minor | |

The company has a mechanism to check the consistency of the implementation of procedures, which was performed by the Internal Audit team. Implementation of internal audit is performed once a year, but at the level of specific needs, it will be done every 6 (six) months. The scope of the examination conducted by the OIA such as plant maintenance, and plant production. The audit referred to SOP of the Company.

Conclusion: Conform

| | |
|-------|---|
| 4.1.3 | Records of monitoring and any follow-up actions shall be available. |
| Minor | |

Employee activities were recorded in the SAP system. The foreman recorded the daily activities of employees in the Activity Books Foreman (BKM). BKM as report of foreman will be reviewed by an assistant division. The final report would be basic by KTU for the payment of salaries.

Conclusion: Conform

| | |
|-------|--|
| 4.1.4 | Records of the origins of all third-party FFB sourced (collector, deliver, Cooperative, Farmers Association and outgrower) shall be available. |
| Major | |

The company has a production record which contains the origin of fresh fruit bunches (FFB), both originating from the own estate, scheme smallholder, and third parties/out

growers. Total FFB supplied to Jelatang Mill was as much as 99,332.55 tonnes with details as follows:

- Bangko Estate (certified own estate) = 4,891.78 MT
- Batang Gading Estate (non-certified own estate) = 13,272.23 MT
- Scheme Smallholder = 9,810.27 MT
- Outgrowers = 62,366.15 MT

Conclusion : Conform

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

| | |
|-------|---|
| 4.2.1 | A record of SOP implementation to maintain soil fertility that ensures optimal and sustained yield, shall be available. |
| Major | |

Company has conducted operational activities in estate in accordance with SOP such as fertilization that has been done at Division IV.

Conclusion: Conform

| | |
|-------|--|
| 4.2.2 | Records of fertilizer inputs shall be available. |
| Minor | |

The Company already has conducted fertilization and keep the record. Sample for the first semester of 2017 (January-April 2017), there is recommendation of using MOP fertilizer for 5,857.15 kg with the application area of 861,86 Ha, but there is no realization of MOP fertilizer. Meanwhile, for the period of First Semester of 2016 (January-June 2016) there is realization of the use of RP fertilizer type of 22,450 kg, with the application area of 168.14 Ha.

Conclusion: Conform

| | |
|-------|--|
| 4.2.3 | Records of periodical leaf, soil and visual analysis shall be available. |
| Minor | |

There are results of leaf sample analysis referring to SP. No. Ref. 048 / RFC-JAMBI / SMARTRI / Intl / IV / 2016. The analysis was performed on May 3, 2016 for the analysis of N, P, K, Mg, Ca, B, Cl. For information, leaf analysis is conducted every year covering the entire area of Bangko Estate (for divisions 4 and 5) in each month. Meanwhile, soil analysis is conducted every 5 years. Soil analysis was conducted to ensure the availability of nutrient elements on the soil. There are soil test results that have been done on November 2, 2015 with reference number SP. No. Ref. 018 / RFC-BNGE / LAB-LAND / SSU / 10/2015. Analytical parameters for non-peat soils such as Ca, Mg, K, and Na. All activities of soil and leaf analysis use SOP / SMART / MCAR / IX / TA-KDP as reference. The Company also has IK / SMART / MCAR / IX / TA-KDP / 05-LSU for technical sampling of leaves and IK / SMART / MCAR / IX / TA-KDP / 05-LSU for technical sampling of soil sampling. The result of soil and leaf analysis will be used as mainstream calculation data in determining recommendation of fertilizer dose.

Conclusion: Conform

| | |
|-------|--|
| 4.2.4 | A nutrient recycling strategy is recorded, including use of Empty Fruit Bunches (EFB), land application, and palm residues after replanting. |
| Minor | |

Company (Jelatang Mill) has utilized empty bunch which has been processed into

compost. The use of compost in the field is based on fertilizer recommendations from the research.

For the first semester of 2017 (January-April 2017) in Division 4, the total compost is 364,670 kg, and the retail is 364,670 kg for the area of 79,32 ha.

Sampling on Mandor Activity Book (BKM) containing information related to composting activity with sampling on April 28, 2017. There is application of compost usage as much as 8,730 kg with the number of material 20025716, then the data is inserted into the notebook for further inputted as data realization of fertilization compost.

Conclusion: Conform

4.3 Practices minimize and control erosion and degradation of soils

4.3.1 Maps of any fragile soils shall be available.

Major

A Semi Detailed Land Map is available on a 1: 75,000 scale. It is issued by the PNMP Division (Plantation Monitoring and Planning Division) which includes topography, texture, depth, drainage, land suitability grade, limiting factor and area (ha).

Conclusion: Conform

4.3.2 A management strategy shall be in place for plantings on slopes above a certain limit (this needs to be soil and climate specific).

Minor

The Company already has a strategy to resolve areas with the level of certain slope in SOP No. SOP / SMART / MCAR / I / TA-PPA.

Area with slope <9% (<5°) would be planted with a standard distance.

Area with slope of 9-14% (5°-8°) would conduct conservation terraces,

Area with slope of 15-21% (9°-12°) 4.5 to 4 meters wide terrace,

Area with slope of 22-40% (13°-22°) slope of the terrace width of at least 3.0 meters and

Area with slope of > 40% (>22°) is not recommended to be planted.

Conclusion: Conform

4.3.3 A road maintenance program shall be in place.

Minor

The company already has a road maintenance plan as outlined in the annual Budget 2016. The company also has conducted road maintenance by hardening the road as like recorded in "Hardening Summary Road-2016". The realization of road hardening includes:

- Insertion = 56.23%
- re-hardening = 10,250 M

Conclusion: Conform

4.3.4 Subsidence of peat soils shall be minimised and monitored. A documented water and ground cover management programme shall be in place.

Major

According to Semi Detailed Land Map issued by the PNMP (Plantation Monitoring and Planning Division) which includes soil classification, topography, texture, depth, drainage, land suitability grade, limiting factor and area (ha) and field verification it can be seen that Bangko Estate has no peatland.

| | |
|--|--|
| Conclusion: Conform | |
| 4.3.5 | Drainability assessments shall be required prior to replanting on peat to determine the long-term viability of the necessary drainage for oil palm growing. |
| Minor | |
| <p>According to Semi Detailed Land Map issued by the PNMP (Plantation Monitoring and Planning Division) which includes soil classification, topography, texture, depth, drainage, land suitability grade, limiting factor and area (ha) and field verification it can be seen that Bangko Estate has no peatland.</p> <p>Conclusion: Conform</p> | |
| 4.3.6 | A management strategy shall be in place for other fragile and problem soils (e.g. sandy, low organic matter, acid sulphate soils). |
| Minor | |
| <p>Company already has programs to resolve soils that contain of low organic material by making trenches according to the type of soil in the area and adjusting fertilizer needs according to soil type.</p> <p>Conclusion: Conform</p> | |
| 4.4 Practices maintain the quality and availability of surface and ground water. | |
| 4.4.1 | An implemented water management plan shall be in place. |
| Minor | |
| <p>The Company conducted water management of Jelatang mill and Bangko Estate such as water quality testing and management of riparian.</p> <p>The monitoring program has been established for each semester. The program was based on environmental documents and regulation. Monitoring of water quality include the testing of the resident groundwater wells, monitoring wells, merangin river in upstream and downstream, blengo river, and water WTP.</p> <p>The Company has established water management plan for the mill and estate in SOP Management and Monitoring of Water Resources SOP / SMART / BCOS -EHSD / SADV / 1/004 rev. 0 dated July 1, 2014. The water source for processing of FFB in the mill and the domestic needs of Jelatang unit was sourced from Merangin river and Blengo river. Processing of source water was conducted in the Water Treatment Plan Mill area.</p> <p>Water sources supply all estate workers, POM, and local resident for a year. Source Water resources comes from Merangin river and Blengo river. Clean water in the POM has been tested refers to standard Permenkes no. 416 1990. Testing of clean water conducts every 3 months.</p> <p>Permit is available based on Decision Letter of BPM-PPT Head of Merangin District No. 46 / BPM-PPT / 2016 concerning Permit for Surface Water Utilization on behalf of PT KDA dated June 30, 2016 valid for 5 (five) years. Obligations in this permit such as daily record of water use and monthly report to Merangin Regency cq BLHD Kab. Merangin. Surface water use data was available and has been reported to the relevant agencies.</p> <p>The use of surface water in Jelatang Mill for the last 4 (four) months is January 2017 (22951 m³), February 2017 (19924 m³), March 2017 (17020 m³) and April 2017 (18579 m³).</p> <p>Conclusion: Conform</p> | |
| 4.4.2 | Protection of water courses and wetlands, including securing and maintaining appropriate riparian and other buffer zones, at the time of or prior to replanting shall be demonstrated. |
| Major | |

There was a map of river in area of PT. KDA with registration number 1359/214 / PMNP / XI / 13. The company has identified the source of the water in Estate and Mill. The source of water comes from the river Mampun, Belango river, and swamp.

The company has established riparian strip of 50 meter from river side as a High Conservation Value Areas for HCV 1.1 (areas have provided support functions for biodiversity areas and / or conservation) and the HCV 4.1 (area or ecosystem which is important as a provider of water and flood control for downstream communities). This efforts for protecting the watershed. The Company do not conduct chemical spraying along the 5 trunks for left and right of palm trees. The Company also has established Swamp defined as HCV. The Company set 30 meters around the swamp as a High Conservation Value Management Area (NKT / HCV Management Area).

The Company has established SOP of SOP / SMART / BCOS-EHSD / SADV / 1/002 regarding the Management and Monitoring of HCV. The Company has conducted management of HCV by placing boundary in accordance with IK / SMART / BCOS-EHSD / SADV / 002/001 and put up signs warning that read "CONSERVATION AREA - Swamp". Company marked tree of palm oil core by red cross in accordance with the working instructions for IK / SMART / BCOS-EHSD / SADV / 004/001. It was conducted as swamp protection that has been planted by palm oil. During interview with spraying officer in area A4, they already understand the areas that are prohibited for spraying pesticides.

Conclusion: Conform

| | |
|-------|--|
| 4.4.3 | Records for monitoring of effluent especially BOD (Biochemical Oxygen Demand) and efforts to comply with legal requirements, shall be available (see criteria 2.1 and 5.6) |
| Minor | |

Company already has Extension of Permit of Waste Water Utilization of Palm Oil Plantation of Jelatang Mill PT KDA based on Head of BPM-PPT Decree No. 08 / BMP-PPT / Year 2014 dated December 15, 2014 which is valid for 5 (five) years.

Land area of application land = 53.36 Ha

IPAL pond consists of several parts as follows:

- Pond 1 = 5000 m³
- Pond 2 = 11000 m³
- Pond 3 = 13000 m³
- Pond 4 = 18000 m³
- Pond 5 = 21000 m³

The volume of waste water applied is as follows:

- Jan 2017 - 9304 m³
- Feb 2017 - 11854 m³
- Mar 2017 - 20155 m³

Company has done wastewater quality test in IPAL outlets for January, Feb and Mar 2017 conducted by UPTD Lablingda Jambi Province and SMART Laboratory with tested parameters such as pH, BOD, COD, oil and fat, Cd, Cu, Pb and Zn.

Previous observation on ASA 2, the company should do the calibration of the flowmeter contained in the WWTP of Jelatang Mill to ensure the accuracy of recording of discharged liquid waste and must ensure that the monitoring wells 1 in block A-06 are neatly closed and locked.

Verification in ASA 3, the company has already developed WWTP flow meter calibration program. The flow meter WWTP calibration has already conducted. The monitoring wells

have been managed periodically. Corrective action was sufficient.

Conclusion: Conform

4.4.4 Monitoring of mill water use per ton of FFB shall be recorded

Minor

Company has recorded mill water use per ton of FFB as below:

| | FFB Process (ton) | Water Usage (m3) | Ratio |
|----------------|-------------------|------------------|-------|
| Jan – Des 2016 | 99333 | 144374 | 1.45 |
| Jan 2017 | 4252 | 22951 | 5.40 |
| Feb 2017 | 5886 | 19924 | 3.38 |
| Mar 2017 | 4654 | 17020 | 3.66 |
| Apr 2017 | 5165 | 18579 | 3.60 |

Water resources for mill operational and domestic use are taken from rivers with processed in raw water plant.

Conclusion: Conform

4.5 Pests, diseases, weeds and invasive introduced species are effectively managed using appropriate Integrated Pest Management techniques.

4.5.1 Monitoring of Integrated Pest Management (IPM) plan implementation shall be available.

Major

The Company already has an Integrated Pest Management (IPM) plan arranged in SOP of Plant Pest Control and Disease with SOP / SMART / MCAR / VII / TA-HPT numbers. Integrated pest management plan is done through IK / SMART / MCAR / VII / TA-HPT / 01-Detection UPDKS. Detection of leaf-feeding Caterpillar is performed every 2 months. After UPDPKS can be controlled (safe controlled), detection is only done once a month, until the situation is completely safe (3x detection is not found UPDPKS existence). In addition there is a table that informs related to the size of caterpillar (cm) and category of attack (tail / plh) for all species of caterpillars.

Conclusion: Conform

4.5.2 Training records of Integrated Pest Management (IPM) shall be available

Minor

In the Matrix of Training Program Plan for Jambi Region from January to December 2017, it can be seen that the type of Agronomy training (Integrated Pest Management and Disease) has been held by SMARTTRI in April and October. Additional information is available on the evidence of Integrated Pest Management Training for Division IV and V Bangko Estate on 27 January 2016 with instructor on behalf of M. Taofiq in the form of attendance list and related material Integrated Pest Control (IPM) by SMART Research Institute (SMARTTRI) -Crop Protection Department.

Conclusion: Conform

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

4.6.1 Documented evidence shall be available to show that pesticide used based on regulations and the use of pesticide is specific to target species with appropriate dosage which have minimal impact on non-target species.

Major

There are a list of pesticides used in 2017 (until april 2017) along with its active ingredients (mesulfuron methyl, glyphosate, triclopyr and glufosinate ammonium). No use of paraquats, use of the last paraquat (brand rolixon) in February 2015.

Conclusion: Conform

| | |
|-------|--|
| 4.6.2 | Records of pesticides use (including active ingredients used and their LD50, area treated, amount of active ingredients applied per Ha and number of applications) shall be available. |
| Major | |

The use of the above pesticides in 2016 until April 2017 was recorded every month in the recapitulation document pesticide use. Such as Roll Up 480 SL, Garlon, and Erkafuron.

Conclusion: Conform

| | |
|-------|--|
| 4.6.3 | Any use of pesticides shall be minimized as part of a plan, and in accordance with Integrated Pest Management (IPM) plans. There shall be no prophylactic use of pesticides, except in specific situations identified in Indonesia Best Practice guidelines. |
| Major | |

The Company has integrated pest management as set in SOP of weed control SMART / MCAR / VIII / TA-PGM. Pest control was conducted using biological agent such owl for controlling rats, planting turnera and antigonon, and caterpillar pest control is done manually by means of picking worm. From the results of visit on the field there are gupon (owl house) and antigonon plant.

Conclusion: Conform

| | |
|-------|---|
| 4.6.4 | The evidence shall be available to demonstrate that use of Pesticides, categorized in Class 1A or 1B by World Health Organization, or those are listed in the Stockholm and Rotterdam Conventions, and paraquat are not used, except in specific situations identified in national Best Practice guidelines. The use of such pesticides shall be minimized and eliminated as part of a plan, and shall only be used in exceptional circumstances. |
| Minor | |

President Director issued a memorandum regarding the use of paraquat no.044 / PD / IX / 2014 on November 21, 2014. The Memorandum states restrict the use of paraphernalia to only eradicate weeds (noxious fern) and commitments to reduce parakuat usage by 30% since 2015.

In the year 2016 until April 2017, the company did not any more use herbicide which contains active ingredient paraquat. The company use of the last paraquat (brand rolixon) in February 2015.

Conclusion: Conform

| | |
|-------|--|
| 4.6.5 | Evidence of pesticide application by trained person and in accordance with application guidelines in product label and storage guidelines shall be available. Appropriate safety equipment shall be provided and utilized. All precautions attached to the products shall be properly observed, applied, and understood by workers (see Criterion 4.7) |
| Major | |

Pesticide handling officers have been trained in May 6, 2017 referring to procedure weed control in SOP/ SMART / MCAR / VIII / TA-PGM. Officers also get socialization of risk analysis so that workers are aware of the risks of their work and work safely and properly. Based on interviews with sprayers worker in estate, they understood how to work safely. The realization of training in 2016-2017 related to pesticide handling has been implemented in 6 May 2017.

Observation on ASA 2, It is advised to re-disseminated MSDS of hazardous material to ensure the comprehension of workers related to the nature of the material and the control of hazardous material used is well maintained. Based on interviews with employees were found:- Employees spray block A4 did not understand the dangers of handling according to its MSDS. Example: chemicals Roll Up- Warehouse clerk did not understand the nature of the chemicals stored in central warehouses. Based on information from interviews, a warehouse clerk has never undergone socialization regarding MSDS of hazardous material used.

During visit PPE washing house di Bangko Estate divisi IV, there are some facilities such as shower for sprayer, PPE locker sprayer, emergency facilities.

Based on interviews with employees were found:

- Employees spray in division IV understand the dangers of handling according to its MSDS. Example: chemicals Roll Up
- Warehouse clerk understand the nature of the chemicals stored in central warehouses.

Conclusion: Conform

| | |
|-------|--|
| 4.6.6 | Storage of pesticides shall be according to recognised best practices. All pesticides containers shall be properly managed according to the existing regulations and or instructions enclosed on the containers (see criterion 5.3). |
| Major | |

Pesticide handling officers have been trained in May 6, 2017 referring to procedure weed control in SOP/ SMART / MCAR / VIII / TA-PGM. Officers also get socialization of risk analysis so that workers are aware of the risks of their work and work safely and properly. Based on interviews with sprayers worker in estate, they understood how to work safely. The realization of training in 2016-2017 related to pesticide handling has been implemented in 6 May 2017.

Conclusion: Conform

| | |
|-------|---|
| 4.6.7 | Application of pesticides shall be by proven methods that minimize risk and negative impacts. |
| Minor | |

Handling mechanisms of used agrochemical packaging and chemicals have been regulated in work instruction of Hazardous Waste Handling and Used Packaging of Chemicals, no. IK / SMART / LEMS-EHSD / SADV / 002/001.

Conclusion: Conform

| | |
|-------|--|
| 4.6.8 | Pesticides may only be applied aerially where there is a documented justification. Surrounding communities shall be informed of impending aerial pesticide applications with all relevant information within reasonable time prior to application. |
| Major | |

The company does not apply pesticides from the air either by drone / non-crew aircraft or manned aircraft.

Conclusion: Conform

| | |
|--|--|
| 4.6.9 Minor | Evidence of training on handling pesticide for workers and scheme smallholder (if any) shall be available |
| <p>The Company has provided socialization related to the handling of pesticides as stated in the realization of the training program of 2016 made by Bangko Estate. From the results of interviews with sprayers in the field, they already understand how to handle pesticides safely. The Company has conducted training on the use of pesticides for Plasma in Mampun Village.</p> <p>Conclusion: Conform</p> | |
| 4.6.10 Minor | Proof that pesticide waste has been handled as per legal regulations and understood by worker and manager, shall be demonstrated |
| <p>The Company has established methods for identify the source and type of waste and mechanisms for waste management in the Waste Management SOP (SOP / SMART / LEMS- EHSD / SADV / I / 002). Waste disposal procedure has been set in the Waste Management SOP (SOP / SMART / LEMS-EHSD / SADV / I / 002). Hazardous waste materials such as used agrochemical packagings which were not reused, were stored in hazardous waste temporary storage. Handling mechanisms for used agrochemical packaging and chemicals have been regulated in Work Instruction of Hazardous Waste Handling and Used Packaging Chemicals (IK / SMART / LEMS- EHSD / SADV / 002 / 001).</p> <p>Used agrochemical packaging can be reused for the same activities with reference to the Work Instruction of Hazardous Waste Handling and Used Chemicals Packaging (IK / SMART / LEMS-EHSD / SADV / 002 / 001). Documentation regarding the reuse of packaging of used agrochemical was recorded in the Minutes of Used Pesticides Packaging Flushing.</p> <p>Company already has Temporary Storage Permit for Hazardous Waste of PT KDA in Jelatang Village Pamenang District based on Merangin Regent Decree No. 401 / LH / 2014 dated September 15, 2014 which is valid for 5 (five) years. This temporary storage was located at E 102o 29 '10.8 "and S 02o 04' 16.3".</p> <p>The types of hazardous waste that are allowed to be stored are used lubricating oil and gross oil, used batteries, expired chemicals, contaminated used cloth, used oil filter, used fuel filters, used lamps, used catridges, used batteries, medical waste, used paint cans and waste laboratory.</p> <p>Conclusion: Conform</p> | |
| 4.6.11 Major | Annual medical records of pesticide operators, and follow-up treatment of medical results, shall be available. |
| <p>Until May 2017, there were 17 sprayers at Bangko Estate. The spray officer consists of 15 men and 2 women. The company has established a specifik medical program (cholinesterase examination) on the Bangko Estate safety program 2017. The examination is scheduled twice a year in May and November 2017. Special examination on the first semester was held on May 19, 2017. The second semester examination 2016 was held on 21 November 2016. Based on results of special examination, all spray workers have good result.</p> <p>Conclusion: Conform</p> | |

| | |
|--|--|
| 4.6.12 Major | Records shall be available to show that spraying is not conducted by pregnant or breast-feeding women. |
| <p>The Company has a policy prohibiting pregnant and breastfeeding workers to carry out spraying as stated in SE No. 02 / VPA-1 / I / 2009 set by the VPA-1 dated January 13, 2009. Until May 2017, there were 17 sprayers at Bangko Estate. The spray officer consists of 15 men and 2 women. The company conducted pregnancy tests every month to ensure that no pregnant women on the field. The last pregnancy test was conducted on May, 2017.</p> <p>Conclusion: Conform</p> | |
| <p>4.7 An occupational health and safety plan is documented, effectively communicated and implemented.</p> | |
| 4.7.1 Major | A health and safety policy shall be in place. A health and safety plan shall be documented and implemented, and its effectiveness monitored. |
| <p>The company has a Corporate Occupational Health and Safety Policy. This policy was signed by President Director PT SMART Tbk, Mr Daud Darsono on November,01 2013. Policy explained commitment of the company to increase Occupational Health and Safety (K3) performance, compliance with regulation, continuous improvement and avoid work incident. The policy has been socialized to all level of employees.</p> <p>The company has set goals, objectives and OHS programs as documented in in the form of (F / SMART / HESS-EHSD / SDV / 003) and form safety Program (F / SMART / HESS-EHSD / SADV / 004/001) for all unit.</p> <p>At Bangko Estate and Jelatang Mill Unit, the Company has set safety targets and programs on January 04, 2017 by Chairman of P2K3. Objectives and programs include minimizing work accidents, lost working time (no fatality), and complementing PPR employee (100% PPE application).</p> <p>Conclusion: Conform</p> | |
| 4.7.2 Major | A documented risk assessment shall be available and its implementation shall be recorded. |
| <p>The Company has established hazard identification and risk control procedures with no. document SOP / SMART / HESS-EHSD / SADV / I / 003. The Company has made hazard identification for all processes at Jelatang Mill and Bangko Estate in the period January - December 2017. Hazard identification was prepared by safety expert of each unit and has written on form F / SMART / HESS-EHSD / SADV / 002/002. Hazard identification includes source, impact and risk control plans.</p> <p>In ASA 2, it was found major findings as follow:</p> <ul style="list-style-type: none"> a. The diesel fuel tank which was located near the central ware house has not been provided with a grounding. b. Chemical operator in the area of water treatment did not wear gloves. c. Implementation of OHS was not conducted effectively, there was unsafe conditions | |

such as palm leaves that nudge the medium voltage power cable (20 KV) in Division 4.

The company has already conducted corrective actions as follows :

- a. The company has reviewed the HIRADC of diesel fuel tanks due to the hazardous potential situation of electrostatic. The company made grounding for the solar tank
- b. The company has ensured that PPE is distributed to employees. The company has conducted regularly inspection. The company has also disseminated the procedure of PPE replacement for chemical operators.
- c. The company will ensure that all electrical grids in the palm oil plantation are not being nudged by palm oil leaves with periodically monitoring all of electrical grids inside the plantation.

The verification on first follow audit May 22-27, 2017:

- a. During the follow up audit, the company has identified all diesel fuel tanks around mill and estate. There were 3 diesels fuel tanks which was being placed in Langling Mill, Jelatang Mill, and Bangko Estate. All of fuel tanks has already had a grounding. Also the company has already revised HIRADC in all of activities related to diesel fuel tank.
- b. During the field visit in the follow audit especially in WTP area, it has been found that operators has already equipped with PPE. The types of PPE referring to SOP and HIRADC which consists of cartridge mask, ear plug, helmet, gloves, and goggles.
- c. Auditor verified evidences of corrective action such as the evidence of socialization PPE usage, pronouncement letter of PPE provision, and PPE inspection report. The company has already conducted monitoring and pruning regularly (the evidence such as monitoring sheet of electricity grid, pruning report in supervisor book.

The Company has taken corrective actions for Major findings on ASA 2, but corrective actions have not been effective because there are findings in the same clause as follows:

The company already has an ISBPR but not all risk controls have been set. As an example:

1. Egrek (harvester equipment) are still carried by motorcycle from house to division office
2. Sprayer mask different with mixer officer mask

Based on this findings, the company is suspended.

The company conducted corrective action for new major findings as follows:

- a. The company submitted a SOP revision (SOP-IK Technical Cultivation of Oil Palm Crops MCAR 2012) related to the activity of transporting harvesting equipment using trucks.
- b. Revision of ISBPR BNGE document Year 2017 by clarifying the activity control plan

brings egrek as follows:

- The company made one place for save egrek in division office.
 - Egrek was collected at collector's place in division office
 - Egrek was brought to the field from the collection point using truck
 - After harvesting activities, egrek is collected and carried by truck.
- c. The harvester conducts egrek monitoring with Egrek Monitoring form every morning to guarantee the harvesting tools are transported safely.
 - d. The Company issued letter No. 02 / RC-Jambi 1/06/2017 dated June 2, 2017 regarding the transportation and storage of harvesting equipment.
 - e. The company revised ISBPR BNGE document 2017 by replacing the spray mask into a cartridge-type mask with cartridge type for herbicide spraying
 - f. Supply of mask cartridge for sprayers in June 2017.
 - g. Distribution and socialization of the use of mask cartridge to sprayer, maintenance and replacement of cartridge to sprayer by Safety Officer on June 16, 2017.

The verification on second follow audit 31 July – 3 August 2017:

At the time follow up audit on 31 July - 03 August 2017, during visit to office of division IV and V, egrek was transported to the harvest site by truck. At the ISBPR there are already control of the transport of harvesting equipment.

Some inspection the implementation of PPE such as PPE for chemical warehouse officers on the field include cartridge masks, rubber gloves, special clothes, boots, and face shield.

Based on the visit to the office of division IV, there are available PPE for spray officers based on ISBPR one of them cartridge mask. However, during the visit there was no spray activity.

The company also conducted additional improvements such as

1. Hazard identification of FFB decrease from dump truck and non dump truck has been identified. Based on identification results, it was determined WI-147, rev. 00 at Jelatang Mill as a guide in disassembling the FFB in the loading ramp area. Socialization of WI has been conducted in Jelatang Mill on August 08, 2017. Based on documentation, manual disassembly is conducted by using tools such as tojok, gancu, and brondolan sorong, so there is no work of decreasing FFB by way of workers climbing onto the truck either to Jelatang Mill.

2 There are evidences of socialization about obligation to use PPE in the work area. It was proven by attendance list, notes, and photos of the implementation of socialization awareness and discipline of the use of PPE. Inspection monitoring of PPE have conducted in Bangko Estate (01 and 08 August 2017), Jelatang Mill (05 and 09 August 2017). There are evidence of stock card monitoring PPE in the Warehouse. The company already shown proof of specification of Earmuff Leopard Brand which has NRR 25.9 db and Krisbow SNR 30db Brand. The company issued the memo 007 / VPM-JMBO / 08/17 concerning sanctions on the use of PPE.

3 ISBPR document has been reviewed and has identified especially about disturbance eyesight in boiler area, noise during Las Arc Welding Machine Operation at workshop. There are evidence of documentation on the use of gloves and goggles during activities in boiler (scratching fire) for Jelatang Mill. There are evidence that workers have received adequate PPE especially in boiler stations in Jelatang Mill.

4 The Company has established the specification of PPE for each activities in estate and Mill. Specifications are documented in SOP / SMART / HESS-EHSD / SADV / I / 010 documents. There are evidence of PPE specification such as Earmuff Brand Lopard, Earmuff Krisbow and Ear plug. The Company also has implemented a Socialization of the Use of Mask Catrdige in divisions 4 and 5 of Bangko Estate on 03 and 05 August 2017.

5 The Company has identified hazards to the risk of carrying work tools (rickshaw and egrek). The company revised Circular Letter no. 02 / RC-Jambi 1/06/2017 signed by Regional Controller Jambi 1 dated 02 August 2017.

Memos governing about storage, transportation and repair of harvesting equipment (galah, egrek and rickshaws). There are evidence minutes and attendance list from the rickshaw carrier socialization activity using truck in divisions 4 and 5 Bangko Estate dated 03-05 August 2017.

Corrective action taken by the company are sufficient so that the findings can be closed.

Auditor verified corrective action for observation on previous audit,

a. Gallon storage of toxic materials used in spraying activities should be labeled symbol B3.

B3 symbol on the packaging containing the hazardous material is gone during the field visits spraying activities in Block A4.

b. Conduct a review of the conformity with the stamp symbol B3.

Example: In the central warehouse contained diesel fuel tank B3 symbol irritant; In the warehouse of agrochemical there was a symbol corrosive B3.

At the time of surveillance audit May 22-27, 2017, the auditor has verified that the company has been instalation B3 symbols on the gallon of toxic material container. The Company has identified the suitability of B3 symbol installation. At the time of the visit to the warehouse, the symbol B3 is in accordance with its characteristics

Conclusion : Major Nonconformity No. 7

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|-------|--|
| 4.7.3 | Records of Occupational Health and Safety (OHS) program (see 4.8) and Personal Protective Equipment (PPE) training in accordance with the result of hazard identification and risk analysis shall be available to all workers. |
| Major | |

The Company has established a training plan for all workers. Training plan are stated in the Plan and Realization of Training Program Region Jambi for the period of January to December 2017. Training plan is arranged by SPO Officer.

The Company has a List of safety experts and licensed operators. For example in Jelatang Mill unit, there are 31 workers who have a license from the Ministry of Labor. The types of licenses include: operator of boiler, sterilizer, crane, loaders, welder, electrician and first aiders.

In the sampling of operator licenses as follows:

- 1) Diesel Operator on behalf of Hotop valid until December 6, 2018;
- 2) Electrical Technician Expert on behalf of Rusdianto valid until June 10, 2017.

The Company has a Register of Licensing / Certificate of Jelatang Mill signed by P2K3 Chairman in May 2017. There are 18 tools or machines consisting of 2 units wheel loader, 2 units of diesel motor, 2 units steam turbine, 2 units of hoist crane, 2 units of steam boiler, 4 units sterilize, 1 unit of BPV vessel, electrical installation, lightning strike installation, 3 units of pressure vessel, and 1 unit of compressor and hydrant installation.

The Company already has a procedure of Personal Protective Equipment Management (SOP / SMART / HESS-EHSD / SADV / I / 010). It manage for determining the type of PPE, verification, purchase, warehouse receipts, distribution to employees and reporting of distribution PPE. Every year the company distributes PPE to all workers according to the Form of Minutes of PPE Handover (F / SMART / HESS-EHSD / SADV / 010/002). SOP also arranges to make stock maximum PPE 10% of total requirement. The Secretary of safet committe is responsible for replacing and distributing of PPE. During the visit to the estate warehouse, there are stock of PPE in May 24, 2017 such as 80 glasses, 5 catridge, 169 boots, and 32 apron.

During observation to harvesting activities in Division 4, harvesters used appropriately PPE such as helmet, goggles and boots. During visit to division 4, there was no spraying activity. So the visit just only see the completeness of PPE in the office of division 4 along with facilities and infrastructure such as *rumah bilas* and warehouse chemical. Sprayer officer used PPE include full face helmet, boots, apron, raincoat, gloves, and catridge mask. Employees have understood the mechanism for replacing PPE if it is damaged. The company has provided PPE stocks in the central warehouse and made requests to provide PPE stock. PPE was given in accordance with the SOP provisions and the hazard identification.

Conclusion: Conform

| | |
|-------|--|
| 4.7.4 | The responsible person(s) for occupational health and safety shall be identified and there shall be records of periodical meetings on health and safety issues |
| Major | |

The company has SPO Officer as a function or personnel who responsible for implementation about safety. The company has established safety committee (P2K3) Structure as the fulfillment of Regulation of Manpower Regulation no. 04 / MEN / 1987.

1. The structure of P2K3 for Jelatang Mill has been appointed by Dinsosnakertrans Merangin Regency no. 78/2016 on April 21, 2016. The safety expert on behalf of Sagita Reza. He has received training from PJK3. The P2K3 team has conducted monthly meetings. The P2K3 management has reported to the local Manpower Office as in the period of January - March 2017 (first quarter 2017) (evidence in the form of acceptance report no. 66/FM-JLTM/IV/2017 signed by officials from Dinsosnakertrans Merangin District on 08 April 2017).
2. The structure of P2K3 for Bangko Estate has been appointed by Dinsosnakertrans Merangin Regency no. 3512/PK3/AJ/31/73/2015 on August 10, 2015. The Secretary of P2K3 is the Ahli K3 Umum a.n Danu K. Sabrang who has received training from PJK3. The P2K3 team has conducted monthly meetings. The evidence in the form of attendance lists and minutes of meetings such as sampling in February 2017. Quarterly, the P2K3 management has reported to the local Manpower Office as in the period of January - March 2017 (first quarter 2017) (evidence in the form of acceptance report signed by officials from Dinsosnakertrans Merangin District on 10 April 2017).

Conclusion: Conform

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|-------|--|
| 4.7.5 | A procedure for emergency and work accident shall be available in Indonesian Language; and the workers, who have attended First Aids training, are available in the working areas. |
| Minor | |

The Company has procedures for Emergency Preparedness and Response (SOP / SMART / GENERAL / SADV / I / 005). Procedure has established the potential for the relevant emergency such as fire, explosion, earthquake, flood, hazardous chemical spillage, chemical poisoning by mouth and riots. Each potential emergency has been established the Emergency Flow Chart.

Handling of potential hazardous chemical spill emergency arranged in SOP of *Pengelolaan Material dan Perpindahannya* (SOP / SMART / HESS- EHSD / SADV / I / 006). Each emergency handling has been informed to all workers through information boards. The company used safety talks in the workplace as shown in the central division's warehouse division V. Workers have understood the potential for emergencies and how to handle it.

The company already has trained personnel and licensed to become a first aid officer. At Jelatang Mill, there are 3 people and Bangko Estate as many as 5 people.

The Company has also provided first aid box equipment in every workspace. The content of first aid box follows with the Ministerial Decree no. 15/2008 type A. It is located at the office, security post, and distributed to each foreman.

Refresh first aid training has been conducted on May 20, 2017.

The socialization how use of first aid kit equipment for the foreman was conducted from May 20-21, 2017. Training led by company doctors and attended by all the foremen of the Estate. Training is attended by another division such as the foreman of process, grading and production crane.

Conclusion : Conform

| | |
|-------|---|
| 4.7.6 | All workers shall be provided with medical care, and covered by accident insurance (see criterion 6.5.3). |
| Minor | |

During the ASA 2, it was found that 121 casual workers only registered in BPJS for JKK and JKM (death and accident insurance) packet only, not include retirement package. These casual worker were also not registered in BPJS Kesehatan (health insurance). The auditor then issued minor non conformity regarding this criteria. The company had diverging opinion with auditor regarding these issues, which therefore refused to conduct any corrective action, besides giving arguments behind its opinion.

However during ASA 3, Company has registered its workers in mill for full program of employment insurance which covers death insurance, accident insurance and retirement insurance, based on the evidence of premium payment for April 2017 and May 2017. While the workers in Estate has been registered in full program of employment insurance, based on the evidence of premium payment made on 12 May for 69 workers. Regarding health insurance, in 2017 company has had its workers registered in health insurance. The sample premium payment, showed the premium payment was made on 17 May 2017 for 183 workers and the rest of 67 workers has been registered on May 2017. Based on the above evidences, auditor concluded the corrective action to this previous minor non conformity was sufficient

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| Conclusion: Conform | |
| 4.7.7 | Occupational injuries shall be recorded using Lost Time Accident (LTA) metrics. |
| Minor | |
| <p>The Company has established procedure of occupational accident and occupational illness handling (SOP / SMART / HESS-EHSD / SADV / I / 005). Procedures explained Accident / Incident and Emergency Investigation Report (F / SMART / HESS-EHSD / SADV / 005/002). Based on the recapitulation of accident data at Jelatang Mill unit in 2016 and Bangko Estate there are no accident.</p> <p>The Company has made an analysis of data safety comprising FR and SR calculations in the FR / SR Monthly Form (FR / SMART / HESS- EHSD / SADV / 005/004) each work accident.</p> <p>Analysis of K3 data is conducted every month. The calculation of FR / SR refers to the provisions in Permenaker No. 03 / MEN / 1998 with the following calculation,</p> <ol style="list-style-type: none"> 1) FR/SR calculation 2016 for Jelatang Mill is FR 0 and SR 0. 2) In the calculation of FR and SR in 2016 for Bangko Estate obtained value FR of 0 and SR value of 0. | |
| Conclusion: Conform | |
| 4.8 All staff, workers, smallholders and contract workers are appropriately trained. | |
| 4.8.1 | Records of training program related to the aspects of RSPO Principles and Criteria shall be available |
| Major | |
| <p>The company already has Training Needs Identification Matrix for all positions with defined competencies such as understanding of RSPO and ISCC, GHG calculation, understanding of traceability, environmental management and monitoring, environmental aspect identification, hazardous materials and waste management, etc. The company already has training plan for 2017 that covers training on certification, environmental, OSH, HCV, social and agronomic best practices.</p> | |
| Conclusion: Conform | |
| 4.8.2 | Records of training for each employee shall be maintained. |
| Minor | |
| <p>SPO Department managed records results of implementation training programs such as the attendance list, photos, and copy of certificate. The training has been realized in 2017 include RSPO SCCS and environmental management training. There was evidence of attendance list of training, documentation and training materials. Training that has been done such as:</p> <ul style="list-style-type: none"> - RSPO SCCS Training - February 18, 2017 - 13 people - Environmental management system - May 13, 2017 - 11 people | |
| Conclusion: Conform | |

Principle 5: Environmental responsibility and conservation of natural resources and biodiversity

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| 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. | |
| 5.1.1 | Environmental impact assessment document(s) shall be available. |
| Major | |
| <p>Company already has UKL UPL of Jelatang Palm Oil Mill and Plantation at Kec. Bangko and Kec. Pamenang, Kab. Sarolangun-Bangko, Prov. Jambi. Approved by Agribusiness Agency of the Ministry of Agriculture No. 419 / BA.5 / IX / 1996 dated September 19, 1996 for 229 Ha own estate and mill capacity 30 tons FFB / hr.</p> <p>Company already has DPLH of Plantation Expansion and Utilization of Palm Oil Waste (Biogas, Land Application and Composting) and Other Supporting Facilities Infrastructure for addition of 333.35 Ha own estate area. Approved by recommendation letter from BPLHD Kab. Merangin No. 660/371 / DPLH / BLHD / 2014 dated October 27, 2014.</p> | |
| Conclusion: Conform | |
| 5.1.2 | Environment management plan document to prevent negative impacts, its implementation report and revision (if the identification of impact requires changes in current company's practices) shall be available. The company's management shall appoint the responsible person(s) for the implementation of the document. |
| Minor | |
| <p>Company already has Report on Monitoring Result of UKL UPL Implementation of PT KDA Desa Jelatang, Kecamatan Pamenang, Kab. Merangin, Jambi Province for the 2nd semester of 2016. Monitoring has been conducted for the following aspects by UPTB Lablingda BLHD Provinsi Jambi and UPTB Labling BLH Provinsi Sumsel:</p> <ul style="list-style-type: none"> - Waste water quality from LA outlet - Well water quality of control point - Well water quality of resident area - Surface water quality in upstream and downstream Merangin river - Quality of air ambient at loading ramp MCC and employee housing - Air emission quality of boiler - Air emission quality of genset - Soil quality of soil in block A9 Division IV Bangko Estate <p>Previous observation on ASA 2, air quality testing period was not in accordance with provisions in the matrix UPL Jelatang and Langling unit, which conducted once a month to the parameters of dust, SO₂, NO₂, CO, NH₃.</p> <p>Verification on ASA 3, the company making revisions to the matrix UKL UPL related the period of dust monitoring, and then the company has conducted air quality testing for each semester. Corrective action was sufficient.</p> | |
| Conclusion: Conform | |
| 5.1.3 | Environment monitoring plan document, its implementation report, and the corrective plan (if non-conformance arised from the monitoring result) shall be available. This plan is reviewed on two-yearly basis. |
| Minor | |
| Company has set the identification of environmental impact in every aspect of operational | |

activities at POM and Estate. Identification was conducted regularly every semester. The last identification and evaluation to environmental aspect was conducted in first semester of 2017.

Company has set the Environmental Monitoring Program 2017 that has define the location, the number of sampling points and a year-long monitoring period. Parameters monitored are water quality (liquid waste outlets from POM, sedimentation basin outlets, groundwater quality (monitor wells), river water and fresh water), soil quality, air quality (ambient, boiler emissions, genset emissions, motor vehicle emissions), noise, vibration and odor.

Previous observation on ASA 2, report on environmental management plan (RKL / RPL) for second half of 2015 did not include environmental sanitation activities as required in the matrix of UKL / UPL in DPPL.

Verification on ASA 3, environmental monitoring implementation based on UKL UPL matrix for first and second semester of 2016 has already include environmental sanitation activities. Corrective action was sufficient.

Conclusion: Conform

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.

| | |
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| 5.2.1 | Record(s) on the results of High Conservation Value (HCV assessment) that includes both the planted area and the relevant wider landscape-level considerations (such as wildlife corridors) shall be available |
| Major | |

There were maps of the area of the PT. Kresna Duta Agroindo on a scale of 1: 175,000 with registration No. : 480/214 / PMNP / III / 12 and maps Spatial Overlay District Merangin 2013-2033 with the PT. Kresna Duta Agroindo on a scale of 1: 175,000. From these maps it was known that the PT. KDA in the region APL (Other Use Area) and not directly adjacent to the conservation area or protected forests. The boundaries around Bangko Estate unit, namely:

Division Jelatang:

- The north side was bordered by crop farming and horticulture
- The south was bordered by crop farming and horticulture and residential village Jelatang.
- The East was bordered with plantations and residential village Jelatang
- The west was bordered plantations

There was procedure of High Conservation Values Identification SOP Number: SOP / SMART / BCOS-EHSD / SADV / I / 001 dated July 1, 2014. Based on the SOP, HCV assessment has been done internally by the Environment Department PT. SMART Tbk, documented into the report documents the results of the identification of areas with high conservation value. The survey team consisted of:

1. Norman Farid Mustakin (team coordinator and ecology). He registered as a provisionally licensed assessor ALS.
2. Firmansyah (Fauna and ecology). He registered as a licensed assessor ALS
3. Febia Arisnagara (Flora and environmental services)
4. Dede M. Nasir (mapping and environmental services). He registered as a licensed assessor ALS.
5. Laurentius V. Baskara (Social, economic and cultural)

This report has been through a process of peer-reviewed by Dr. Kunkun Jaka Gurmaya. The result of Identification KBKT (HCV) in Division Jelatang was HCV 4.1 (Regions or

important ecosystem as a provider of water and flood control for downstream communities) in the form of swamp area of 2.71 hectares (of two swamp of 2.06 ha and 0.65 ha).

Conclusion: Conform

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| 5.2.2 | Where rare, threatened or endangered (RTE) species and or other HCVs are present or affected by the plantation and mill operations, an appropriate measures that are expected to maintain or enhance them shall be implemented through a management plan |
| Major | |

Based on the Report of Identification of High Conservation Values PT. Kresna Duta Agroindo Bangko Estate in Division 4 (Jelatang), there was HCV 4.1 namely fresh water swamp. In the report there was HCV recommendations which were identified as HCV 4.1. which became the basis of PT. KDA in managing HCVA to create SOP / SMART / BCOS-EHSD / SADV / I / 002 on the Management and Monitoring of High Conservation Value (HCV Management) and make the Management Plan NKT Annual 2016 signed by Est. Manager (Riendra S. Nasution) and Region Controller Jambi-1 (Suwarno).

Based on the management plan, PT KDA conducted management and monitoring of the land designated as HCV. The result is documented into the Report of Management and Monitoring High Conservation Values.

The report has been reported to the Head of BKSDA Merangin with proof of receipt that has been signed and stamped by BKSDA Merangin. Protection against HCV 4.1 freshwater swamp set 30 meters around the marsh as a High Conservation Value Management Area (KNPKT / HCV Management Area).

The company set the SOP SOP / SMART / BCOS-EHSD / SADV / 1/002 on the Management and Monitoring of HCV. PT. Kresna Duta Agroindo already managing HCV HCVA by placing border marks in accordance with IK / SMART / BCOS-EHSD / SADV / 002/001 and putting up warning sign. In addition, as a protection of the area around the swamp which were already planted, the company did not use chemical treatment. This was conducted by marking a red cross in the trunk of palm in accordance with the working instructions for IK / SMART / BCOS-EHSD / SADV / 004/001 on the manufacture of marking spraying area, warning signs for HCV and HCV area. During the interview with the sprayer worker on Muster Morning in Division 4, they already understand the areas that are prohibited for chemical treatment.

HCV officer made a report monitoring of high conservation value in the form F / SMART / BCOS-EHSD / SADV / 002/020. The report contained the date, type of HCV, location, description of the location, and recommendations. The results of the monitoring will be made as recommendation programs on the management of HCV.

Conclusion: Conform

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| 5.2.3 | Program(s) to socialize the status of protected, rare, threatened or endangered (RTE) to all workers shall be available, including records of appropriate sanction disciplinary measures to any individual working for the company who is found to capture, harm, collect or kill these species. |
| Minor | |

The company has SOP of Management and Monitoring High Conservation Value No: SOP / SMART / BCOS-EHSD / SADV / I / 002. Control of HCV was conducted by socialization to staff / employees, community estate, and contractor in order to preserve

the area, animals and plants.

PT. Kresna Duta Agroindo Bangko Estate Division 4 and 5 have an Annual High Conservation Value Management Plan for 2017. The documents described the program, the target of implementation, the realization, the location, in the implementation of, and responsibility. The educational program of internal socialization (to employees, staff, security) was targeted once a year with implementation in March 2017 and external socialization (community) once a year with implementation in March 2017.

In accordance with SOP and HCV Plan Management, the socialization of HCVs has been conducted with evidence of the documentation of the Socialization of SPO (Sustainable Palm Oil Management) PT. Kresna Duta Agroindo Bangko Estate conducted on May 9, 2017 at BNGE Office attended by the community and 13 April 2017 attended by employees of Divisions 4 and 5 (Jelatang and Langling) in the documentation has included socialization on areas that have high conservation value and must be protected as well as animals to be protected as well as prohibitions for animal hunting.

There was a Social and Environmental Policy GAR one of the rules reads, "banned the hunting of wild animals, including endangered species, threatened and endangered species in our plantations; and investigate any violations of this policy as a hunting preserve, maim, torture, and killing of rare, threatened and endangered species and take disciplinary action including termination of employment."~ approved by Jo Haud Dharsono (Head of Upstream), Hemant Bhatt (CEO -Downstream & Commercial), Rafael Conception (Executive Director & CFO), and Agus Purnomo (Managing Director of Sustainability & Strategic Stakeholder Engagement) on 8 September 2015 in Jakarta.

The Company has specialized officers and trained in the company structure to supervise plans and activities related to HCV as evidenced by available Estate Management Decree No. Bangko. 01 / EM / BNGE / 04/16 dated April 4, 2016 regarding the appointment of Bro. Fadli Dermawan as HCV Officer staff in charge of conducting and supervising HCV / HCV monitoring activities in the unit, reporting the implementation of HCV / HCV submitted to Unit Head, controlling unit documents related to HCV / HCV management unit in coordination with SPO Officer Regional.

Conclusion: Conform

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| 5.2.4 | Once the management plan is prepared, continuous monitoring documentation and report regarding the status of the RTE and HCVs are affected by the operations of the plantation and palm oil mill shall be available, and the results of monitoring are to be used to follow-up on the improvement of the management plan. |
| Minor | |

There was an Annual High Conservation Value Management Plan of PT. Kresna Duta Agroindo Bangko Estate Division 4 and 5 period in 2017 which contained information about the program, the implementation of the targets, the realization, the location and responsibility.

Based on the management plan PT KDA has managed and monitored of the land designated as HCVA and the respective results were documented in the Report of Management and Monitoring High Conservation Values PT. Kresna Duta Agroindo. The report has been submitted to the Head of BKSDA Merangin district with proof of receipt that has been signed and stamped by BKSDA Kab. Merangin. On 20 February 2017

Conclusion in Report of Management and Monitoring of KBKT PT. KDA in accordance with High Conservation Values Monitoring report conducted by HCV officer as outlined in the form no. F / SMART / BCOS-EHSD / SADV / 002/020, ie the area around KBKT freshwater swamp has been well maintained.

At the time of ASA 2 the auditor published the observation because there was a monitoring report in October 2015 said there were people who used the area around the swamp to become vegetable and fruit plant land. At that time the monitoring report had been followed up by BNGE Estate Manager by sending a notice to the Village Head and already answered by the Village Head with a letter saying that the community requested until July 2016 to harvest the FFB and vegetables already grown.

By the time ASA 3 has been confirmed to the field and found the swamp is no longer used by the community in accordance with the agreements that have been agreed and freshwater swamp been well maintained.

Conclusion: Conform

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| 5.2.5 | Where HCV areas overlapped with an identified local community's land, there shall be evidence of a negotiated agreement that optimally safeguard their HCVs and the local community's rights |
| Minor | |

At the time of previous surveillance, it was found areas defined as HCVA, ie HCV 4.1 freshwater swamp which was utilized by the villagers of Jelatang for planting papaya, cassava, banana and vegetable crops. PT. Kresna Duta Agroindo through the Estate Manager of BNGE has given notification to the village chief of Jelatang on October 23, 2015 which contains a notice that there were some villagers of Jelatang who farm in the location palm plantation of PT. KDA and notify them to refrain from farming activities again in those area. The notification letter has been responded by the Village Head of Jelatang with an statement letter signed by 12 local communities.

The letter stated that they have been farming in the plantation area of PT. KDA Jelatang on their own will, and promised to harvest the crop until July 2016, and will not resume farming on these locations after July 2016. This letter has been acknowledged by the Traditional Institution of Jelatang Villages and Village Head of Jelatang. Auditor raised an observation finding according to this.

By the time ASA 3 has been confirmed to the field and found the swamp is no longer used by the community in accordance with the agreements that have been agreed and freshwater swamp been well maintained.

Conclusion: Conform

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

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| 5.3.1 | A documented identified source of all waste and pollution, shall be available. |
| Major | |

The Company has established methods for identify the source and type of waste and mechanisms for waste management in the Waste Management SOP (SOP / SMART / LEMS- EHSD / SADV / I / 002). Identification of the type of waste produced from each of the environmental aspects of operational activity in the POM and estates was set

in the Identification and Evaluation of Environmental Aspects which conducted reconsideration of each semester. The last review of Identification and Evaluation of Environmental Aspects for the Jelatang mill performed on first semester of 2017.

Previous observation on ASA 2, the company should conduct a review of Identification and Evaluation of Environmental Aspects. On the form Identification and Evaluation of Environmental Aspects can be ensure compliance with the operational activities that run and mitigating the environmental impact resulting from these activities. From the sampling results were found:

- Identification and Evaluation of Environmental Aspects for Mill does not include the impact of emissions from the furnace fuel.
- In the form of identification and evaluation of environmental aspects F / SMART / LEMS-EHSD / SADV / 001/001 rev 0, some of it still refer to the obsolete regulations as B3 waste refer to Regulation No. 18/1999.

Verification on ASA 3, the company has already re-identification and re-evaluation environmental aspects has covered furnace fuel and all the activities. Hazardous waste and all related regulation has already updated to the latest government regulation. Corrective action was sufficient.

Conclusion: Conform

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| 5.3.2 | There shall be evidence that all chemicals and their empty containers are disposed of responsibly |
| Major | |

Waste disposal procedure has been set in the Waste Management SOP (SOP / SMART / LEMS-EHSD / SADV / I / 002). Hazardous waste materials such as used agrochemical packagings which were not reused, were stored in hazardous waste temporary storage.

Handling mechanisms for used agrochemical packaging and chemicals have been regulated in Work Instruction of Hazardous Waste Handling and Used Packaging Chemicals (IK / SMART / LEMS- EHSD / SADV / 002 / 001).

Used agrochemical packaging can be reused for the same activities with reference to the Work Instruction of Hazardous Waste Handling and Used Chemicals Packaging (IK / SMART / LEMS-EHSD / SADV / 002 / 001). Documentation regarding the reuse of packaging of used agrochemical was recorded in the Minutes of Used Pesticides Packaging Flushing.

Company has the Report on the Management of Hazardous Waste for first quarter of 2017 for Jelatang POM.

Company already has Temporary Storage Permit for Hazardous Waste of PT KDA in Jelatang Village Pamenang District based on Merangin Regent Decree No. 401 / LH / 2014 dated September 15, 2014 which is valid for 5 (five) years. This temporary storage was located at E 102o 29 '10.8 "and S 02o 04' 16.3".

The types of hazardous waste that are allowed to be stored are used lubricating oil and gross oil, used batteries, expired chemicals, contaminated used cloth, used oil filter, used fuel filters, used lamps, used catridges, used batteries, medical waste, used paint cans and waste laboratory.

Results of socialization of WI Storage of Chemicals (IK-69) and SOP of Waste Management was conducted on June 16, 2016 to 9 people from the laboratory of Jelatang Mill.

Hazardous waste transported by PT Primanru Jaya with the following evidences:

Jelatang Mill

| Manifest No. | Type of hazardous waste | Weight/Volume | Date |
|--------------|-------------------------|---------------|----------------|
| BC 0035165 | contaminated packaging | 0.00806 ton | March 15, 2017 |
| BC 0035164 | used lamp | 0.00067 ton | March 15, 2017 |
| BC 0035163 | contaminated cloth | 0.0208 ton | March 15, 2017 |
| BC 0035162 | used filter | 0.045 ton | March 15, 2017 |
| BC 0035161 | used battery | 0.030 ton | March 15, 2017 |
| BC 0035160 | used oil | 0.189 ton | March 15, 2017 |

Bangko Estate

| Manifest No. | Type of hazardous waste | Weight/Volume | Date |
|--------------|-------------------------|---------------|----------------|
| BC 0035637 | used battery | 0.003 ton | March 14, 2017 |
| BC 0035154 | contaminated cloth | 0.016 ton | March 14, 2017 |
| BC 0035155 | contaminated packaging | 0.004 ton | March 14, 2017 |
| BC 0035152 | used oil | 0.223 ton | March 14, 2017 |
| BC 0035153 | used filter | 0.046 ton | March 14, 2017 |

Submission receipt report to the relevant agencies was available.

Conclusion: Conform

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|-------|---|
| 5.3.3 | A documented waste management plan to avoid or reduce pollution and its implementation shall be available |
| Minor | |

Company has established a program and evaluation of waste management for 2nd semester of 2016. Waste management program included the management of liquid waste, solid waste, hazardous waste material, emissions, domestic waste, domestic waste water, and waste used goods.

Liquid waste was processed in WWTP to then be utilized as land application. Monitoring of waste water which utilized was conducted monthly. Company in cooperation with the Environmental Laboratory of Jambi Province conducted monitor the quality of wastewater. Based on the test results in Juli 2016 to December 2016 showed the BOD and pH value meets the requirement the standards required in Kep Men LH 29 / 2003.

Monitoring of air emissions was conducted every 6 months. Monitoring included emission from generators, emission from boiler and ambient air, while monitoring of vehicle emission was conducted annually.

Solid waste include the operations of POM empty bunch, fiber, and shells. Fiber and shells have been used as fuel for the boiler. While the empty bunch mulch used as fertilizer to be a plied to oil palm plantations.

Incoming and outgoing of hazardous waste has been adequately recorded in the log book of temporary storage. Hazardous waste management report was conducted every 3 months and submitted to the relevant agencies.

Domestic waste from office activities are managed in a septic tank, domestic waste water from bathing and washing flowed into the ditch. The garbage was disposed in landfill and owned by the government. In the Waste Management SOP (SOP / SMART / LEMS-EHSD / SADV / I / 002) has established a mechanism of waste disposal without burning.

Previous observation on ASA 2, medical waste management have not been recorded in a hazardous waste logbook and has not been reported in the quarterly report B3 waste management.

Verification on ASA 3, medical waste has already recorded on logbook and included in the report of fourth quarter of 2016. Hazardous waste handling was conducted on 14 March 2017 by PT Primanru Jaya. Corrective action was sufficient.

Conclusion: Conform

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

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| 5.4.1 | A plan for improving efficiency of the use of fossil fuels and to optimize renewable energy shall be in place and monitored. |
| Minor | |

The company carried out the utilization of solid waste generated from POM (shells and fiber) as boiler fuel to operate the turbine. The use of diesel fuel for the generator is only use for starting the turbine. The usage of fossil fuel has been recorded monthly with usage for 2017 until April 2017 was 5957 litres from the budgeting 10125 litres for Bangko Estate. Currently, the company has no plan for the use of biogas.

Conclusion: Conform

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.

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| 5.5.1 | Records of land clearing with zero burning shall be available, referring to the ASEAN Policy on Zero Burning (2003) or other recognised techniques based on the existing regulations. |
| Major | |

"Zero Burning" policy included in the Environmental and Social Policy GAR of the President/director dated September 8, 2015 item 1.4. Procure of replanting planning has determined that replanting is conducted with zero burning. Currently the company has no plans for replanting.

Conclusion: Conform

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| 5.5.2 | Where fire has been used for eradication of pest during replanting, the records of the analysis of the use of fire and permit from the authorised agency shall be available |
| Minor | |

No new land clearing and replanting during 2016.

Conclusion: Conform

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

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|-------|---|
| 5.6.1 | Document(s) assessing pollution and emission sources, including gaseous, particles, soot emissions and effluent, shall be available (see Criterion 4.4) |
| Major | |

Control of emissions and waste generated from operating activities was already referring to the matrix of environmental management plan (RKL / RPL) document the environmental and waste management program. Monitoring of air emissions include emissions of boiler, generator and automobile.

Emission testing period 2nd half of 2016 was conducted by the environmental laboratory of UPTB Lablingda BLHD Prov. Sumatera Selatan (Accreditation by KAN). The test results was as follows:

1. Emission tests of boiler no 1 and 2, included parameters of NO₂, SO₂, NH₃,

particulates, HCl, Cl₂, HF, opacity, and flow rate. The test results met the standards set in Per-07 / MENLH / 2007.

2. Emission testing to generators no 1 and 2 included parameter of CO, NO₂, SO₂, particulate and opacity. The test results met the standards set in Per-21 / MENLH / 2008.
3. Fuel emission testing furnace no. 1 and 2 included parameters of NO₂, SO₂, NH₃, particulates, HCl, Cl₂, HF, opacity, Pb, Zn, Cd, H₂S, S₆, Hg, As, and the flow rate. The test results met the standards set out in the Decree 13 in 1995.

Conclusion: Conform

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| 5.6.2 | Significant pollutants and greenhouse gas (GHG) emissions shall be identified, and plan to reduce or minimize them implemented |
| Major | |

GHG mitigation program in 2016 has been set for the unit Jelatang Mill, includes a program of GHG emission sources emitted from fossil fuel, electrical use and water use.

GHG mitigation program Bangko estate unit 2016 included sources of GHG emissions that emitted from the use of fertilizers, pesticides, and the use of electricity. The program covered the identification of sources of GHG emissions, activity type, activity schedules, PIC, and target activities. The target set in the GHG Mitigation Program to make it more scalable to facilitate monitoring of the achievements of the program.

Previous observation on ASA 2, that is advised that the target set in the GHG Mitigation Program to be more measurable to facilitate monitoring of the program achievements.

Verification on ASA 3, the company has already made the GHG Mitigation Program with measurable targets for year 2017. Corrective action was sufficient.

Conclusion: Conform

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| 5.6.3 | A monitoring plan and results of regular reporting on emission and pollutants from estate and mill operations using appropriate methods, shall be available. |
| Minor | |

Monitoring of air emissions and waste generated from operating activities recorded in the report of RKL / RPL. RKL / RPL report was made every 6 months. The report of 2nd semester 2016 for Jelatang Mill and Bangko estate has been submitted to the BLHD District of Merangin, BLHD Jambi Province, Sumatra Region PPE, and the Ministry of Environment.

GHG ver. 3 period 2016 has been submitted to RSPO by email on May 23, 2017.

Conclusion: Conform

Principle 6: Responsible consideration of employees and of individuals and communities affected by growers and millers

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.

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| 6.1.1 | A social impact assessment (SIA) including records of meetings shall be documented. |
| Major | |

The company has conducted SIA to internal and external company. In the SOP SIA stated

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| <p>that all CSR programs will be reviewed every 2 years to ensure its effectiveness. The last CSR review was conducted in 2016.</p> <p>Conclusion: Conform</p> | |
| 6.1.2 | There shall be evidence that the assessment has been conducted with the participation of affected parties. |
| Major | |
| <p>Review has been done by the company by ensuring the input from relevant stakeholders. A review conducted in the period October 2015 - September 2016 has included a review of the program on capacity building of cooperatives.</p> <p>Conclusion: Conform</p> | |
| 6.1.3 | Plans for management and monitoring of social impacts to avoid or reduce negative impacts and promote positive ones, based on social impact assessment, through consultation with the affected parties, shall be available, documented and timetabled, including responsibilities for implementation. |
| Major | |
| <p>The Company has made regular programs to meet with cooperatives and relevant stakeholders in frequencies twice a year / per semester. The company documents to all of these activities. There are minutes of meeting and attendance in every meeting.</p> <p>Conclusion: Conform</p> | |
| 6.1.4 | The documented plan for management and monitoring of social impacts, shall be reviewed at least on two-yearly basis. If necessary, the plan should be updated. There shall be evidence that the review process includes participation of all affected parties. |
| Minor | |
| <p>The Company has conducted reports on monitoring and management of social impacts. The report has identified a decrease in the amount of plasma that deposits the FFBs to the POM and the cooperatives that disperse because the plasma is already free to sell its FFBs to other companies. No company program was found for cooperatives / plasma with quantitative and qualitative targets to ensure improvement of plasma participation to KUD and KUD to the company.</p> <p>Conclusion : Minor Nonconformity No.2</p> | |
| 6.1.5 | Particular attention shall be paid to the impacts of smallholder schemes (where the plantation includes such a scheme). |
| Minor | |
| <p>The company has made a more intensive program to cooperatives as efforts to be certified (RSPO certified). In the company timebound, all independent smallholders are targeted to be certified in 2019.</p> <p>Conclusion: Conform</p> | |
| <p>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.</p> | |
| 6.2.1 | Communication and consultation procedures shall be documented. |
| Major | |
| <p>The process of communication has been set in SOP Communication and Consultation</p> | |

(SOP / SMART / UMUM / SADV / I / 004. All incoming and outgoing letters has been documented in incoming and outgoing book.

Conclusion: Conform

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| 6.2.2 | The company shall have official(s) who is responsible for consultation and communications with parties. |
| Minor | |

The company has appointed personel in charge for communication with parties. In estate, PIC is Estate manager, whilst in Mill is Mill Manager. In the SOP has also set the hierarchy responsible to respond to the provision of information to the relevant parties.

Conclusion : Conform

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| 6.2.3 | The company shall have a list of stakeholders, records of communications, including confirmation of receipt and that efforts are made to ensure understanding by affected parties, and records of actions taken in response to input from stakeholders. |
| Minor | |

Personnel in charge of updating stakeholder data is social officer. This stakeholder data is updated once a year or if there is a change (As per SK 037 / RC / BNGE / XI / 14). The company has updated the list of stakholders by 2017. The company should develop mechanisms to verify the validity of each stakeholder.

The Company had of list the types of information that can be accessed by the public such as land legality, corporate legality, and employment.

Conclusion : Conform

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

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| 6.3.1 | The mechanism, open to all affected parties, shall resolve disputes in an effective, timely and appropriate manner, ensuring anonymity of complainants and whistleblowers, where requested, as long as that information is supported with adequate initial evidence. |
| Major | |

Major finding was found at ASA III

The company has a mechanism for complaints and grievances of workers in "SOP/SMART/GIMS-SCMD/USDV/II/001". This procedure includes a guarantee of confidentiality of the name of the complainant. But The procedure has not been able to ensure the confidentiality of any complainant. Based on information from the company, the complainant may use a suggestion box to make a complaint confidentially.

Verification ASA III

The socialization of grievance and complaint mechanism has implemented on April 11, 2017. Based on field interviews, workers were aware of the mechanisms complaints submission. The socialization of complaints and grievance mechanisms for external parties was conducted on 09 May 2017. The company has a list of suggestion boxes and it's locations. The company has already established a schedule for inspection the box. But it is better to ensure the neutrality of the party who opens the suggestion box.

Based on verification above this findings can be closed.

Conclusion : Major Nonconformity No. 6

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| 6.3.2 | There shall be records of process and outcome of dispute resolution. |
| Major | |
| <p>The company has kept a record of complaints and grievance along with the response to the entire estate. No recording of complaints in 2016-2017. However, based on auditor verification in the field, there is a document of complaints from unions regarding wages and bonuses. Unions once went on strike. Based on the information from the company, the complaint document was never received. There is no evidence of the handover of the complaint document.</p> <p>Conclusion: Conform</p> | |
| <p>6.4 Any negotiations concerning compensation for loss of legal, customary or user 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.</p> | |
| 6.4.1 | A procedure for identifying legal, customary or user rights, and a procedure for identifying people entitled to compensation, shall be available, referring to decision of the Constitution Court. |
| Major | |
| <p>Identification of customary land (communal) and legal land is regulated in clause 7.7 of Participatory Mapping Guide.</p> <p>Conclusion: Conform</p> | |
| 6.4.2 | A procedure for calculating and distributing fair compensation shall be established, implemented, monitored and evaluated in a participatory way. Corrective actions are taken as a result of this evaluation. |
| Minor | |
| <p>Company has SOP of land compensation no SOP / NPP / SMART / VII / D & L002. This procedure includes the compensation for customary rights in item 6.2. In the SOP has been set up procedures of compensation which are transparent and legal and also involve agencies / local authorities. There was no claims and compensation process in the past year.</p> <p>Conclusion: Conform</p> | |
| 6.4.3 | Compensation claims, process and outcome of any negotiated agreements shall be documented, with evidence of the participation of affected parties. |
| Major | |
| <p>There was no claims and compensation in the last year.</p> <p>Conclusion: Conform</p> | |
| <p>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.</p> | |
| 6.5.1 | Documentation of pay and conditions for employees based on the existing manpower regulations shall be available. |
| Major | |
| <p>The major finding raise at the time of the ASA 2 was:</p> <p>The company issued SE VPA I no. SW-251/VPA-1/03/2015 dated March 09, 2015 regarding the premium of harvest / fruit picker in 2015. In section 2.2: fruit picker with the</p> | |

status of casual laborer is not given a premium so that wage payment per day is only based on the harvest. Thus there is no assurance that the fruit picker earns the minimum wage in accordance with government regulations.

During ASA 3 and Follow-up audit verification:

At the time of the audit in the field, the following data were found: In letter No. 007 / BNGE / PKWT / 05/2017 article 5 concerning remuneration: there is no mention of basic salary so that it is inconsistent with Article 94 of Law No. 13 of 2003.

Payroll systems for harvesters and cultivators as set out in SE 05/04 / VPA / 2017 do not guarantee the workforce earns a minimum wage. In the SE (circular letter) mentioned point 2.2 at the time of low harvest (harvest) should harvest at least 6 ha. It can not be met by harvester because the work plan alone does not allow them to harvest up to 6 ha. It is seen in RKH (work plan per day) at Jelatang that the harvested area of 32 hectares with 11 harvests and 10 fruit pickers. The harvester and the fruit pickers will get a harvest of less than 6 Ha and they do not get the minimum daily wage. Based on interviews with assistants, harvesters and fruit pickers on low-yielding crops, the number of harvests and fruit pickers that can be done by them is about 3 to 4 ha. Based on information from unions that every harvester is given a quota of around 360 crops, about 3 ha as well.

The implementation of corrective action was found insufficient and the non conformities re-issued as follows:

a) Non-compliance of wages provisions for fruit pickers as follows :

1) In the memo of SE 05/04/VPA/2017 point 2.2, it has been stated and mentioned from the content that fruit pickers has to cover an area of 6 Ha in order to get minimum wages. Meanwhile, based on the sampling of Daily Action Plan (RKH), it has been found that for coverage an area of 32 Ha needs the number of fruit pickers about 10 workers (with rate estimation 3,2 Ha coverage area per fruit picker). Based on the interview, the basis for harvesters are about 350 palm oil plants (equal with coverage area only 3 Ha). Therefore, it was still could not be ensured that the fruit pickers got daily wages same as daily minimum wages according to government regulations.

2) The status of fruit pickers and harvesters which was stipulated in employment agreement as PKWT, clearly were not in accordance with regulation (UU 13 2003) chapter 9 section 59 clause 1 and 2 (which states if the type of job is not seasonal, the worker's status has to be permanent).

b) There are workers who still has the status of SKU-H for years. It has not been found staging for wages and staging requirements to be SKU-B.

c) There is no definition of term SKU-H and SKU-B has been found in the company rules and work agreement, so it had not been clearly stated that the workers has been included in the category of PKWTT in accordance with the law

Since the previous major finding cannot be closed, then the status of certificate is suspended.

The Company conduct corrective action as follows:

1.a. Revise SE VPA 05/04 / VPA / 2017 on FFB harvest premium system and SE VPA No. SE 05/04 / VPA / 2017 (REVISION - 1 Dated June 06, 2017 in points 1.7.2 and 2.3.2) on

fruit pickers. Cuts due to sanctions of fines to Harvester and Fruit picker are regulated as follows:

- Point 1.7.2. Harvesters: Fine deductions are made at the maximum of the premium value earned.
- Point 2.3.2. Pembondol/ fruit picker: Enforcement of fine with maximum value as per premium and received starting on July 1, 2017.

1.b. Disseminating SE VPA No. SE 05/04 / VPA / 2017 (REVISION - 1 dated June 06, 2017) on 13 and 14 June 2017 to fruit pickers and harvesters and delivered by the division assistant.

2.a. Develop a timeline approved by RC Jambi 1 on the appointment of fruit pickers' PKWT (contract worker) into PKWTT (permanent workers) with status on July 1, 2017.

2.b. Appoint fruit pickers' PKWT to PKWTT with status by issuing Directors Decree No. 143 / CEO 1 / HR PSM 1/06/2017 on June 6, 2017 regarding Permanent Workers (PKWTT/PHT) of PT. Kresna Duta Agroindo - Jambi.

2.c. letter of appointment of PKWTT (fruit pickers)

2.d. Establish new employee orientation mechanism in the form of SE. 003 / PT.KDA-Jambi / 06/2017 dated June 16, 2017 and stipulates the mechanism of acceptance and transfer of employees in the form of SE No. 004 / PT.KDA-Jambi / 06/2017 dated June 16, 2017

b.1. The company issued MEMORANDUM CEO No. 145 / CEO 1 / HR PSM 1/06/2017 dated June 8, 2017 on the assessment of the SKU-H employee wage rate system in accordance with applicable regulations.

b.2. The company establishes MEMORANDUM CEO No. 144 / CEO 1 / HR PSM 1/06/2017 Date June 7, 2017 on Reaffirmation of terms of employee career development SKU.

c.To explain the status of SKU-H and SKU-B workers against PKWTT as stipulated in the government regulation, the company issued a Decision Letter of the Board of Directors of PT. KDA No. 123 / CEO 1 / HR PSM 1/05/2017 on 30 May 2017 to explain the position of SKU-H and SKU-B in PKWTT

At the time of follow up verification II found the data as follows:

At the time of visit to workers at Bangko estate, Block C-1 Division 5, the auditor obtained information from the spray that:

- Workers have obtained socialization related to company regulations stating that workers are guaranteed to get monthly wage according to government regulation
- Monthly wages should not be deducted even the base of hectare, FFB base, and working hours is not reached. Penalty applies only to the premiums.
- Where there are workers who break the provisions, such as returning home earlier than the specified working hours, the validity shall be issued with a Letter of Warning (SP) and shall not be prohibited by HK proportionate according to working hours and / or day results.

Visits to harvester and fruit picker groups obtained information that;

- For plants older than 25 years the daily base is 35 bunches. The determination of wages

is based on working hours, FFB basis. When the base is reached then the surplus value will be given a premium.

- Determination of penalties applies only to premiums only. If the base is not reached but the hours are met, the daily and monthly wage rates will still be given. (not applicable for base and or working hours).
- Determination of payment of wages to fruit picker is based on working hours (not basis).
- The penalty for unlawful pickers applies only when there is a premium result, thus ensuring that workers get daily and / or monthly wages according to government regulations.

The Company has identified all types of work in the mill and the estates against the workers and ensures its compliance with the determination of wages determined by the government and the SK of the Board of Directors.

The Company has conducted evaluation and program of appointment of all workers to become permanent workers with PHT, SKU-H and SKU-B status. Thus there will be no contract workers and *borongan* (wholesale) either in the mill and the estate.

Workers have been socialized that the minimum wage applies only to workers who have worked under 1 year. The Company will establish the structure and scale of wages for workers with PHT status so that wages are adjusted for their working period (Observation)

There is an addendum SE 04/03 / VPA / 2015 which in section 2 Quotation of Fruit Pickers point 2.2 has been changed to "The provision of wage determination and or amount of wholesale refers to PKB BKS-PPS 2015/2017 Article VI.

Implementation will be seen in surveillance audit next year

Corrective action taken by the company are found sufficient so that the findings can be closed and the suspension status can be lifted.

Conclusion: Major Nonconformity No.4

| | |
|-------|---|
| 6.5.2 | Collective Labor Agreement/Company Regulation, in accordance with the manpower regulations, shall be available in understandable language; and explained by the management or Labor Union to the workers. |
| Major | |

The major findings was raised at ASA 3 :

a) The company has not provided whole working facilities for its workers as follows:

- 1) Harvesters have to pay half price of fibre stick for harvesting.
- 2) The company has not complied with several provisions as required in the work agreement as follows the company has not supplied spare tires for harvester that used their own motorcycle.

The Company takes corrective action. The attached evidence includes :

- 1.a. SE VPA No. 18 / VPA-1/06/2017 dated June 6, 2017 on harvester working equipment.
- 1.b. List of attendant for socialization SE VPA no. 18 / VPA-1/06/2017 on June 15, 2017.
2. Agreement between PT. KDA with workers (01 / PB / VII / 2017) dated July 9, 2017 regarding the understanding of the provision of inner and outer tires of the motor bike

for harvesters.

Verification during follow up audit on 31 July - 03 August 2017 :

1. Regarding the payment of fiber stick.

Harvesters already know that the pole is given by the company.

For example a harvester in the division IV is no longer got a cut for the price of fiber per July 01, 2017. This is evidenced by salary deductions received in June, no cut of Rp.50,000 for poles.

2. Based on interviews with harvesters in Division IV Block B04, they understand the intent of agreement that state about the replacement of inner and outer tires.

The corrective actions were sufficient so that these findings can be closed.

Conclusion: Major Nonconformity No. 5

| | |
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| 6.5.3 | Growers and millers shall provide adequate housing, water supplies, medical, educational and welfare amenities to national standards or above, where such public facilities are unavailable or inaccessible. |
| Minor | |

During surveillance audit, the company has not repaired damaged housing facilities such as broken septic tanks in employee housing in block IV (Jorsindo).

The company conducted corrective action. The company issued Memo from Control Regional No. 01/RC-Jambi 1/06/2017 on 02 June 2017 regarding instruction monitoring and maintenance employee housing.

During follow up audit on the field, the company has repaired housing facilities for employee's housing block IV (jorsindo).

Conclusion: Minor Nonconformity No.8

| | |
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| 6.5.4 | There shall be demonstrable efforts to improve workers' access to adequate, sufficient and affordable food. |
| Minor | |

The company provides drinking water through drilling wells in each afdeling. For daily food needs, the workers shop in the local market or to Pasar Bangko (a more complete market) which is 1 hour away by car.

Conclusion: Conform

6.6 The employer respects the rights 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.

| | |
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| 6.6.1 | A record of the company's policy in understandable language recognising freedom of association, shall be available |
| Major | |

The Company has a policy regarding the recognition of freedom of association contained in Circular No. 218 / CEO-SE / 11/2010 on freedom of association in the organization of workers / laborers. Union has 200 members, with status of permanent workers and contracted workers.

Conclusion: Conform

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| 6.6.2 | Records of meetings with labor unions or workers representatives shall be available. |
| Minor | |

Unions should be consistent in monthly meetings. There is only evidence of a meeting in April 2017. Companies and unions should have mechanisms for meeting results to be published.

Conclusion: Conform

6.7 Children are not employed or exploited.

| | |
|-------|---|
| 6.7.1 | There shall be documented evidence that minimum age requirements are met. |
| Major | |

The Company has a policy regarding the recruitment process as stipulated in Circular No. 002 / SE-HRDV / 03/09 issued on March 31, 2009 by HR Director which stated the minimum age is 18 years.

The company has the documentation related employee data. Both units Mill and the Estate already have Employee Data that contains, among other things: NIK, Employee Name, Gender, Religion, Place & Date. Birth, Address Now, Tribe, date (birth, Start Work, Appointment SKU), ages when first employed, Employment / designation, basic wages. Record of employee's data showed that no workforces in each Unit, were under 18 years.

Conclusion: Conform

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.

| | |
|-------|---|
| 6.8.1 | A company's policy on equal opportunity and treatment for work shall be available and documented. |
| Major | |

The Company has issued a number of policies related to equality in employment as shown in Circular letter to all Unit Head, from CEO PSM1 No. 146 / CEO1-SE / 04/2010 date. 13 April 2010 on the execution of Industrial Relations Unit and circulars to all Head of Unit 1 of the CEO PSM 1 to No. 266 / CEO 1 / HR PSM 01.10.2015 dated October 29, 2015 supplement Circular No. 146 / CEO1-SE / 04/2010 date. 13 April 2010 on the same subject, regarding the Implementation of Industrial Relations in Unit.

Conclusion: Conform

| | |
|-------|---|
| 6.8.2 | Evidence shall be provided that employees and groups including local communities, women, and migrant workers have not been discriminated. |
| Major | |

The Company did not conducted discrimination as seen from the composition of the work force per unit, in which the company received a labor of various ethnic, religious, and men and women. There was no written requirement that can be interpreted as in favour of certain ethnics, religion or gender. Eventhough in mill during 2016, the number of female workers were far less their males counterparts. It is understandable due to the characteristics of occupation in mill which more suited to male.

| | |
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| Conclusion: Conform | |
| 6.8.3 | Records of evidence that equal opportunity and treatment for work shall be available. |
| Minor | |
| <p>Regarding the selection, recruitment and promotion, the Company - throughout the Group PT. SMART Tbk refers to policies that outline equal treatment regardless of race, ethnicity, gender and religion. Related to promotions, the company also has a policy that promotion is based on the vacant position, the company's needs, skills, work performance, and certification / training regardless of race, ethnicity, gender and religion.</p> <p>Conclusion: Conform</p> | |
| 6.9 There is no harassment or abuse in the work place, and reproductive rights are protected. | |
| 6.9.1. | A policy to prevent sexual and all other forms of harassment and violence, shall be documented, implemented and communicated to all levels of the workforce. |
| Major | |
| <p>At the time of verification of the implementation to the policy against sexual harassment, still needs to be done improvements include:</p> <p>a. It is advised that in the socialization conducted by the board of the gender committee, certain the issues that are required in P & C RSPO, among others;</p> <ul style="list-style-type: none"> • Training of women's rights. • Counseling for women involved in violent cases. • Child care facilities to be provided by planters and POM. • Guarantees that women can breastfeed their babies up to 9 months before being assigned to use or spray chemicals. • Provide specific resting times for women to be able to breastfeed effectively <p>b. Socialization of types of sexual harassment should be described in detail verbally, visually and physically. Based on the socialization materials and interviews, the socialization only contains the minimal type of sexual harassment (ie, intentionally whistling, flirting and touching).</p> <p>Conclusion : Observation No.1</p> | |
| 6.9.2. | A policy to protect the reproductive rights, shall be documented, implemented and communicated to all levels of the workforce. |
| Major | |
| <p>The company already has a policy of prohibiting pregnant and lactating women from working in places at risk that are in contact with chemical substances, such as spraying and fertilizing work. The policy is socialized in the form of posting posters at each afdeling, periodic meetings with gender committees and monthly pregnancy checkups.</p> <p>The company already has a work program / agenda for a year. It was conducted by the gender commission. The agenda consists of :</p> <ol style="list-style-type: none"> 1. Training of women's rights; 2. Counseling and recovery of victims of domestic violence and sexual harassment and 3. Protection of women's reproductive rights. <p>Conclusion : Conform</p> | |

| | |
|---|---|
| 6.9.3. | A specific grievance mechanism which respects anonymity of complainants where requested, and as long as they are supported with adequate information, shall be documented, implemented, and communicated to all workforce |
| Minor | |
| <p>The Company already has SOP for Complaints Handling and Dissatisfaction (Grievance) (SOP / SMART / SIGS-CSR / SADV / I / 003, rev.00 Published July 1, 2014). The Company is revising the related SOPs in which it will contain terms and protection against anonymity and whistle blowers.</p> <p>Conclusion : Conform</p> | |
| <p>6.10 Growers and millers deal fairly and transparently with smallholders and other local businesses.</p> | |
| 6.10.1 | Current and past prices paid for Fresh Fruit Bunches (FFB), shall be publicly available. |
| Minor | |
| <p>The company has cooperation with several cooperatives that send their FFB to Jelatang POM. So far the pricing is set based on market price so that the cooperative sells FFB to the buyer with the highest price. It is found that there are some POM without estates around the company so that the price mechanism is not determined by the government but based on the local market price.</p> <p>Conclusion : Conform</p> | |
| 6.10.2. | Pricing mechanisms for Fresh Fruit Bunches (FFB) and inputs/services shall be explained and documented (where these are under the control of the mill or plantation). |
| Major | |
| <p>The company has no control over pricing. All this time, the method of payment is agreed 1 to 2 days after the FFB is received.</p> <p>Conclusion : Conform</p> | |
| 6.10.3 | Evidence shall be available that all parties understand the contractual agreements they enter into, and that contracts are fair, legal and transparent. |
| Minor | |
| <p>1. Based on the results of interviews with 2 sampling cooperatives and based on documents SPK between companies with the plasma represented cooperatives, found nonconformities :</p> <p>a. The determination of grading and penalties shall be made unilaterally by the company (art. 5). Based on data, the company imposed an average penalty of 2% of the tonnage that sent to the POM and there was no testimony from the cooperative / plasma. This is not in accordance with those listed in each SPK article 7b. Cooperation is not conducive so KUD switch to another POM. The causes of nonconformity such as: uncertain price determination, selling price differences between plasma and third party to POM, the cost of tip for the operator (inspector) and loading and unloading costs.</p> <p>2. There is no cooperation document between company with plasma Batang Gading and TSRA which are in company management (Scheme smallholders)</p> <p>Conclusion : Minor Nonconformity No.3</p> | |
| 6.10.4 | Agreed payments shall be made in a timely manner. |

| | |
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| Minor | |
| <p>Companies and cooperatives have made an agreement whereby the method of payment is made after 1 to 2 days after FFB is received at the POM.</p> <p>Conclusion : Conform</p> | |
| <p>6.11 Growers and millers contribute to local sustainable development where appropriate.</p> | |
| 6.11.1 | Records of contributions to local development based on the results of consultation with local communities shall be available. |
| Minor | |
| <p>The company has a CSR program for the surrounding community, especially with plasma farmers who have entered the replanting stage for 1990's planting year. The company is studying a financing pattern for plasma with 1,300 ha of land with 655 households.</p> <p>Conclusion : Conform</p> | |
| 6.11.2. | Where there are scheme smallholders, there shall be evidence that efforts and/or resources have been allocated to improve scheme smallholder productivity |
| Minor | |
| <p>The company has cooperated with several cooperatives and some have decided to cooperate with the company. Cooperatives that decided to cooperate were Koperasi Harapan Jaya, Koperasi Dwi Mulya, Koperasi Perintis Muda. The cooperative did not supply any FFBs to the company since the plasma members have sold their FFB to other POMs. Some cooperatives are still active, among others, Koperasi Sumber Rezeki, Koperasi Sumber Jaya. The active cooperatives are proposing to the company that the loading and unloading costs and grading methods should not burden the farmers.</p> <p>Conclusion : Conform</p> | |
| <p>6.12 No forms of forced or trafficked labor are used.</p> | |
| 6.12.1 | There shall be evidence that no forms of forced or trafficked labor are used |
| Major | |
| <p>During the ASA 3, it was observed there were no trafficked labour used and forced labor. All workers are Indonesian citizens which were recruited according to Indonesian regulation.</p> <p>Conclusion : Conform</p> | |
| 6.12.2 | It shall be demonstrated that no contract substitution has occurred. |
| Minor | |
| <p>There was no evidence that contract substitution has taken place. Sampling taken from the contract made during 2016 with casual daily labor and volume based daily labor showed that the labour was employed as per contract.</p> <p>Conclusion : Conform</p> | |
| 6.12.3 | Where migrant/foreign/honorary workers are employed, a special worker policy and procedures and the evidence of implementation shall be available. |
| Major | |
| <p>New employees recruited during 2016 were all Indonesian Citizen.</p> | |

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|--|--|
| Conclusion : Conform | |
| 6.13 Growers and millers respect human rights. | |
| 6.13.1 | A policy to respect human rights shall be documented and communicated to all levels of the workforce and operations. |
| Major | |
| Respect for human rights listed in point 6 of the social policies and community involvement signed by the President Director on 10 November 2011. Sample taken from the interview with harvester during audit showed that this policy has been understood by workforces, eventhough they did not remember the precise words. | |
| Conclusion : Conform | |

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| Principle 7: Responsible development of new plantings | | |
| There was no land opening or planting or land expansion over the last 20 year. Planting was conducted before November 2005, Based on data of palnting year provided by Company as follows: | | |
| No | Planting year | Area |
| 1 | 1993 | 103,30 |
| 2 | 1994 | 514,46 |
| 3 | 1995 | 223,65 |
| 4 | 1997 | 223,75 |
| Total | | 1065,16 |
| There was no land opening or planting or land expansion over the last year. Planting was conducted before November 2005. | | |
| Conclusion : Conform | | |

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| Principle 8: Commitment to continual improvement in key areas of activity | |
| 8.1 Growers and millers regularly monitor and review their activities, and develop and implement action plans that allow demonstrable continual improvement in key operations. | |
| 8.1.1 | The action plan for monitoring shall be available, based on a consideration of the social and environmental impacts and routine evaluation of the plantation and mill operations. As a minimum, these shallinclude, but are not necessarily be limited to: |
| Major | <ul style="list-style-type: none"> • Reduction in use of certain chemicals (Criterion 4.6); • Environmental impacts (Criteria 4.3, 5.1 and 5.2); • Waste reduction (Criterion 5.3); • Pollution and greenhouse gas (GHG) emissions (Criteria 5.6 and 7.8); • Social impacts (Criterion 6.1); • Optimising the yield of FFB production (Criterion 4.2) |
| The company has the Internal Audit SOP (SOP / SMART / UMUM / SADV / I / 009) for the scope of sustainability. Based on SOP, internal audit must be carried out at least once a year. RSPO internal audit has been conducted on 24 - 29 October 2016 which refers to | |

RSPO P & C 2013 and RSPO SCCS 2014. Audit was conducted by 6 (six) auditors. Audit criteria have covered all the principles and criteria in RSPO. There are 12 (twelve) non-conformities from the results of this internal audit. Follow-up has been done and has been recorded in the non-conformity report form (F / SMART / GENERAL / SADV / 008/001). Follow-up has identified the root cause of the nonconformity.

Conclusion: Conform

G. RSPO Supply Chain Elements: Module E – CPO Mills: Mass Balance

PT. Kresna Duta Agroindo –Jelatang Mill

E.1 Definition

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

PT. Kresna Duta Agroindo – Jelatang Mill (JLTM) is implemented the supply chain system procedures as required in RSPO certification. The company has set the supply chain system categorized as Mass Balance scheme.

- Certified FFB sources origin from own estate : Bangko Estate
- Non-certified FFB sources origin from own estate : Batang Gading Estate (PT. Satya Kisyah Usaha)
- Non-certified FFB sources from scheme smallholder : PT. Satya Kisma Usaha – Batang Gading KKPA
- Non-certified FFB sources from associates & outgrower :
 1. KT Sumber Jaya
 2. KT Rejeki Maju
 3. KT Maju Sejahtera
 4. KT Bangkit Sejahtera
 5. KT Ragil
 6. KT Mekar Sari
 7. KT Sido Mulyo
 8. KT Sido Mukti
 9. KT Mandiri Sejahtera
 10. KT Segar Tani
 11. KT Muntok
 12. PT. Persada Nusa Kreasi

Conclusion: Conform

E.2 Explanation

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

a) The estimated tonnage of CPO and PK products (that could potentially be produced by the certified mill) has been recorded by the certification body (CB) in the public summary of the P&C certification report.

TBS acceptance and products is documented as data below:

Data total actual certified year 2016

CPO : 912.31 MT ; PK : 225.38 MT

FFB : 4,891.78 MT

Data total actual certified and non certified 2016

CPO : 18,649.59 MT

PK : 4,726.78 MT

FFB : 90,340.43 MT

Data projected certified year 2017

CPO : 1,166.94 MT ; PK : 284.62 MT

FFB : 5,692.40 MT

Conclusion : Conform

b) The figure represent the total volume of certified palm oil product (CPO and PK) that the certified mill is allowed to deliver in a year.

The figure does represent the total volume of certified palm oil product (CPO and PK) that the certified mill is allowed to deliver in a year

Total Budget certified year 2017

FFB : 5,692.40 MT

CPO : 1,166.94 MT ;

PK : 284.62 MT

Conclusion : Conform

c) The actual tonnage produced have to then be recorded in each subsequent annual surveillance report.

Data actual tonnage produced year 2016

FFB : 90,340.43 MT

CPO : 18,649.59 MT

PK : 4,726.78 MT

| | |
|---|---|
| Conclusion : Conform | |
| E.2.2. The mill must also meet all registration and reporting requirements for the appropriate supply chain through the RSPO supply chain managing organization (RSPO IT platform or book and claim). | |
| a. The mill must also meet all registration requirements for the appropriate supply chain through the RSPO supply chain managing organization (RSPO IT platform or book and claim) | |
| <p>The mill is under Golden Agri Resources (GAR) which is registered as RSPO member, with membership number 1-0019-05-000-00</p> <p>The mill has also been registered in RSPO (Palmtrace), with register number RSPO_PO1000001344</p> | |
| Conclusion : Conform | |
| b. The mill must also meet all reporting requirements for the appropriate supply chain through the RSPO supply chain managing organization (RSPO IT platform or book and claim) | |
| <p>Mill does not sell CPO RSPO IT Platform. The company sells PK RSPO IT Platform.</p> <p>The latest transaction data sold, CPO : - MT, PK : - MT.</p> | |
| Conclusion : Conform | |
| E.3 Documented procedures | |
| E.3.1 | <p>The site shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. This shall include at minimum the following:</p> <p>a) Complete and up to date procedures covering the implementation of all the elements in these requirements;</p> |
| <p>a) The Company has RSPO Supply chain product mass balance models that are documented in Reporting RSPO Certified Product PT.KDA -JLTM / SOP / 26 and Supply Chain Product RSPO Mass Balance Model PT.KDA - JLTM / SOP / 24</p> | |
| Conclusion: Conform | |
| E.3.1 | <p>b) The name of the person having overall responsibility for and authority over the implementation of these requirements and compliance with all applicable requirements. This person shall be able to demonstrate awareness of the site procedures for the implementation of this standard.</p> |
| <p>The person in charge who has authority over the supply chain is identified. :</p> <ol style="list-style-type: none"> 1. Mill Unit Head JLTM – Management Representative SCCS. Appointment letter No. 017/PC-LNGM/XI/2015 dated 01 Januari 2015 2. Head division of Tracebility Officer by letter no. 04/FM- JLTM/VIII/2013 dated 01 Agustus 2015 <p>The person are knowledgeable and competent in implementing the supply chain procedures:</p> <ul style="list-style-type: none"> - Security - Weighbridge clerk - Grading staff | |

- Laboratory staff
- Dispatcher
- Document controller
- Traceability officer
- MR SCCS

Evidence of training of employees on supply chain are available in the year 2016 has also been done re-socializing SCCS for module D and E in Jelatang Mill on February 5, 2016.

Conclusion: Conform

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| E.3.2 | The site shall have documented procedures for receiving and processing certified and non-certified FFBs. |
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The FFB receipt procedure stipulated in RSPO Supply chain product mass balance models PT.KDA-JLTM / SOP / 24, item 6.1.1

The record showed that the :

- Total certified FFB, CPO, and PK in year 2016 as follows:

FFB : 4,891.78 MT

CPO : 912.31 MT

PK : 225.38 MT

- Total projected FFB, CPO and PK in year 2017 as follows :

FFB : 5,692.40 MT

CPO : 1,166.94 MT

PK : 284.62 MT

Conclusion: Conform

E.4 Purchasing and goods in

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| E.4.1 | The site shall verify and document the volumes of certified and non-certified FFBs received. |
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FFB reception was distinguished between FFB from main estate by code 4 digits and FFB from small holder by 4-letter code Based on the daily production data in March 2016, FFB non certified receipt has been properly recorded as FFB non certified

Conclusion: Conform

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| E.4.2 | The site shall inform the CB immediately if there is a projected overproduction of certified tonnage. |
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Projected overproduction is set at 6.6 mass balance models procedure PT.KDA -JLTM / SOP / 24, item 6.6. There is no projected overproduction report so far.

Conclusion: Conform

E.5 Record keeping

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| E.5.1 | a) The site shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO and PK on a three-monthly basis. |
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The sustained palm oil company scheme that apply are RSPO SCCS and ISCC. The company has a centralized computerized system to Prevent mix-up between Reviews These scheme. The Company applies a separate accounting between RSPO SCCS and ISCC. Spending on ISCC considered as spending on non SCSS in RSPO SCCS document. During the year 2016 until May 2017 there are no products RSPO SCCS expense claims. Record of the implementation of SCCS are "surat pengantar buah" (delivery letter of FFB), tiket timbang (FFB weigh bridge card), Bukti timbang CPO (CPO weight brigde), CPO delivery Note, the daily mill reports, monthly reports, 3 monthly report and annual report. Based on data from 2017 and from January to March 2017 there was no shipments of CPO SCCS.

Conclusion: Conform

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| E.5.1 | b) All volumes of palm oil and palm kernel oil that are delivered are deducted from the material accounting system according to conversion ratios stated by RSPO. |
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Based on the use of mass balance calculation module, CPO expenses derived from certified and non-certified products have reduced the stock correctly according to the type of CPO issued.

Conclusion: Conform

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| E.5.1 | c) The site can only deliver Mass Balance sales from a positive stock. Positive stock can include product ordered for delivery within three months. However, a site is allowed to sell short.(ie product can be sold before it is in stock.) |
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Although allowed by RSPO SCCS 2014 to deliver certified product before sell short, but the Organization policy is only allow to send positive stock. So far, there is no activity of sell short.

Conclusion: Conform

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| E.5.2 | In cases where a mill outsources activities to an independent (not owned by the same organization) palm kernel crush, the crush still falls under the responsibility of the mill and does not need to be separately certified. The mill has to ensure that the crush is covered through a signed and enforceable agreement. |
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There are no processes or activities that are outsourced to the third party.

Conclusion: Conform

H. Compliance with Other RSPO Procedures

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| I. Summary List of Non-Compliances | | | | | | | | |
|------------------------------------|----------|----------|----------|---------|--|--|--|-------------------|
| I.1. Previous Assessment | | | | | | | | |
| ASA 2 (2016) | | | | | | | | |
| No. | Category | Criteria | Standard | Auditor | Description | Root Cause Investigation | Corrective Action & Evidence | Audit Team Review |
| 1 | Major | 4.7.3 | 2 | MAS | a. The Company has not ensured that PPE of catridged mask in the WTP of Jelatang Mill was still fit for use and has identity of the ownership. | The Company is committed to providing fitted PPE eligible to the work force, but there was a PPE that did not has identity of ownership which may confused the owner. Labours have not understood how to mounting Cartridge and store, and to label it with the, PPE maks monitoring was still not consistent. | Corrective Action : Putting the label of the ownership to the PPE so there was little probablity to confuse the ownership of the PPE and the monitoring of PPE is conducted consistently in accordance with the SOP Evidence : Photo ID on PPE, socialization PPE, PPE condition Monitoring, Content Socialization, attendance list, photos, minutes of training, list operator and identity of each operator Mask | Closed |
| | | | | NS | b. Goggles provided for harvesters is notsuitable (safety goggles instead of safety glasses). There are still fruit pickers who was not provided | The Company is committed to providing proper PPE to the work force, but the PPE was not comfortable for harvesting, and fruit pickers did not know | Corrective Action : Replacing the type of PPE for harvesting and reviewing of HIRAC in controlling the risk in harvesting activities by changing the recommendations of | Closed |

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| | | | | | with protective gloves. | the procedure for PPE replacement | <p>PPE from safety google to Safety Glasses. Disseminating flow of information of PPE replacment to fruit pickers</p> <p>Evidence :</p> <ol style="list-style-type: none"> 1. Minutes of replacement PPE 2. Handover PPE Safety Glasses 3. Documentation Type of PPE (Safety Glasses), 4. Proof of purchase Safety Glasses 5. Number 6. The handover PPE to harvester and fruit pickers 7. Dissemination to the Purchasing Dept. Section 8. Review HIRAC and follow-up 9. Monitoring 10.SOP socialization PPE management to fruit pickers 11.Proof of purchase of gloves for fruit pickers. | |
| | | | | AGT | c. There was operator of engine room who was not wearing earmuff earmuff required PPE (Jelatang Mill) | The company already has HIRADC for activites in engine rooms, and the Company is committed to providing proper PPE to the work | <p>Corrective Action :</p> <p>Ensuring workers have been using the PPE which have been provided by conducting inspections to the use of PPE</p> | Closed |

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| | | | | | | force, but there were workers who were not using PPE, because operators were still lacking of discipline | <p>Evidence :</p> <ol style="list-style-type: none"> 1. Socialize the use of PPE 2. Inspection Form indiscipline use of PPE 3. A letter of reprimand to the relevant officers, 4. Documents of HIRADC for activities in Engine Room | |
| 2 | Major | 4.7.2 | 2 | MAS | a. Diesel fuel tank near the central warehouse has not been provided with a grounding. | Diesel fuel tank has not been provided with grounding, because the related HIRADS has not contained risk analysis of electrostatic potential hazards in the diesel fuel tank. | <p>Corrective Action :</p> <p>Conducting review to the HIRADC of diesel fuel tanks regarding the hazard of electrostatic</p> <p>Evidence : Document of HIRADC, minutes of grounding instalation.</p> | Closed |
| | | | | AGT/AMR | b. Chemical operator in the area of water treatment did not wear Gloves (Jelatang) | The Company is committed to providing proper PPE to the work force, but there were workers who were not using PPE at working place, because the PPE was broken and workers did not understand the flow procedure of PPE replacement. | <p>Corrective Action :</p> <p>Ensuring PPE which has been distributed to labor was used properly by conducting disciplinary inspection to the use of PPE and dissemination of procedure of PPE replacement chemical operators.</p> <p>Evidence :</p> <ol style="list-style-type: none"> 1. Socialization of the use of PPE 2. Minutes of the provision of PPE 3. Inspection Report of PPE | Closed |

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| | | | | NS | c. Implementation of OHS was not conducted effectively, there was unsafe conditions such as palm leaves that touch the medium voltage power cable (20 KV) in Division4. | There were electrical wires touched by palm leaves due to lack of monitoring to the electrical grid adjacent to the palm oil tree. | Corrective Action : The company will ensure that all electrical grid in the area of oil palm are not touched by palm oil leaves by conducting periodic monitoring to electrical grid inside the plantation Evidence : 1. Monitor 2. ing sheet of electricity grid 2. Pruning report in supervisor book | Closed |
| 3 | minor | 3.1.2 | 2 | RB | The Company has long-term plans of the Year 2010 s / d in 2020 but the plan has not been contained in the replanting plan. | According to long term plan, company did not include replanting program , but the age of plant in Bangko Estate almost approached the replanting one. | Corrective Action : Establishing parameters for replanting Evidence : Replanting program | Closed |
| 4 | Major | 4.5.1 | 2 | RB | Based on the results of the census conducted in October 2015 in Division IV (Bangko Estate) highest attack rate was 13 insects / midrib in Blocks B05 and A08 but there was no remedial action. | In the census report there were attacks of palm leaf-eating caterpillars (UPDKS) but the control column on the sheet has not been filled, so it can not be seen that the control has been done | Corrective Action : Ensuring the sheet has been filled correctly Evidence : 1. Sosialization about filling the sheet 2. Census sheet of UPDKS | Closed |
| 5 | Major | 4.4.1 | 2 | AMR | The utilization | Legislation updating | Corrective Action : | Closed |

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| | | | | | <p>mampun river water for processing operations in Langling Mill and river water for processing operations in the Jelatang mill has not been supplemented with Permission to Use Water Resources. This is not in accordance with the Minister regulation of Public Works and Housing no. 37 / PRT / M / 2015 article 3 and article 6.</p> | <p>has been done, but there was still a lack of monitoring of the latest regulatory related to licensing primarily regarding the regulation besides environment.</p> | <p>Ensuring legislation updating by conducting monitoring to legislation upate. Coordinate with the one stop service agency regarding related permits</p> <p>Evidence :</p> <ol style="list-style-type: none"> 1. Evidence of Licensing process 2. Monitoring to legislation update related to licensing. | |
| 6 | Obs | 4.6.5 | 2 | MAS/AMR | <p>It is advised to re-disseminated MSDS of hazardous material to ensure the comprehension of workers related to the nature of the material and the control of hazardous material used is well maintained. Based on interviews with employees were found:- Employees spray block A4 did not understand the dangers of handling according to its MSDS. Example: chemicals Roll Up- Warehouse clerk did</p> | | <p>Corrective Action : Ensuring sprayers and warehouse clerk understand about MSDS of hazardous material and its properties.</p> <p>Evidence :</p> <ol style="list-style-type: none"> 1. Re-socialization of MSDS of hazardous materials and their properties to sprayers and a warehouse clerk. 2. Evidence of socialization of MSDS of hazardous material and their properties to | Closed |

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| | | | | | not understand the nature of the chemicals stored in central warehouses. Based on information from interviews, a warehouse clerk has never undergone socialization regarding MSDS of hazardous material used. | | the sprayer and warehouse clerk. | |
| 7 | Obs | 5.1.3 | 2 | AMR | Report on environmental management plan (RKL / RPL) for second half of 2015 did not include environmental sanitation activities as required in the matrix of UKL / UPL document DPPL. | The company has conducted environmental sanitation, but these activities have not been put in RKL / RPL. | Corrective Action : Ensuring RKL RPL Semester 1 2016 already include environmental sanitation activities Evidence : Incorporating environmental sanitation activities into RKL RPL Semester 1 2016. | Closed |
| 8 | Obs | 5.3.1 | 2 | AMR/AGT | Company should conduct a review of Identification and Evaluation of Environmental Aspects. On the form Identification and Evaluation of Environmental Aspects can ensure compliance with the operational activities that run and mitigating the | SOP Identification of Environmental Aspects evaluation and dissemination of Government Regulation No. 101/2014 has not been socialized | Corrective Action : Re-ensuring identification and evaluation environmental aspects has covered furnace fuel and hazardous waste regulations in accordance to the latest government regulation pp 101 in 2014. | Closed |

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| | | | | | <p>environmental impact resulting from these activities. From the sampling results were found:</p> <ul style="list-style-type: none"> - Identification and Evaluation of Environmental Aspects Jelatang Mill does not include the impact of emissions from the furnace fuel. - In the form of identification and evaluation of environmental aspects F / SMART / LEMS-EHSD / SADV /001/001 rev 0, some of it still refer to the obsolete regulations as B3 waste refer to Regulation No. 18/1999. | | <p>Evidence :</p> <p>Have been revised on identification and evaluation environmental aspects by inserting furnace fuel and change hazardous waste regulation to be pp 101 in 2014.</p> | |
| 9 | Major | 5.3.2 | 2 | AMR/AGT | <p>The company could not ascertain the expired chemicals from activities in the laboratory has been handed over to the authorized agency in accordance with the provisions in PP 101 in 2014. From the results of site visit</p> | <p>The Company has not socialized SOP waste management related to the handling of chemicals expired in the laboratory</p> | <p>Corective Action: socialize SOP waste management related to the handling of expired chemicals in laboratoium</p> <p>Evidence :</p> <ol style="list-style-type: none"> 1. Waste Management SOP 2. Socialization SOP waste management | <p>Closed. Have provided evidence of socialization WI Chemicals Storage no. IK-06. Socialization was attended by SPO Officer, employee lab, the clerk of the sampler, and analysts</p> |

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| | | | | | <p>found :</p> <ul style="list-style-type: none"> - Expire Chemical materials stored in the laboratory Jelatang POM has not been managed as B3 waste. Example: cromate potassium chemicals. | | <p>related to the handling of chemicals expired in the laboratory.</p> | <p>samples.</p> <p>Official letter handover of expired chemicals to TPS B3 waster has been available</p> |
| 10 | Obs | 5.3.3 | 2 | AMR | <p>Medical waste management have not been recorded in a hazardous waste logbook and has not been reported in the quarterly report B3 waste management</p> | <p>The Company has managed medical waste, but has not recorded and reported of the medical waste management.</p> | <p>Corrective Action :</p> <p>Making Medical Waste logbook and ensuring the report of second quarter of 2016 including the Medical Waste logbook.</p> <p>Evidence :</p> <ol style="list-style-type: none"> 1. Make logbook medical waste Quarter 2016 2. Input logbook medical waste into a report B3 Quarter year 2016. | <p>Closed</p> |
| 11 | Obs | 5.6.2 | 2 | AMR | <p>It is advised that the target set in the GHG Mitigation Program to be more measurable to facilitate monitoring of the program achievements..</p> | <p>The company has greenhouse gas mitigation programs, but some of these program's targets can not be measured in the program achievement.</p> | <p>Corrective Action :</p> <p>Ensure the GHG Mitigation Program has set measurable targets.</p> <p>Evidence :</p> <ol style="list-style-type: none"> 1. GHG Mitigation Program with | <p>Closed</p> |

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| | | | | | | | measurable targets. | |
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| 12 | Obs | 4.7.2 | 2 | AMR/MAS | <p>a. Gallon storage of toxic materials used in spraying activities should be labeled with hazardous symbol. Hazardous symbol on the packaging containing the hazardous material is missing during the field visit to spraying activities in Block A4.</p> <p>b. Conduct a review of the conformity with the symbol of hazardous material. Example: Diesel fuel tank In the central warehouse was wrongly labelled as irritant; while agrochemical in the warehouse was wrongly labelled as corrosive.</p> | <p>Packaging toxins have been given the symbol, but the symbol was lost.</p> | <p>Corrective Action :</p> <p>Replacing toxic symbol on the <i>jerican</i> containing a mixture of toxins with a minimum size of 10 x 10 cm</p> <p>Evidence :</p> <p>Official letter of the installation symbol on the packaging of toxic B3 <i>jerigen</i> containing a mixture of toxins.</p> | Closed |
| | | | | MAS/AMR | <p>c. There was one bottle of chemical that did not have identity stored in herbicide section of central warehouse.</p> | <p>The Company has set SOP of management of material and movement (SOP / SMART / HESS-ESDV / SADV / I / 006). however there was still bottle auxiliaries (surfactants) in the Warehouse herbicide whose identity was not clear,</p> | <p>Corrective Action :</p> <p>Conducting labeling on the surfactant bottle and disseminating SOP of management of material and its movement to a warehouse clerk.</p> <p>Evidence : Minutes of the labeling on the</p> | Closed |

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| | | | | | | this was because the warehouse clerk did not understand types of chemicals that can be stored in herbicide warehouse. | chemical packagings, and evidence of socialization | |
| | | | | AGT/AMR | d. Installation hazardous symbol on gas cylinders in the workshop area was not in accordance with ministry regulation No. 3 in 2008 (Jelatang). | The Company has committed to providing the symbols to hazardous material according to SOP Management and Material Movement, but still there were not gas cylinder which was not labeled because of the lack of monitoring | <p>Corrective Action :</p> <ol style="list-style-type: none"> 1. Installing hazardous symbols according to the type and characteristics of the material stored in the hazardous material warehouse with minimum size of 25 x 25 cm 2. Conducting monitoring to ensure the symbol B3 has been installed properly on the material <p>Evidence :</p> <ol style="list-style-type: none"> 1. Minutes of the installation symbol in the warehouse 2. Inspection Report | Closed |
| 13 | Major | RSPO Cert. System 4.2.3 | 2 | AMR | The Company established timebound date January 31, 2016. The smallholders RSPO certification that includes Kubang Ujo Smallholder, Pamenang SH, Bangko SH, Bukit Bungkul KKPA, Batang Gading KKPA, and Tiga | Time Bound In 2015, the plasma refused to be certified, so that the time bound of plasma certification is re-scheduled | <p>Corrective Action :</p> <p>The Company will conduct revisions of smallholder timebound which refuse to be certified and will disseminate the RSPO certification to smallholdings supplying</p> | Closed |

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| | | | | | Serumpun estate is planned in 2019. This is not in accordance with the RSPO standards with states that smallholdings must be certified within 3 years (starting from the own estate certification) | | FFB to JLTM and LNGM Evidence : 1. Revisions timebound of smallholders 2. Evidence Socialization smallholdings and minutes of socialization. | |
| 14 | Obs | 5.1.2 | 2 | AMR | Previous audit finding (Minor to Obs) Previous audit finding (Minor to Obs). Air quality testing period was not in accordance with provisions in the matrix UPL Jelatang and Langling unit, which conducted once a month to the parameters of dust, SO ₂ , NO ₂ , CO, NH ₃ | The Company has conducted air quality testing each semester, but because of environmental documents Jelatang and Langling Unit had long established, it is necessary to evaluate the air testing every semester. | Corrective Action : Making revisions to the matrix UKL UPL related the period of dust monitoring. Evidence : 1. There have been the submission of matrix changes in January 2016. 2. chronological evidence of correspondence related to changes in the matrix. | Closed |
| 15 | Obs | 4.4.3 | 2 | AMR/AGT | Company should do the calibration of the flowmeter contained in the WWTP OF Jelatang Mill to ensure the accuracy of recording of discharged liquid waste. | The Company has not conducted dissemination to the WWTP operator that the flow meter used in the WWTP area needs to be calibrated | Corrective Action : Develop WWTP flow meter calibration program Evidence : Official letter of flow meter WWTP | Closed |

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| | | | | | Company must ensure that the monitoring wells 1 in block A-06 are neatly closed and locked. | | calibration | |
| 16 | minor | 4.7.6 | 2 | NS | <p>The premium of the employment insurance (BPJS Ketenagakerjaan) of 121 Casual was paid by Company for Month April 2016 only for Accident insurance scheme (JKK) and death benefit (JKM) program on May 9, 2016. This is not in accordance with Regulation 84 of 2013 in which require the Company must pay the premium for full package of BPJS ketenagakerjaan regardless the employment status</p> <p>BPJS kesehatan payment of casual workers and daily permanent workers SKU has been paid to</p> | <p>There was different understanding between the Company and CB. Which according to the Company's opinion it was under valid Decree 150,1999 and while CB saw that the decree was no longer valid. When CB believes that all derivatives of the Social Security Act (Act No 3/92) is not applicable, and the Regulation No. 84/2013 also derived the Social Security Act so that it becomes irrelevant when the PP 84/2013 become reference of the CB.</p> <p>there are no regulations that specifically regulate about casual worker for BPJS.</p> | | <p>Closed</p> <p>Closed</p> |

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| | | | | | 616 people (participants and family members) on May 9, 2016 to BPJS Muara Jambi Branch II, while 121 casual workers has not been paid BPJS Kesehatan by Company. | | | |
| 17 | Major | 6.5.1 | 2 | NS | Memo SE VPA I no. SW-251 / VPA-1/03/2015 dated March 9, 2015, concerning premiums harvest / piece rate 2015 has already provided. In part 2, concerning piece rate, item 2.2 concerning casual workers there was no premiums/fixd wage. The fruit pickers was only paid by the harvest volume thus there is no guarantee that they are always paid according to the minimum wage. | In SE VPA casual worker/ fruit picker is just about income rupiah / kg, so that there is no certainty that fruit pickers are paid according to government regulations. But at the PKB BKS-PPS there are points that ensure the of workers' minimal income will meet the regulation | Corrective Action : Make changes to the content of the circular letter VPA related piece rate daily worker. Evidence : (Circular Letter) SE VPA 2016 | Closed |
| 18 | Obs | 5.2.4 | 2 | SSW | The report of Monitoring High Conservation Value conducted by HCV officer in October 2015 stated there were people | | | Closed |

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| | | | | | <p>who use the area around the swamp for farming activities. Monitoring report has been followed up by the Estate Manager BNGE by sending a notification to the village chief and has been answered by the head of the village. At the time of the site visit it was found that the land was still planted with vegetables and FFBS because based the statement, the community asked for extension until July 2016 to harvest FFBS and vegetables that have been planted.</p> | | | |
| 19 | Obs | 5.2.5 | 2 | SSW | <p>At the time of observation encountered areas defined as HCVA, ie HCV 4.1 freshwater swamp which was utilized by the villagers of Jelatang for planting papaya, cassava, banana and</p> | | | Closed |

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| | | | | | <p>vegetable crops. PT. Kresna Duta Agroindo through the Estate Manager of BNGE has given notification to the village chief of Jelatang on October 23, 2015 which contains a notice that there were some villagers of Jelatang who farm in the location palm plantation of PT. KDA and notify them to refrain from farming activities again in those area. The notification letter has been responded by the Village Head of Jelatang with an statement letter</p> | | | |
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| I.2. Present Assesment | | | | | | | | |
|------------------------|----------|----------|----------|---------|---|---|--|---|
| ASA 3 (2017) | | | | | | | | |
| No | Category | Criteria | Standard | Auditor | Description | Root Cause Investigation | Corrective Action & Evidence | Audit Team Review |
| 1 | Obs | 6.9.1 | 2 | TSS | <p>a. It is advised that in the socialization conducted by the board of the gender committee, certain the issues that are required in P & C RSPO, among others;</p> <ul style="list-style-type: none"> • Training of women's rights. • Counseling for women involved in violent cases. • Child care facilities to be provided by planters and POM. • Guarantees that women can breastfeed their babies up to 9 months before being assigned to use or spray chemicals. • Provide specific resting times for women to be able | <p>a. The Company has established an organization of the Gender Committee and has a administrator, but the administrator has not understood the importance of their roles and certain issues facing women and men, such as violence and sexual crimes in the workplace. The work programs of the Gender Committee are still limited to general activities such as socialization of sexual harassment and posyandu, not yetcomprehensively covering the purpose of establishing the Gender Committee</p> | <p>Corrective Action: a. SPO Oficer shall assist the Gender Committee in preparing the comprehensive work program in accordance with the purpose of establishing the Gender Committee, which ensures no harassment or abuse in the workplace, and reproduction rights are protected.</p> | <p>Will be seen the implementation in the upcoming surveillance audit</p> |

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| | | | | | <p>to breastfeed effectively</p> <p>b. Socialization of types of sexual harassment should be described in detail verbally, visually and physically. Based on the socialization materials and interviews, the socialization only contains the minimal type of sexual harassment (ie, intentionally whistling, flirting and touching).</p> | <p>b. Socialization of harassment has been done to all employees but the socialization material has not been easy to understand by employees.</p> | <p>b.1. SPO Region prepares more comprehensive socialization materials on Sexual Harassment, including types of sexual harassment, women's rights during pregnancy, breastfeeding, childcare, etc.</p> <p>b.2. Disseminate sexual harassment to employees by Assistant Division on June 9 and 10, 2017.</p> <p>Evidence:</p> <ol style="list-style-type: none"> 1. The work program of the Gender Committee that addresses the issues of men and women in the workplace. 2. More comprehensive socialization of sexual harassment material. 3. Documentation of the socialization of sexual harassment by the Division Assistant to employees on 9 and 10 June 2017, including attendance lists, photos, socialization materials. | |
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| 2 | Minor | 6.1.4 | 2 | TSS | <p>The Company has conducted reports on monitoring and management of social impacts. The report has identified a decrease in the amount of plasma that deposits the FFBS to the POM and the cooperatives that disperse because the plasma is already free to sell its FFBS to other companies. No company program was found for cooperatives / plasma with quantitative and qualitative targets to ensure improvement of plasma participation to KUD and KUD to the company.</p> | <p>a. Since 1990 the plasma plantation was opened by the company, up to 2005, FFB sales were still delivered to the Company in accordance with the production sharing agreement in 2001. However after 2006, the mill without estate started operating around Plasma, and KUD made a "FFB Plasma purchase statement "where the sale of FFB is no longer required to be sent to Langling / Jelatang POM" and they can sell their FFB to mill around the estate. The company has sent a letter to the Merangin Regent and some POM Competitors without estate around Plasma related to "KDA relationship with Plasma become unfavorable due to the emergence of POM without estate. "With some POM Competitors without estate around Plasma and " Free of sending FFB Plasma to any POM ", so the FFB purchasing system no</p> | <p>Corrective Action: a. SIA Team - The Social Baseline Department will conduct a social impact assessment study from July 10 - July 20, 2017 regarding the KUD is not limited to the only active KUD, but also includes assistance and counseling to KUDs, farmers and farmer groups, by revising documents Social Management and Monitoring Plan (RKS-RPS).</p> | <p>Will be seen the implementation in the upcoming surveillance audit</p> |
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SUCOFINDO INTERNATIONAL CERTIFICATION SERVICES

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| | | | | | | longer follows the price of Plantation Agency but through the price mechanism with very high competition. Inactive cooperatives are not caused by the end of the agreement / profit sharing, but financial management of cooperatives that are not transparent so that the level of confidence of farmers to the management was decrease. | | |
| | | | | | | b. Social impact management activities have been carried out in accordance with the recommendations and the Social Impact Management Plan (RKS), but because there is no longer any agreement to bind the buying and selling of TBS between PT KDA and KUD, however the current FFB sales between farmers and vendors, the containers of the peasants do not work. | b. The SIA Team - Social Baseline Department and the unit management prepare the RKS-RPS Review activity plan, which includes: preparation of work plans, field surveys, preparation of qualitative and quantitative reports on management and monitoring. Evidence: Plan and Timeline of RKS-RPS review activities of PT. KDA (Langling and Jelatang) in 2016. | Will be seen the implementation in the upcoming surveillance audit |
| 3 | Minor | 6.10.3 | 2 | TSS | 1. Based on the results of interviews with 2 | 1.a. In the Letter of Agreement on the sale and purchase of FFB in | Corrective Action: 1.a. To amend the Letter of Cooperation | Will be seen the implementation in the upcoming surveillance audit |

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| | | | | <p>sampling cooperatives and based on documents SPK between companies with the plasma represented cooperatives, found nonconformities :</p> <p>a. The determination of grading and penalties shall be made unilaterally by the company (art. 5). Based on data, the company imposed an average penalty of 2% of the tonnage that sent to the POM and there was no testimony from the cooperative / plasma. This is not in accordance with those listed in each SPK article 7</p> <p>b. Cooperation is not conducive so KUD switch to another POM. The causes of nonconformity such as: uncertain price determination,</p> | <p>Article VII paragraph 1 and 2 has been set about the witness in the process of grading TBS Plasma in PKS, which has been represented by the FFB truck driver, but not clearly stated in the SPK that the truck drivers are witnesses of grading representing KUD.</p> <p>1.b. Since 1990 the plasma plantation opening was done by the company, up to 2005 FFB sales were still sent to the Company in accordance with the production sharing</p> | <p>Agreement on the sale and purchase of FFB in Article VII paragraphs 1 and 2 stating that "the witness can be representatives of KUD / KT or truck drivers carrying FFB to the mill"</p> <p>1.b. Disseminating cooperation documents between companies with plasma Batang Gading and TSRA.</p> <p>Evidence: 1. Letter of Cooperation</p> | |
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SUCOFINDO INTERNATIONAL CERTIFICATION SERVICES

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| | | | | | <p>selling price differences between plasma and third party to POM, the cost of tip for the operator (inspector) and loading and unloading costs.</p> | <p>agreement in 2001, but after 2006 where the unsupported POM started operating around the Plasma, the KUD made a "FFB Plasma purchase statement" "where the sale of FFB is no longer required to be sent to POM of langling / Jelatang" and they can sell their FFB to the mill around the estate. The company has sent a letter to the Merangin Regent and several POM Competitors without estate around Plasma related "the relationship between PT KDA and Plasma is not conducive due to the emergence of POM without estate".</p> <p>b.2. With some POM Competitors without estate around Plasma and "Freedom of sending FFB Plasma to any mills", so the FFB purchasing system no longer follows the price of Disbun (Plantation Agency) but through the price mechanism with very high competition.</p> <p>b.3. The Company has</p> | <p>Agreement on the sale and purchase of FFB No.BNGP / KT-SM / 06/17/001 article 7 paragraph 1 stating that "the witness can be a representative of KUD / KT or driver who transports FFB to the mill"</p> <p>2. Minutes and photographs of prohibition of "tip" ban.</p> <p>3. Documentation of socialization (photos, attendance list, material)</p> | |
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| | | | | | <p>anticipated the practice of providing tip for grading officer with SPK of Sale and Purchase Agreement of TBS Article 7 and Installation of Warranty at Gateway of PKS Langling / Jelatang about "prohibition of giving something in any form", but tipping indication is still possible (Until now can not be proven).</p> <p>b.4. The cost of loading and unloading FFB is the responsibility of KUD / KT, so KUD / KT uses a 3rd party service to dismantle FFB to stage grading.</p> <p>2. There is no cooperation document between company with plasma Batang Gading and TSRA which are in company management (Scheme smallholders)</p> | <p>2. The company has a collaboration with Batang Gading plasma and TSRA but at the time the document audit can not be shown because it is not available in jelatang and must be taken in TSRA and BGDA cooperatives located ± 4 hours from the audit site.</p> <p>2. Document of cooperation between companies with plasma Batang Gading and TSRA</p> | | |
| 4 | Major | 6.5.1 | 2 | TSS, NS | <p>a. Nonconformities in the provision of wages for fruit pickers were</p> | <p>a. 1. SE VPA 05/04 / VPA / 2017 has accommodated unit of</p> | <p>1.a. Revise SE VPA 05/04 / VPA / 2017 on FFB harvest premium system</p> | <p>- ASA 3 / Follow Up Audit 1: Corrective action and the implementation was insufficient thus</p> |

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| | | | | <p>found :</p> <p>1. In the memo of SE 05/04/VPA/2017 point 2.2, it has been stated and mentioned from the content that fruit pickers has to cover an area of 6 Ha in order to get minimum wages. Meanwhile, based on the sampling of Daily Action Plan (RKH), it has been found that for coverage an area of 32 Ha needs the number of fruit pickers about 10 workers (with rate estimation 3,2 Ha coverage area per fruit picker). Based on the interview, the basis for harvesters are about 350 palm oil plants (equal with coverage area only 3 Ha). Therefore, it was still could not be ensured that the fruit pickers got daily wages same as daily minimum wages according to government regulations.</p> <p>2) The status of fruit pickers and harvesters which was stipulated in</p> | <p>work or work hours so that workers can achieve HK / Minimum Wage, but not yet set forth or penalty mechanism that does not reduce Minimum Wage according to government regulation. The Company has paid employee wages for all types of work in accordance with the applicable provisions but has not yet identified to evaluate all workers to get the minimum wage according to government provisions.</p> <p>2. fruit pickers which is a kind of routine work, but still categorized as a</p> | <p>and SE VPA No. SE 05/04 / VPA / 2017 (REVISION - 1 Dated June 06, 2017 in points 1.7.2 and 2.3.2) on fruit pickers. Cuts due to sanctions of fines to Harvester and Fruit picker are regulated as follows:</p> <ul style="list-style-type: none"> - Point 1.7.2. Harvesters: Fine deductions are made at the maximum of the premium value earned. - Point 2.3.2. Pembrondol/ fruit picker: Enforcement of fine with maximum value as per premium and received starting on July 1, 2017. <p>1.b. Disseminating SE VPA No. SE 05/04 / VPA / 2017 (REVISION - 1 dated June 06, 2017) on 13 and 14 June 2017 to fruit pickers and harvesters and delivered by the division assistant.</p> <p>2.a. Develop a timeline approved by RC Jambi 1 on the appointment of fruit pickers' PKWT (contract worker) into PKWTT (permanent workers) with status on July 1, 2017.</p> <p>2.b. Appoint fruit pickers'</p> | <p>the status of the certificate being suspended.</p> <p>- In follow up audit II: Corrective action is sufficient and suspension status is lifted.</p> <p>Conclusion : Observation</p> |
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| | | | | | <p>employment agreement as PKWT, clearly were not in accordance with regulation (UU 13 2003) chapter 9 section 59 clause 1 and 2 (which states if the type of job is not seasonal, the worker's status has to be permanent).</p> | <p>seasonal job.</p> | <p>PKWT to PKWTT with status by issuing Directors Decree No. 143 / CEO 1 / HR PSM 1/06/2017 on June 6, 2017 regarding Permanent Workers (PKWTT/PHT) of PT. Kresna Duta Agroindo - Jambi.</p> <p>2.c. letter of appointment of PKWTT (fruit pickers)</p> <p>2.d. Establish new employee orientation mechanism in the form of SE. 003 / PT.KDA-Jambi / 06/2017 dated June 16, 2017 and stipulates the mechanism of acceptance and transfer of employees in the form of SE No. 004 / PT.KDA-Jambi / 06/2017 dated June 16, 2017</p> | |
| | | | | | | | <p>Evidence:</p> <p>1.a. SE VPA No. SE 05/04 / VPA / 2017 (REVISION - 1 dated 06 June 2017) regarding the system of FFB harvest premium and fruit pickers</p> <p>1.b. Socialization Proof of SE VPA No. SE 05/04 / VPA / 2017 (REVISION - 1 dated June 06, 2017) to fruit picker and harvester employees (attendance list, photos, material) on</p> | |

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| | | | | | | <p>13 and 14 June 2017</p> <p>1.c. Identify the wage of labor in all types of work according to government regulations.</p> <p>2.a. SK Board of Directors No. 143 / CEO 1 / HR PSM 1/06/2017 on June 6, 2017 regarding Permanent Workers (PKWTT) of PT. Kresna Duta Agroindo - Jambi</p> <p>2.c. SK appointment of PKWTT (PHT)</p> <p>2.d. Document of new employee orientation mechanism is SE. 003 / PT.KDA-Jambi / 06/2017 dated June 16, 2017 and document the mechanism of receipt and transfer of employees in the form of SE. 004 / PT.KDA-Jambi / 06/2017 dated June 16, 2017.</p> | |
| | | | | <p>b) There are workers who still has the status of SKU-H for years. It has not been found staging for wages and staging requirements to be SKU-B.</p> | <p>b.1. The Company already has a wage system for employees of SKU-H in accordance with SK Direksi of PT KDA no. 60 / CEO1 / HRPSM1 / 03/16 but only differentiates</p> | <p>Corrective Action:</p> <p>b.1. The company issued MEMORANDUM CEO No. 145 / CEO 1 / HR PSM 1/06/2017 dated June 8, 2017 on the assessment of the SKU-H employee wage rate</p> | <p>- ASA 3 / Follow Up Audit 1: Corrective action and the implementation was insufficient thus the status of the certificate being suspended.</p> <p>- In follow up audit II: Corrective action is sufficient and</p> |

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| | | | | | <p>between less than 1 year and more than 1 years work.</p> <p>b.2. The Company already has an employee appraisal system and general terms of promotion for SKU B in it terms of tracking in accordance with HRD policy NO. C002 year 2000 and HRD No. 014 of 2000 but the employee appraisal system and promotional provisions for SKU H being SKU B have not been set, so there are still SKU-H status workers for years.</p> | <p>system in accordance with applicable regulations.</p> <p>The company revised the SKU-H wage scale from SK CEO No. 126 / CEO 1 / HR PSM1 / 05/17 to SK CEO No. 1. 168 / CEO 1 / HR PSM1 / 07/17 valid starting July 3, 2017.</p> <p>b.2. The company establishes MEMORANDUM CEO No. 144 / CEO 1 / HR PSM 1/06/2017 Date June 7, 2017 on Reaffirmation of terms of employee career development SKU.</p> <p>The Company established SE CEO No.164 / CEO 1/07/2017 regarding assessment of SKU employees' work on July 5, 2017.</p> <p>Evidence:</p> <p>b.1.a. SK CEO No 126 / CEO 1 / HR PSM1 / 05/17 on SKU-H Upgrades dated January 1, 2017</p> <p>b.1.b. SK CEO No. 168 / CEO 1 / HR PSM1 / 07/17</p> | <p>suspension status is lifted.</p> <p>Conclusion : Observation</p> |
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| | | | | | | <p>on SKU-H Upgrading dated July 3, 2017</p> <p>b.2. SE CEO No..164 / CEO 1/07/2017 on assessment of SKU employees' work on July 5, 2017.</p> | |
| | | | | <p>c) There is no definition of term SKU-H and SKU-B has been found in the company rules and work agreement, so it had not been clearly stated that the workers has been included in the category of PKWTT in accordance with the law</p> | <p>c. Current company policy classification of employee status: a. SKU-H and SKU-B b. PKWT</p> <p>However, the term is not in accordance with the Law no. 13 of 2003 article 59 and Permenakertrans No. 100 / MEN / VI / 2004.</p> | <p>Corrective Action: c.To explain the status of SKU-H and SKU-B workers against PKWTT as stipulated in the government regulation, the company issued a Decision Letter of the Board of Directors of PT. KDA No. 123 / CEO 1 / HR PSM 1/05/2017 on 30 May 2017 to explain the position of SKU-H and SKU-B in PKWTT</p> <p>Evidence : Decree of the Board of Directors of PT. KDA No. .123 / CEO 1 / HR PSM 1/05/2017 on 30 May 2017 to explain the position of SKU-H and SKU-B in PKWTT Attachment of Decree of Directors of PT. KDA No. .123 / CEO 1 / HR PSM 1/05/2017</p> | <p>- ASA 3 / Follow Up Audit 1: Corrective action and the implementation was insufficient thus the status of the certificate being suspended.</p> <p>- In follow up audit II: Corrective action is sufficient and suspension status is lifted.</p> <p>Conclusion : Observation</p> |

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| 5 | Major | 6.5.2 | 2 | NS | <p>The company has not provided whole working facilities for its workers as follows:</p> <ul style="list-style-type: none"> 1) Harvesters have to pay half price of fibre stick for harvesting. 2) The company has not complied with several provisions as required in the work agreement as follows the company has not supplied spare tires for harvester that used their own motorcycle. | <p>1. The company has provided working facilities for harvesters in the form of fiber rods, but some fees are still charged to workers.</p> <p>2. The difference of interpretation means provision of inner tires and motorcycle outer tires for harvester listed in PKB BKSPPS Period 2015-2017 Article XV Paragraph 4.</p> <p>Company has provided rickshaw as a means of transporting the harvest from harvest location to TPH and truck as transportation from TPH to Palm Oil Mill as stated in PKB BKSPPS Period 2015-2017 Article XV Paragraph 4. So that the replacement of inner and outer tires of bicycle / motorcycle need not be given because it is not a means of transporting the harvest but has not made provisions.</p> | <p>Corrective Action:</p> <p>1. The Company issued SE VPA No. 18 / VPA-1/06/2017 dated June 6, 2017 on harvester working equipment. Where the fiber rod as a working tool harvester is provided completely by the company. Effective July 1, 2017 for procurement / purchase of harvest poles.</p> <p>2. Conducting discussion between PT. KDA with PUK SPSI PT. KDA and harvesters to equalize the understanding of PKSP BKSPPS provisions on the provision of inner and outer tires on motor bike for harvesters. .Evidence:</p> <p>1.a. SE VPA No. 18 / VPA-1/06/2017 dated June 6, 2017 concerning the work equipment of the harvesters.</p> <p>1.b. List of attendance of socialization SE VPA no. 18 / VPA-1/06/2017 on June 15, 2017.2. Joint Agreement between PT. KDA with no worker. 01 / PB / VII / 2017 dated July 9, 2017 on the understanding of the provision of inner and</p> | <p>- In follow up audit II:</p> <p>Corrective action is sufficient.</p> <p>Conclusion : Observation</p> |
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| | | | | | | | outer tires on the motor bike for harvesters. | |
| 6 | Major | 6.3.1 | 2 | NS | <p>The company has a mechanism for complaints and grievances of workers in "SOP / NP / SMART / XII / MCAR 001. This procedure includes a guarantee of confidentiality of the name of the complainant. But The procedure has not been able to ensure the confidentiality of any complainant. Based on information from the company, the complainant may use a suggestion box to make a complaint confidentially.</p> | <p>The Company already has a SOP for Handling Complaints and Dissatisfaction No. SOP / SMART / SIGS-CSRD / SADV / I / 003 year 2014 point 2.2.13 but not yet include a complaint resolution mechanism that can be continued to the RSPO complaint system if the joint solution can not be achieved.</p> | <p>Corrective Action:</p> <p>1. The Company has revised the SOP on Handling of Complaints and Dissatisfaction No. SOP / SMART / GIMS-SCMD / USDV / I / 001 year 2017 point 2.2.13. added "if the joint settlement has not been reached, the complaint may be communicated to the RSPO complaint system (RSPO complaint system)</p> <p>2. The company conducts dissemination of SOP for Handling of Complaints and Dissatisfaction No. SOP / SMART / GIMS-SCMD / USDV / I / 001 on June 10, 2017 to employees and staff conducted by SPO Officer</p> <p>Evidence:</p> <p>1. SOP for Handling Complaints and Dissatisfaction No. SOP / SMART / GIMS-SCMD / USDV / I / 001</p> <p>2. Document of SOP socialization (attendance list, photo, material) on June 10, 2017</p> | <p>- In follow up audit II:</p> <p>Corrective action is sufficient.</p> <p>Conclusion : Closed</p> |

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| 7 | Major | 4.7.2 | 2 | NS | <p>The company already has an ISBPR but not all risk controls have been set. As an example:</p> <p>1. Egrek (harvester equipment) are still carried by motorcycle from house to division office</p> <p>2. Sprayer mask different with mixer officer mask</p> | <p>1. SOPs available Identification of Risk and Risk Mitigation Source (ISBPR) (SOP / SMART / HESS-EHSD / SADV / I / 002) SOPs, but do not include identification of risk of bringing egrek and pole from house to division office and from division office to foreman harvester.</p> <p>2. Use of mask cartridge for mixer and carbon mask for sprayer has been identified in ISBPR document, but spray mask is still different from mixer mask, due to requirement in MSDS: - Garlon: using cartridge-Roll up, Rolifos, Erkafuron: use mask with activated carbon</p> | <p>Corrective Action:</p> <p>1. A. Submitting the proposed revision of Palm Oil Harvesting SOP (SOP-IK Technical Cultivation of Oil Palm Crops MCAR 2012) related to the activity of transporting harvesting equipment using trucks.</p> <p>B. Revision of ISBPR BNGE document Year 2017 by clarifying the activity control plan brings egrek as follows :</p> <ul style="list-style-type: none"> - Made one placed for save egrek in division office. - <i>Egrek</i> collected at collector's place in division (not taken to home respectively) - <i>Egrek</i> is brought to the field from the collection point using truck / transportation means safe and directly delivered to all harvesters. - After harvesting, <i>egrek</i> is collected to one of harvest foreman to be transported by truck / safe means to the | <p>- ASA 3 / Follow Up Audit 1: Corrective action and the implementation was insufficient thus the status of the certificate being suspended.</p> <p>- In follow up audit II: Corrective action is sufficient and suspension status is lifted.</p> <p>Conclusion : Closed</p> |
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| | | | | | | <p>collector</p> <p>The harvester conducts egrek monitoring with Galah Egrek Monitoring form every morning to guarantee the harvesting tools are transported safely.</p> <p>C. The Company issued letter No. 02 / RC-Jambi 1/06/2017 dated June 2, 2017 regarding the transportation and storage of harvesting equipment</p> <p>2. A. The company revised ISBPR BNGE document 2017 by replacing the spray mask into a cartridge-type mask with cartridge type for herbicide spraying.</p> <p>B. Supply of mask cartridge for sprayers as of June 2017.</p> <p>C. Distribution and socialization of the use of mask cartridge to sprayer, maintenance and replacement of cartridge to sprayer by Safety Officer on June 16, 2017.</p> | |
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| | | | | | | <p>Evidence:</p> <p>1.a. Evidence of proposed revision of Palm Oil Harvesting SOP pursuant to F / SMART / GENERAL / SADV / 001/004 on Proposed Form of Change and Document Making.</p> <p>1.b. The revised ISBPR document incorporating ivek and technical gathering activities takes place up to the extent of PP</p> <p>1.c. Egrek monitoring records. 1.d. SE RC No 02 / RC-Jambi 1/06/2017 June 2nd, 2017 on the transportation and storage of harvesting tools.</p> <p>2.a. Revised ISBPR document by replacing the spray mask into cartridge-type mask cartridge for herbicide spraying.</p> <p>2.b. List names of all sprayers.</p> <p>2.c. Proof of order (PR) of cartridge mask and or letter of goods out of warehouse</p> <p>2.d. Evidence of the handover of the cartridge mask to the sprayers and their socialization;</p> <p>2.e. Proof of stock of</p> | |
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| | | | | | | | cartridge mask in Central Bangko Estate's estate warehouse on June 12, 2017. 2.f. Material for the use and care of cartridge masks. | |
| 8 | Minor | 6.5.3 | 2 | NS | During surveillance audit, the company has not repaired damaged housing facilities such as broken septic tanks in employee housing in block IV (Jorsindo). | 1.a. The company has a maintenance budget and a special officer (Department of Infra) who is in charge of housing maintenance, but the special officer has not repaired the damaged septic tank facilities. | 1. a. The Company issued Memo from RC No. 01 / RC-Jambi 1/06/2017 June 2nd, 2017 On the instructions of monitoring and maintaining employee housing. 1.b. To repair septic tank facility in block IV (jorsindo) Evidence: 1. RC memo no. 01 / RC-Jambi 1/06/2017 June 2nd, 2017 regarding the monitoring and maintenance instructions for employee housing. 2. Minutes of repair of septic tank facilities in block IV (jorsindo) 3. Monitoring results of employee housing maintenance conducted by special officers (Department of Infra). | During follow up audit on the field, the company has repaired housing facilities for employee's housing block IV (jorsindo). The implementation will be seen in next surveillance audit. |

| J. Certified Organization's Acknowledgement of Internal Responsibility | |
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| J.1. Formal Sign-off of the Assessment Findings | |
| I the undersigned, being the legal representative of the inspected company, agree with the contents of this report and accept the liability in execution of the instructions given in the report. | |
| Name | Zahar Mustika |
| Position | SPO Certification Head |
| Signature |  |
| Date | 17/10/2017 |

| J.2. Statement by the Certification Body on Behalf of Sucofindo ICS | |
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| We, the undersigned declare that the information and conclusions included in this report have been prepared in accordance with rules and standard of RSPO P&C, and that the certification decision has been based upon this information. | |
| Verified and Reviewed by: | |
| Name | Nuzwardy Sjahwil |
| Position | Lead Auditor |
| Signature |  |
| Date | Oct 11 th 2017 |
| Approval : | |
| Name | Triyan Aiditri |
| Position | HSE Audit and Certification Department Head |
| Signature |  |
| Date | Oct 13 th 2017 |

K. Appendix

| K.1. List of Abbreviation | |
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| B3 | Bahan Berbahaya Beracun |
| BLH | Badan Lingkungan Hidup |
| BLHD | Badan Lingkungan Hidup Daerah |
| BOD | Biochemical Oxygen Demand |
| CB | Certification Body |
| CPO | Crude Palm Oil |
| CSPK | Certified Sustainable Palm Kernel |
| CSR | Corporate Social Responsibility |
| EFB | Empty Fruit Bunch |
| FFB | Fresh Fruit Bunch |
| FPIC | Free Prior Informed Consultant |
| FSMS | Food Safety Management System |
| GHG | Green House Gases |
| GMP | Good Manufacturing Practice |
| GPS | Global Positioning System |
| HACCP | Hazard Analysis and Critical Control Point |
| HCV | High Conservation Value |
| HCVF | High Conservation Value Forest |
| HGU | Hak Guna Usaha |
| IEMA | Institute of Environmental Management and Assessment |
| IPM | Integrated Pest Management |
| IRCA | International Register of Certified Auditor |
| ISCC | International Sustainability and Carbon Certification |
| KDA | Kresna Duta Agroindo |
| KKPA | Kredit Kepada Koperasi Primer |
| LA | Land Application |
| LB3 | Limbah Bahan Berbahaya dan Beracun |
| LNGM | Langling Mill |
| MOU | Memorandum of Understanding |
| MSDS | Material Safety Data Sheet |
| NA | Not Applicable |
| NC | Non Conformity |
| NCR | Non Conformity Register |

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| NPP | New Planting Procedure |
| OSH | Occupational Safety and Health |
| OSHAS | Occupational Safety and Health Assessment Scheme |
| P&C | Principle and Criteria |
| P2K3 | Panitia Pembina Kesehatan, Keselamatan Kerja |
| PK | Palm Kernel |
| PKO | Palm Kernel Oil |
| POM | Palm Oil Mill |
| POME | Palm Oil Mill Effluent |
| PPE | Personal Protective Equipment |
| RSPO | Roundtable on Sustainable Palm Oil |
| RSPO NI | Roundtable on Sustainable Palm Oil National Interpretation |
| SA8000 | Social Accountability 8000 |
| SCCS | Supply Chain Certification Scheme |
| SIA | Social Impact Assessment |
| SIO | Surat Izin Operator |
| SOP | Standard Operating Procedure |
| SPK | Surat Perjanjian Kerja |
| TE | Technical Expert |
| TPA | Tempat Penitipan Anak |
| TPS | Tempat Penyimpanan Sementara |
| UKL | Upaya Pengelolaan Lingkungan |
| UPL | Upaya Pemantauan Lingkungan |
| WI | Work Instruction |
| WWTP | Waste Water Treatment Plant |
| WHO | World Health Organization |

K.2. Maps

