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## PUBLIC SUMMARY REPORT

# SECOND ANNUAL SURVEILLANCE ASSESSMENT (ASA2)

**PT Agro Muko  
(SIPEF Group)**

**Located in Bengkulu Province  
South West Sumatra, INDONESIA**

*Report Author*

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**SUMMARY**

BSi has conducted an assessment of PT Agro Muko located in Bengkulu Province, South West Sumatra, Indonesia operations comprising two mills, eight oil palm estates, support services and infrastructure. BSi concludes that PT Agro Muko operations comply with the requirements of RSPO Principles & Criteria: November 2007 and Indonesia National Interpretation Working Group (INA NIWG) Indicators and Guidance: May 2008 including Annex 4: Procedures for Annual Surveillance; and Supply Chain Certification Standard: November 2011, Module – CPO Mills: Segregation.

BSi recommends that PT Agro Muko be approved as a producer of RSPO certified sustainable palm oil.

**ABBREVIATIONS USED**

ABE	Air Buluh Estate
ABKE	Air Bikuk Estate
AMDAL	Analisis Mengenai Dampak Lingkungan (Social and Environmental Impact Assessment)
AMTT	Agro Muko Tank Terminal
B3	Dangerous and Poisonous Substance
BPDLD	Provincial Environmental Agency
BOD	Biological Oxygen Demand
BPN	Badan Pertahanan Nasional (National Land Authority)
BPS	Badan Pusat Statistik (Central Statistical Office)
BTE	Bunga Tanjung Estate
BTM	Bunga Tanjung Mill
CD	Community Development
CLA	Collective Labour Agreement
COD	Chemical Oxygen Demand
CSR	Corporate Social Responsibility
EFB	Empty Fruit Bunch
EM	Estate Manager
EMS	Environmental Management System
ERT	Endangered, Rare and Threatened
FFB	Fresh Fruit Bunch
FSC	Forestry Stewardship Council
GMO	General Managers Office
HCV	High Conservation Value
HGU	Hak Guna Usaha (Land) title for commercial use
HO	Head Office
IPM	Integrated Pest Management
IRCA	International Registration of Certified Auditors
ISO	International Standards Organisation
ISPO	Indonesia Sustainable Palm Oil Foundation
IUCN	International Union for Conservation of Nature
IUP	Izin Usaha Perkebunan (Plantation Licence)
KMD	Kebun Masyarakat Desa (Village Estate)
LPM	Lembaga Pemberdayaan Masyarakat (Community Development Office)
MME	Mukomuko Estate
MMM	Mukomuko Mill
MSDS	Material Safety Data Sheet
NGO	Non-Government Organisation
NKT	Nilai Konservasi Tinggi (see HCV)
OHS	Occupational Health and Safety
PCD	Pollution Control Device
PKB	Perjanjian Kerja Bersama (see CLA)

PMP	Project Management Plan
POME	Palm Oil Mill Effluent
PPE	Personal Protective Equipment
PPKS	Pusat Penelitian Kelapa Sawit (IOPRI Indonesian Oil Palm Research Institute)
PT AM	PT Agro Muko Indonesia
PT TTI	PT Tolan Tiga Indonesia
QMS	Quality Management System
RAB QSA	Quality Society of Australia
RKL	Rencana Pengelolaan Lingkungan (Environmental Management Plan)
RPL	Rencana Pemantauan Lingkungan (Environmental Monitoring Plan)
SBE	Sungai Betung Estate
SEIA	Social & Environmental Impact Assessment
SEL	Studi Evaluasi Lingkungan (Environmental Assessment)
SEMDAL	Studi Evaluasi Mengenai Dampak Lingkungan (Environmental Impact Evaluation Assessment).
SKE	Sungai Kiang Estate
SPAM	Serikat Pekerja Agro Mandiri (Agromuko Independent Labour Union)
SOP	Standard Operation Procedure
TPE	Talang Petai Estate
TRE	Tanah Rekah Estate
TSS	Total Suspended Solids
UKL	Upaya Pengelolaan Lingkungan (Environmental Management Effort)
UPL	Upaya Pemantauan Lingkungan (Environment Monitoring Effort)

**1.0 SCOPE OF CERTIFICATION ASSESSMENT****1.1 National Interpretation Used**

The operations of the mills and their supply bases of FFB were assessed against the RSPO INA-NIWG: May 2008 of the RSPO Principles and Criteria: 2007

**1.2 Certification Scope**

The scope of Certification covers two (2) Palm Oil Mills and the supply base comprising eight (8) company owned oil palm Estates and also includes Kebun Masyarakat Desa (KMD).

Certification Details:

SIPEF RSPO Membership No: 1-0021-05-000-00  
BSI RSPO Certificate No: SPO 556042  
Initial Certification Assessment: 27/09/2010–3/10/2010  
Date of Certification: 22/02/2011

**1.3 Location and Maps**

The AGRO MUKO Estates and Mills are located in Bengkulu Province, South West Sumatra, Indonesia (Figure 1). The GPS location of the mills is shown in Table 1.

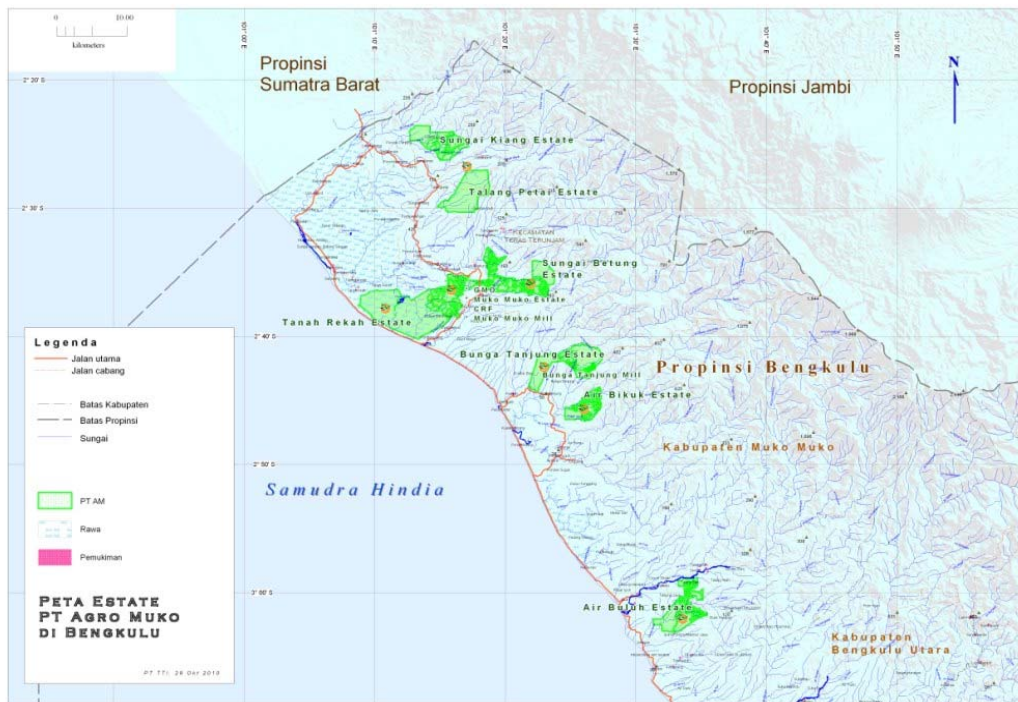
**Table 1: Mills GPS Locations**

MILL	EASTING	NORTHING
Mukomuko	E101°16'	S02°36'
Bunga Tanjung	E101°22'	S02°43'

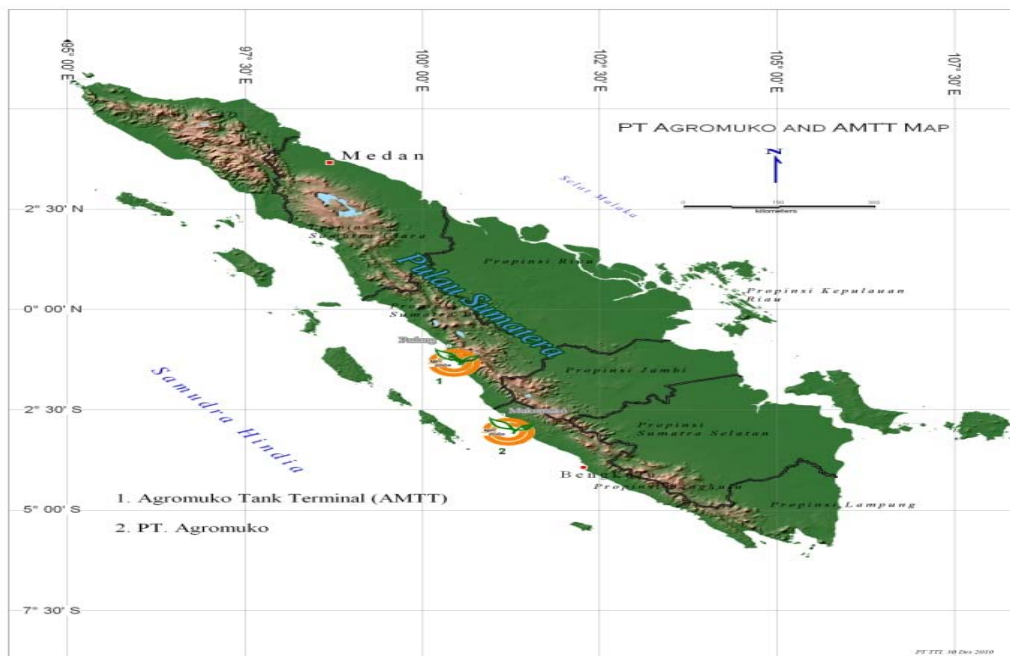
**1.4 Description of Supply Base**

From 2011 to 2012 The FFB processed at Muko Muko Mill is sourced from the 5 (five) Company Estates (98.3%) and a KMD Project (1.7%). Since the Initial Certification, no FFB from adjacent Agro Muko Estates or outgrowers have been diverted or processed at Muko Muko Mill. Thus, Muko Muko Mill is declaring as Supply Chain Segregation. Meanwhile the FFB processed at Bunga Tanjung Mill 3 (three) Company Estates (96.9%) and a KMD Project (3.1%). Thus during this ASA1, Bunga Tanjung Mill was declaring as Supply Chain Mass Balance, while in the next future it will become Supply Chain Segregation. The FFB Production of Muko Muko Mill and Bunga Tanjung Mill are listed in Table 3.

**FIGURE 1 LOCATION OF PT AGRO MUKO ESTATES**



**FIGURE 2 LOCATION OF PT AGRO MUKO ESTATES IN RELATION TO SUMATRA**



**Table 2: Company Estate FFB Production (Includes KMD) 2012**

Source	Estimate at initial Certification 22/02/2011	Actual Production 22.2.12-31.12.12 Estimate 1.1.13-21.2.13	Projected 22/02/2013 - 21/02/2014
<b>MM POM:</b>			
1. Muko Muko	66,000	68,440	59,331
2. Sungai Betung	39,000	27,861	16,755
3. Tanah Rekah	75,000	80,797	78,063
4. Talang Petai	19,000	26,815	30,878
5. Sungai Kiang	25,000	33,131	34,810
<b>Sub Total</b>	<b>224,000</b>	<b>237,044</b>	<b>219,837</b>
6. Kebun Masyarakat Desa (KMD)	0	4,732	5,397
<b>Sub Total</b>	<b>224,000</b>	<b>241,776</b>	<b>225,234</b>

1993	209		1.19
1994	719		4.77
1995	208		1.41
1996	509		2.71
1997	927		4.62
1998	2,326		12.44
1999	1,630		9.19
2000	997		5.56
2001	519		2.60
2002	54		0.44
2003	102		0.55
2004	688		3.81
2005	434		2.87
2006	987		5.72
2007	354		2.19
2008	234		2.37
2009	496		3.63
2010	312		2.25
2011		26	
2012		850	
<b>TOTAL</b>	<b>16,910</b>	<b>876</b>	<b>100</b>

Source	Estimate at initial Certification 22/02/2011	Actual Production 22.2.12-31.12.12 Estimate 1.1.13-21.2.13	Projected 22/02/2013 - 21/02/2014
<b>BT POM:</b>			
1. Bunga Tanjung	44,000	50,425	50,529
2. Air Bikuk	30,000	28,325	29,208
3. Air Buluh	40,000	47,845	47,104
<b>Sub Total</b>	<b>114,000</b>	<b>126,605</b>	<b>126,841</b>
4. KMD	0	4,239	4,784
<b>Sub Total</b>	<b>114,000</b>	<b>130,844</b>	<b>131,625</b>
<b>Total MM + BT POMs</b>	<b>338,000</b>	<b>372,620</b>	<b>356,859</b>
5. Outgrowers*	-	-	-
<b>Overall Total</b>	<b>338,000</b>	<b>372,620</b>	<b>356,859</b>

\* Note some reductions in some areas due to replant e.g. SBE

### 1.5 Date of Plantings and Cycle

**Table 3: Age Profile of Company Estate Planted Palms**

Year	Ha Planted Mature	Ha Planted Immature	% of Planted Area
1988	416		2.29
1989	1,181		8.16
1990	3433		19.03
1991	269		1.42
1992	106		0.78

### 1.6 Other Certifications Held

PT Agro Muko has achieved ISO 14001 and ISO 9001 for its Palm Oil Mills.

### 1.7 Organisational Information / Contact Person

PT Agro Muko Indonesia is wholly owned by the SIPEF NV Group of Belgium.

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General Manager  
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### 1.8 Time Bound Plan for Other Management Units

The other Majority owned Management Units are as listed below :

- Hargy Oil Palms Ltd. (HOPL, Papua New Guinea)
- PT Tolan Tiga Indonesia (certified)
- PT Umbul Mas Wisesa, PT Toton Usaha Mandiri (coming to maturity in 2014)
- PT Citra Sawit Mandiri (still in development)
- PT Agro Kati Lama (still in development, added end 2011)
- PT Agro Rawas Ulu (still in development, added early 2012).

As per its earlier time-bound plan, Sipef has achieved certification for all its palm oil mills and mature estates within three years of the certification of HOPL.

As communicated to RSPO since 2008, PT Umbul Mas and PT Toton Usaha Mandiri are currently placed under the RSPO compensation mechanism, based on a cautionary approach. Their situation will be reviewed and addressed in 2013 with the RSPO, before their certification in 2014 once they have reached maturity and the palm oil mill receiving their crop has been commissioned. For PT Citra Sawit Mandiri, a solution compatible with the RSPO P&C is still being developed.

Since the last ASA of Agromuko, Sipef has added two palm oil projects in Indonesia : PT Agro Kati Lama and PT Agro Rawas Ulu. These are new developments, and Sipef has complied with the RSPO New Plantings Procedure.

At this point Sipef has informed BSi that there are no known legal non-compliances, land or unresolved labour disputes at its other operations. BSi considers Sipef's Time Bound Plan to conform to the RSPO requirements for Partial Certification.

### 1.9 Area of Plantation

The hectare statement for the company owned Estates is shown in Table 4(a), and Agro Muko Indonesia Operations area Table 4(b).

**Table 4(a): Estates and Areas Planted**

Estate	Mature (ha)	Immature (ha)
Bunga Tanjung Estate (BTE)	2,313	0
Air Bikuk Estate (ABKE)	1,233	0
Air Buluh Estate (ABE)	2,141	0
Mukomuko Estate (MME)	3,081	0
Tanah Rekah Estate (TRE)	3,070	0
Sungai Kiang Estate (SKE)	1,927	0
Talang Petai Estate (TPE)	2,077	26
Sungai Betung Estate (SBE)	1,065	234
<b>TOTAL</b>	<b>16,910</b>	<b>876</b>
Kebun Masyarakat Desa	501	119

**Table 4(b): PT Agro Muko Indonesia hectares statement (includes KMD)**

Mature area	16,910
Immature	876
Total area for oil palm	17,786
Total area for rubber	1,660

Nurseries	48
Emplacement, Roads, Mills, Compounds etc.	588
Unplanted reserve, incl underwater lease	2,799
Total leased area	22,952

### 1.10 Approximate Tonnages Certified

**Table 5: Approximate Tonnages Certified**

Mill	Estimate at initial Certification 22/02/2011	Actual Production 22.2.12-31.12.12 Estimate 1.1.13-21.2.13	Projected 22/02/2013 - 21/02/2014
<b>MM POM:</b>			
CPO	52,000	56,194	52,480
PK	12,000	12,396	11,487
<b>BT POM:</b>			
CPO	27,000	30,773	30,932
PK	6,000	6,668	6,713

*\* Reduction in projected due to replant.*

### 1.11 Date Certificate Issued and Scope of Certificate

Scope of the Certificate is for the production from the two palm oil mills and their supply base (refer Table 2(a) for tonnages).

Certificate details are included as Appendix A. The Certificate issue date will be the date of the RSPO approval of the Assessment Report.

### Inclusion of Smallholders

There are no small holders included in the Supply Base of PT Agro Muko.

## 2.0 ASSESSMENT PROCESS

### 2.1 Certification Body

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BSi is a leading global provider of management systems assessment and certification, with more than 60,000 certified locations and clients in over 100 countries. BSi Standards is the UK's National Standards Body. BSi provides independent, third-party certification of

management systems. BSi has a Regional Office in Singapore and an Office in Kuala Lumpur.

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

### **Allan Thomas Lead Assessor**

Allan Thomas holds a tertiary qualification in commerce and accounting from Wollongong University in 1973 and has more than 21 years' experience in systems management and auditing of large organisations in construction, forestry, agriculture, manufacturing and in private and Government sectors both in Australia, South East Asia and the South Pacific. During the past 17 years, he has been the Manager of a large certification body based in Australia with responsibilities throughout SE Asia. He has performed over 200 comprehensive audits of management systems throughout the Palm Oil industry including Occupational Health and Safety, Environmental and Quality Management Systems. He has also advised companies on the implementation of OHS in the Oil Palm Industry. He has worked in Indonesia, Malaysia, Singapore, Solomon Islands and PNG in the Oil Palm industry. Allan has conducted over 3000 system audits in the last 17 years and controlled over 50 auditors when Certification Manager of SGS-ICS.

He is a Lead Environmental Auditor (ISO 14001) with IRCA, a Lead OHS Auditor (OHSAS 18001 & AS 4801) with IRCA, a Lead Quality Auditor (ISO 9001:2008) with RABQSA and also an accredited Heavy Vehicle Auditor. He has also implemented strategies for implementing and maintaining SA 8000. Allan has also been appointed a Federal Safety Officer by the Australian Commonwealth Government.

He has conducted Integrated Management assessments of a large number of palm and kernel oil mills and many oil palm plantations in Indonesia, Malaysia and Papua New Guinea. He has worked closely with RSPO in developing an audit checklist for the Principles and Criteria and developed an audit methodology. This was carried out at the instigation of Dr. Simon Lord – in 2005 prior to RT3. Dr. Lord is a former member of the Executive Board – this audit checklist was bought by RSPO in early 2006 He also performed the first base line assessment of the applications of the P&C. He is a strong advocate of environmental, safety and social accountability.

### **Iman Nawireja – Technical Expert- Social (audit)**

Iman Nawireja graduated with Bachelor of Agriculture Science from the Bogor Agricultural University in 1997 and a Masters Degree in Communications from University of Indonesia. Currently, he is PhD Candidate in Rural Sociology from Bogor Agricultural University. He has a lecture in general sociology, intercultural communications, and social statistic at the Bogor Agricultural University and has more than 10 years' experience in conducting social impact assessments of agriculture, mining and forestry projects. He has assisted with field studies on the effect of resource development projects on farmer and community

incomes, health status and household division of labour. He has completed Lead Auditor training in ISO 9001 Quality Management Systems, RSPO Lead Auditor Training, and ISPO Lead Auditor Training. He has assisted in conducting environmental and social assessments of oil palm projects during the past 7 years. He has assisted with conducting audits of oil palm plantation companies against the RSPO P&C in Indonesia, Malaysia, and PNG. During this assessment, he assessed on the aspect of social and community engagements, stakeholders consultation, and workers welfare.

## **2.3 Assessment Methodology, Programme, Site Visits**

A pre-audit to RSPO Principles and Criteria was conducted between 19<sup>th</sup> and 24<sup>th</sup> July 2010 to determine progress PT Agro Muko Indonesia has made towards certification.

The Initial Certification Audit was conducted between 27<sup>th</sup> September and 3<sup>rd</sup> October 2010.

The first Annual Surveillance Assessment was conducted between 5<sup>th</sup> and 11<sup>th</sup> February 2012.

This second annual Surveillance Assessment was conducted from January 28<sup>th</sup> to 1<sup>st</sup> February 2013. The audit programme is included as Appendix B.

The approach to the audit was to treat each mill and its supply base as an RSPO Certification Unit. Each mill was audited together with the plantations of its supply base. A range of environmental and social factors were covered. These included consideration of topography, palm age, proximity to areas with HCVs, declared conservation areas and local communities.

The methodology for collection of objective evidence included physical site inspections, observation of tasks and processes, interviews of staff, workers and their families, review of documentation and monitoring data. Checklists and questionnaires were used to guide the collection of information. The comments made by external stakeholders were also taken into account in the assessment.

The Nonconformities that were assigned and the Observations that were identified during the First Annual Surveillance Assessment were followed up to check the effectiveness of corrective actions.

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

Stakeholder consultation involved external and internal stakeholders.

Contact was made with individual stakeholders and telephone calls were made to arrange meetings. As part



of the audit, meetings were held with stakeholders to seek their views on the performance of the company with respect to the sustainability practices outlined in the RSPO and aspects where improvements could be made.

Stakeholders included those immediately linked with the operation of the company such as employees and contractors.

External stakeholders included organizations such as Government, NGOs, Civil Societies and contractors who have an interest in the PT Agro Muko area and resident communities.

Stakeholder consultation took place in the form of meetings and interviews. Meetings with government agencies and NGOs were held in their respective premises within local Kampongs and work areas.

In all the interviews and meetings the purpose of the audit was clarified at the outset followed by an evaluation of the relationship between the stakeholder and the company before discussions proceeded in accordance with relevant RSPO principles, criteria and indicators. In a number of interviews and meetings, the presence of company representatives was discouraged so as not to restrict discussion of both the positive and negative aspects of PT Agro Muko's operations.

The company representatives only introduced the team and were requested to leave during meeting with stakeholders. For internal stakeholders the same procedure was followed and company representatives left once the consultations started (Employees are involved in consultation and committees).

There is a trade union at PT Agro Muko. The committee is elected through open elections and every year elections are held to select representatives. During the audit the committees have been interviewed.

#### **LIST OF STAKEHOLDERS CONTACTED**

##### **Workers and Staffs**

- GMO staff, including the HR and KMD managers
- Tress Martin (AMTT Worker)
- Leonardus Manurung, Fey Densi, Daman Sauri, Berton Hasbulloh, Hotpen Manurung (Muko-Muko Mill Workers)
- Jalinus, Fonazaro, Darman, Abdul Rohim, and Surya (Tanah Rekah Estate Harvesters)
- Samin and Sony (Sei Kiang Estate Harvesters)
- Supriyadi, Misun, Miswanto, Sumadi, and Ali Yanto (Bunga Tanjung Estate Harvesters)
- Kunaryo, Arief, Hamdani, Rauli, Dawan, Nes Riyadi and Taufik (Bunga Tanjung Estate Male Sprayers)
- Riswan, Sistar, Hendra, and Tunggal Jaya (Sei Betung Estate Male Sprayers)

- Supriyadi, Misun, Miswanto, Sumadi, and Ali Yanto (Sei Betung Estate Harvesters)
- SPAM committee members, including SPAM branch committee members from Sei Betung Estate;
- Koperasi staff (Sei Betung Estate);
- Health Coordinator for PT Agro Muko and polyclinic staff in the Muko Muko, Tanar Rekah, Sungai Kiang, Talang Petai, Bunga Tanjung and Sei Betung estates/mills;
- Emplacement residents (including members of women's groups) in Tanar Rekah, Sungai Kiang, Talang Petai, Bunga Tanjung and Sei Betung estates/mills;
- Managers or office staff at Tanar Rekah, Sungai Kiang and Bunga Tanjung estates and Bunga Tanjung mill,
- Employees at Bunga Tanjung mill and Talang Petai Estate;

##### **Contractors**

- Wagiran (Construction Contractor)
- Tukiman (Transport Contractor)
- Jai Dahrim (L/C Contractor)

##### **Local Community**

- Burhanuddin (Teluk Bayur Village Representative)
- Atral (Tanah Rekah Village Head)
- Amminudin, Marusen, and Ririn Asmara (Lubuk Sadau Informal Leader)
- Sumitro (KMD Lubuk Sadau)
- Dasriman (Talang Sepakat Village Head)
- Minsyahril (Bunga Tanjung Village Head)
- Ali Khasan (Taruntung Village Head)
- Amaran (Talang Medan Village Head)
- Members of a KMD committee at Talang Petai Estate, along with the respective village head and a sub-district government official.

##### **Government**

- Markidi (Cooperative and Trade Department)
- Apriyandi Sihaloho – Environmental Monitoring Office
- Aman Jaya (Agriculture and Forestry Department)
- Sudaryanto (National Land Agency)

##### **Non Government Organisations**

- Darma (NGO – Genesis)
- Berlian (NGO – Genesis)

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

Approximately December 2013.

### 3.0 ASSESSMENT FINDINGS

#### 3.1 Summary of Findings

As outlined in Section 2.3, objective evidence was obtained separately for each of the RSPO Indicators for the Mills and the Estates. The results for each indicator from each of these operational areas have been aggregated to provide an assessment of overall conformance of the Company's operations with each Criterion. A statement is provided for each of the Indicators to support the finding of the assessment team.

During the audit, two (2) Nonconformities were assigned against Minor Compliance Indicators. PT Agro Muko Indonesia has prepared a Corrective Action Plan (Appendix D) for addressing the identified nonconformities that was reviewed and accepted by BSi.

Six (6) Observations/Opportunities for Improvement were identified. Details of the Nonconformities and Observations are given in Section 3.2 (Page 27).

BSi's assessment of PT Agro Muko Indonesia operations, comprising two palm oil mills, estates, infrastructure and support services, concludes that PT Agro Muko Indonesia operations comply with the requirements of RSPO Principles & Criteria : 2007 and INA-NIWG Indicators and Guidance : May 2008.

BSi recommends that PT Agro Muko Indonesia continue to be approved as a producer of RSPO Certified Sustainable Palm Oil.

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

Any requests for information that are received in a suitable media are kept by the relevant department. If information cannot be made available by officers they must refer to a higher authority. With regards to verbal requests by either phone or in person these will be asked to be made in writing. PT AM will maintain a register of internal requests.

PT AM ensures that responses to information requests are maintained if not already completed. Each request that is received is registered in the correct format and stamped and identified and sent to relevant person.

PT AM maintains a record of responses and the time taken to respond to each request. PT AM monitors the development and progress of all requests even if the response is negative. They also give a reason why request was rejected.

On the whole documents that are not released are not related to environmental or social issues and are mainly of a confidential financial nature.

Senior management has now decided which documents are to be made available to the public. These are in the form of a register which can be updated as more documents are requested and made available.

The procedure now states clearly how long different types of requests will be kept, where and in what medium.

This is generally from 3-5 years depending on the type of record.

Inspection of the records indicated there was no request for information to the estates.

*MMM:* There were no requests for information at Muko Mill since the ASA1 in February 2012.

*TRE:* There were no requests for information at this estate since the ASA1 in February 2012.

*SKGE:* There were no requests for information at this estate since the ASA1 in February 2012

*TPE:* There were no requests for information at this estate since the ASA1 in February 2012

*BTE/SBE:* There were no requests for information at this estate since the ASA1 in February 2012

*BTM:* There were no requests for information at this mill since the ASA1 in February 2012

*AMTT:* There has been one request for information received at the Tank Farm. For example on 25 October 2012, Finance Department (letter no. S-712/WBt.03/12) requested export data to AMTT. AMTT provided with export data requested on 8 November 2012.

**Observation 01 (1.1.1):** *The Company should ensure the Request information register would only record the subject on the request information. Company need to prepare a separate request of information, as currently record to the request of information was mix up with other request, e.g. request of assistance and list of guest. The list also can be improved by consistently record date of respond to the request so that the promptness of the respond can be determined and for future references.*

Follow up of the Observation 01 (1.1.1.) where some non-request of information was put in the information request register. *Review of the "Rekaman Informasi dan Tanggapan (Record of Information and Respond)" period July 2012 – January 2013 confirmed (mills and estates (TRE & SKE)) confirmed that now the record is exclusively for request of information.*

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

PT AM has made available the list of publicly available documents - and these were updated and listed on the company web site as recently as 13<sup>th</sup> January 2013.

It is PT AM policy to make documents available in accordance to government regulations. This commenced from August 2010, a special page in the company website is designed and devoted to requests for information at [http://www.agromuko.co.id/v1/?page\\_id=431](http://www.agromuko.co.id/v1/?page_id=431) where all stakeholders are able to request information on operation permits and SEIA documents such as Ijin Lokasi, HGU, IUP, AMDAL – UKL/UPL – RKL/RPL Reports, Hazardous Waste Storage, CSR/CD Program, and other information. All requests and grievances are considered confidential. PT AM will provide feedback within a maximum in 15 days from date of receipt.

Copies of the four HGU's are held in each Estate and originals are in Medan HO. Information on land titles is discussed in detail in 2.2.1. The HGU's are available for all estates and were sighted during this audit. These are long term leases on Government land and therefore land use titles are readily available.

Even though the internet gives access to a wide audience not all stakeholders have access to or are knowledgeable in the use of the internet, so that hard copy is still made available in all mills and estates on request.

ESIA has been conducted for estates and mills – and can be made available on the discretion of a Senior company official. The information which will be made available will depend on the sensitivity of the information with regards to potential negative effects on the environment.

PT Agro Muko holds two environmental documents, an approved AMDAL document and separate UKL/UPL documents for Sungai Buluh Estate. PT AM also holds an approved UKL/UPL document, for “Depo Bongkar Muat Minyak Mentah Sawit (CPO)” No. 660/6.27/Pedal-BPDL/VIII-2006 dated 10 August 2006. The AMDAL and UKL/UPL also sufficiently cover social aspects as well, and include both negative and positive impacts.

The AMDAL was approved on 11 January 2005, and is available to the public. RKL-RPL report is submitted 6 monthly to the local government and it is available on written request at the discretion of a Senior Company officer. This was previously requested 3 monthly however PTAM had permission to change this to 6 monthly reporting.

There are records of requests for assistance - and if accepted records are in place for any social activities in

which PT AM gave assistance. There is a monthly report on Social Activities including Community Development, Schools, Sports, etc. – and these are made available at the discretion of Senior Management. With regards to monetary considerations however copies of activities are freely available.

The company OHS Policy is available on the web site and is mounted on notice boards widely throughout the company operations.

The policy which is now widely available so as to be accessible in all work areas and achieving the widest possible circulation to all employees and contractors.

**1.2.1 Observation: A number of policies displayed are authorized by the previous Senior Executive who has since passed away and these will need to be replaced by policies authorized by the current Chief Executive. This includes OHS Policy, EEO Policy and Sexual Harassment Policy.**

There is a continuous improvement plan prepared as a result of all internal audits and inspections which are monitored to determine progress against set targets. All records of requests for information are kept for a minimum of three years.

PT AM have in place a register or matrix indicating the records to be kept and the period or retention times for these records. All records are dated to allow times to be kept to be determined accurately.

Documents pertaining to financial information can only be shared upon the discretion of the President Director with approval from the SIPEF Board.

The Equal Opportunities Policy is available and has been approved by Management. It is widely available – and has been placed on the company's web site and on notice boards throughout PT AM.

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

There is a corporate affairs department. in Medan HO which is responsible for legal compliance – at present there is no evidence available to show that PT AM is not complying with legal and other requirements. There is no evidence of chronic non-compliance.

The evidence reviewed in each mill, estate and other operational areas visited indicated that each area was familiar with the conditions with regards to permit, licenses and reporting. The records inspected indicated that each area is following and in compliance with each legal requirement.

PT AM complies with all environmental laws (AMDAL, waste management), workers laws/regulations.

PT AM ensures that all local laws from Bengkulu Province are included in response to any legal requirements.

The corporate affairs dept. receive a weekly update of any legal changes which may affect PT AM.

There are staff nominated in Medan HO to ensure any changes are noted and made known to PT AM Management. PT AM gets information of changes in regulations from a number of sources. This includes company lawyers, forestry, Dept. of Agriculture and others.

Hard copies are received of any changes to regulations. This is then circulated to relevant departments within PT AM who need to know of any changes.

There is a documented procedure in place with regards to legal and other requirements to which PT AM must comply. This procedure is now current.

Head Office have prepared this SOP "Prosedure Pemberitahuan Undang-Undang, Peraturan Pemerintah, Peraturan Daerah" to keep legal requirements current and to make employees aware of any changes. This procedure is disseminated to operational units to ensure that current regulations are implemented.

There is a list of legal requirements to which PT AM must comply. This includes national and local laws as well as conventions to which PT AM subscribes such as RSPO and Warta Perundang-Undangan (Weekly Legislation Update). For example, at January 2013, PT AM received enactment of No. 17/2012 on Cooperative.

PT AM ensures staff attend workshops where applicable with regards to laws changes in each area - e.g. Labour laws, education and others.

There is a rigorous internal audit process which includes a review of laws and their compliance.

**Minor NC against Criteria 2.1.4 (ref. Number: A675812/1):** *The procedure for legal compliance has been developed into formal SOP, however although the compliances are found relevant to legal requirements but the mechanism to ensure some local regulation are still not well implemented because during interview the staff are not aware. Example: Keputusan Gubernur No.92 Tahun 2001 (Bengkulu Governor Decree 92/2011) regarding Waste Water Standards; Peraturan Daerah Provinsi Bengkulu 6 Tahun 2005 (Bengkulu Province Regulation 6/2005) regarding of River Water Quality Standard.*

ASA2 Finding: PTAM updated legal compliance on monthly basis on file "Pemantauan Penambahan Undang-Undang/Peraturan - 2012, with the latest update was made on January 2013. PTAM seek updates to relevant authorities with for example on 15 January 2013, PTAM requested update to Regulation Bureau of Muko-Muko regency on November 2012. Reply by the

bureau on 15 January 2013 indicated no new regulation enacted during the period of July 2012 – January 2013. Inspections confirmed the availability of above mention regulations and have been implemented as standard of water quality testing. Interview of staff in charge of documents updates confirmed understanding of relevant regulations such as Bengkulu Governor Decree No. 92/2011 and Bengkulu Province Regulation No. 6/2005. The NC has been closed on 29 January 2013.

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

PT AM holds copies of all HGU's. Copies of HGU's are held in each estate and the originals are held in Medan HO. In each estate there is a sign board (which is required by law) which states PT AM is a foreign investment company and lists the number of the relevant HGU and the area of the operations and land title.

HGU's were sighted for all concessions and all were current and readily available showing area and length of land tenure. In all cases this was for a period of 30 years and all expire from 2018 and beyond depending on the date of original lease (HGU).

For example, this was demonstrated by the following some of the HGU certificates: TPE: 31/HGU/BPN/1989 dated 27-06-1989; MME/TBE/MRE: 31/HGU/BPN/1989 dated 27-06-1989; ABKE: 4/HGU/BPN/94 dated 02-02-1994; BTE: 4/HGU/BPN/94 dated 02-02-1994; SKGE/SBE/TRE: 9/HGU/BPN/93 dated 08-03-1993; ABE: 07/HGU/BPN/90 dated 03-05-1990; and SBE: 01/Year of 1991 dated 18-02-1991. As for tank terminal, company leased the land from PT Pelindo to build bulking station facility for 25 years, letter No. HK-56/2/12/CTBS-2002. AMT also hold an IMB approval No. FP. 015/5/13/C/TBS-04 dated 30 November 2004.

During ASA1, it was found that SPUP (Plantation Business Permit) of PT AM, it was overcapacity noted compared to the permission given on SPUP, as the actual mill capacity is 90 ton/hour for each mill instead of 45 ton/hour stated in the permit. This caused observation was raised against indicator 2.2.1 - **Observation 02 (2.2.1):** *the company must review the current SPUP (Plantation Business Permit) in accordance to the current increase of the mill capacity.*

Surveillance Finding: Initially PTAM holds SPUP (Surat Pendaftaran Usaha Perkebunan) No. HK.350/181/Bun.5/III/2001 dated 16 March 2001 for mill capacity of 45 ton/FFB/h. Since 2006, there was an increase in mill capacity to 60 ton/FFB/h, however, no revision to the SPUP. On 13 December 2012 PTAM has Surat Ijin Usaha Perkebunan (SIUP) No. 709/2012 from Mukomuko District Head as replacement of SPUP due to increase of capacity to 90 ton FFB/h.

All legal boundaries are clearly demarcated and maintained in the form of boundary pegs. These pegs are photographed showing the number of the peg. The boundary markers are also indicated on maps of the estates. Inspection of a sample of boundary pegs No. 08 and 09 at Block B-01 Div 2 confirmed that those boundaries were visible maintained.

The boundary pegs are also recorded giving the GPS coordinates.

A large number of boundary pegs were sighted during this assessment and were easily located and prominently displayed. Samples of these pegs were sighted at all estates visited during this assessment.

PT AM are now ensuring that all operating units consistently undertake monitoring of boundary stones regularly and record the conditions of these markers. The boundary stones are checked at least every 6 months by Field Assistants to ensure they remain in the correct place.

There have been no major disputes with regards to land tenure in recent memory and there are no outstanding disputes that PT AM is aware of.

MMM/TRE: It was confirmed during interviews with the local community there are no land disputes in these plantation areas.

SKE: During a survey to reinstate the boundary carried out by HO Medan on July 2010, it was found that an area 1 km long and 50 metres wide was occupied by the local people of Talang Petai Village, district of V Koto. This is ongoing and is considered a small area on around 1 hectare

TPE: no land disputes.

BTE/SBE: No land disputes.

AMT: No land disputes.

PT AM has not acquired any new land for the previous 15 years.

In several estates, a number of plots of company land are being occupied by local settlers. A program is in place to take the land back. Records of all negotiations are maintained although all occupations are illegal with regards to HGU as the land is legally owned by PT AM.

SBE: some plots of company land are occupied by local settlers. A program to take the land back is under way as it is legally owned by PT AM – this is ongoing at this time

BTE: Had the HGU from the government, however, since the planting did not take place at once some part of the land was occupied by local people. PT AM has a program to take back the land by paying compensation

for any improvement of the land. Currently approximately 23 ha inside the boundary have not yet been compensated, but the “owner” is not willing to “sell”. This Estate has committed not to plant the land until the owner agrees to sell the land and the proper compensation process is carried out - ongoing

TRE: This was initially a division of TPE, all of compensation record available at TPE.

TPE: Proof of initial land release and any compensation paid is held at HO Medan, a copy is available on site. Records are held on the appropriate file, the last land release process was carried out in 2005.

Notwithstanding a few of the above case the relationship with local people remains very positive with feedback gathered during the assessment.

PT AM developed a generic SOP for dealing with land claims “Prosedur Keluh Kesah dengan Pihak Internal & Eksternal” No. 01/HRAD/CIR/10 dated 01 January 2010 which included a procedure to resolve issues that emerge during new plantings. The procedure involved receiving and extracting relevant documents and, discussion with claimants. If this fails to resolve the issues then they will be referred to court system.

Copy of land acquisition process is available in each estate.

The previous land issue at Air Buluh Estate has not been completely settled, where approximately 82.00 hectares of HGU area still being occupied by 29 settlers of local village. As per January 2013 (at the time of surveillance visit) most of the area at Block V, X, R, Q, P & N mostly still occupied by local people, who hold around 1 to 6 ha. One parcel (2.13 ha) has been settled on 01 November 2012 where an agreed compensation was made. The rest is still ongoing process due to high demand of improvement compensation of the settlers. Record held on file “Ganti Rugi Tanam Tumbuh (GRTT).

According to interviews of local people, even though an occupation prevails, however, no land dispute areas since at this time PT AM always pay compensation to the settlers following negotiation by paying ex-gratia compensation.

Thus Air Buluh Estate is also committed that no planting will be carried out upon completion of land improvement compensation. Inspection to the record indicated that the estate has proper land release mechanism. Records of all negotiations are maintained although all occupations are illegal with regards to HGU as the land is legally owned by PT AM.

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

PT AM development is wholly on Government land (or leased from other parties), which is leased under HGU's terms and conditions. It was confirmed during interviews with the local community there is no customary land in or around the PT AM. It was further confirmed during recent interviews during this assessment with the local community that all of the land belongs to government. Some of the plots were acquired from local communities, following land release process. There were no disputes during land acquisition process.

PT AM development is 95% on Government land which is lease under HGU's – see above.

Under the KMD scheme PT AM have around 500 ha which they manage for the local villagers and assist in a number of ways. This includes low cost loans, undertaking of all agriculture and payment of returns to the local community.

Records of negotiated agreements are available at Medan HO and these are made available on site. In all estates visited, it was confirmed during interviews with the local community there are no major land disputes within PT AM plantation.

Maps are available in appropriate scale showing extent of all land developed under the KMD scheme. These are available for each agreement within each village.

Copies of all agreements with KMD were available including history of communication and all signed negotiated agreements.

The local people have initial meetings with KMD representative which are minuted. These meetings explain to the local people how the system works and the benefits and any negatives associated with the scheme.

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

There is in place a working plan for at least three years – this includes crop projection for up to 10 years, Oil Extraction Rate, Cost of Production. Price forecasts, financial indicators, includes running mean since inception which includes trend forecasts. The PT AM business plan was available for this assessment.

There is in place an annual replanting programme which includes forecasts for the next ten years. This plan is reviewed monthly. Any amendments are to the programme are evident. There will be some replanting in a number of estate visited including

Wherever possible PT AM makes attempts to improve practices based on any information on developments and improvements in the industry.

The cost of production is reviewed and compared against expenditure each year with projects in place for

future years. This includes production costs per tonne of Crude Palm Oil.

The plan is reviewed on a yearly basis at least. The latest review and update was completed in May 2012.

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

There are Standard Operating Procedures for the estates from land clearing to harvesting. This is in the form of the “blue book” which includes all relevant SOP's as required. This “blue book” is available to all managers and assistants in each estate office. A number of changes were made to some procedures and this was distributed for inclusion in the blue book. These changes were dated May 2012 and included pesticide handling and land preparation. These were available in each estate office visited.

Records are maintained of implementation in the form of upkeep records, pruning, fertiliser application, harvesting method and all pertinent applications of these SOP's.

There are Standard Operating Procedures (SOP's) in place within all operational areas of the mills. They are strategically placed in the specific work areas. These SOP's include all operational areas from reception to dispatch of CPO. These are reviewed at least annually or when new equipment is installed. There was evidence of review in 2012 with a small number of SOP's being amended including the SOP for weighbridge.

The SOP's are further supported by routine regular scheduled preventive maintenance. This is planned and carried out under the Mechanical and Electrical Engineering divisions to ensure on going production capability is maintained and that operating machinery is safe. Any deviation from standard procedures is to be reported and followed up to ensure documented practices are being followed. Any breakdowns, stoppages or major services are recorded in both the log books for each area and in the maintenance records.

There are log books in place for all work stations which are completed to ensure operating conditions are met. These are checked off by the operators as required by the inspection schedule – this could be hourly or 2 hourly depending on the areas being checked. This ensures all areas operate at proper capacity. Inspection logs of Mill operations indicate the routine monitoring of performances within each area.

There are records maintained of inspections and audits. The record of actions taken place is also recorded and available. The EMS/QMS system requires that records of monitoring are kept, any actions taken is recorded.

The estates are similar to the mills in that scheduled field inspections take place within an inspection programme.

These are further supported by an Internal Audit Programme carried out by the Sustainability department.

The estate managers carry out regular field inspections to ensure SOP's are being followed and supervisors issue instructions at each morning muster and follow up to determine the quality of work and that procedures are being followed. This is further supported by the Director of Estates (D-ESD), Senior Manager of Estates (SM-ESD) and Senior Field Manager (SFM), who carry out regular field inspections which are further supported by the issuing and circulating of an inspection report to the relevant managers. Any non-conformances are recorded and followed up in a specified time frame.

Records of all inspections are maintained with copies with actions being given to the respective Divisional Managers. Areas of non-compliance are reported and followed up by the Estate Manager.

Records of the results of monitoring of operations is captured in the monthly progress report (MPL) which is reported and includes all mills, estates and other support areas. This includes inspections undertaken, extraction rates, tonnes per hectare, fertiliser applied, areas harvested, FFB milled, CPO produced etc.

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

At least monthly a visual check is made of estates during routine inspections during field operations. Leaf analysis is conducted annually and results are maintained by the Agronomy department. This analysis is used to determine fertiliser applications for the following year and this includes the type of fertiliser, amount, block and date of placement.

Each estate of PT AM was included in this leaf analysis. The most recent leaf/tissue analysis took place in May 2012'.

The most recent soil analysis of the plantations was in 2009. Records are available for this exercise. This was carried out by a recognised authority. Maps have been produced indicating soil types on each estate

There are records of fertiliser applications for all areas including amounts and types as determined by agronomy based on leaf analysis and soil type.

Cover crops are in place and checked during visual inspection for coverage. PT AM also plans to use Land Application of POME from both mills in future if this becomes viable. EFB is also applied in areas specified by the agronomy department.

All palm by-products including fronds, EFB, compost, effluent and expeller are recycled. These are used as

nutrients and are put in place to improve organic matter and to substitute or supplement inorganic fertiliser. Fronds are also used to prevent erosion following pruning and after harvesting of FFB.

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

There have been no plantings since 2007 on slopes in excess of 25 degrees. There is in fact only a small percentage of planting on sloped land throughout PT AM.

There are no fragile soils apart from 200 ha planted on peat in Tanah Rekah estate (see later) reported in the most recent soil survey carried out 2009 by a reputable specialist. Recent maps are available of all soils in all estates.

In steeper areas for most recent plantings properly constructed terracing is used. In former plantings dated from 1998 and earlier planting was completed on areas where terraces were not well formed. There is a plan to reform these terraces properly at replanting.

There is in place a road management plan which is completed for each estate. The programme is monitored including the availability of road plant. The plan includes roads throughout each estate. The plan indicates areas to be graded or have other work completed. Records are kept of the amount of metres maintained in each estate and when this took place. PT AM has this area in hand and is compliant.

The plans include also stoning programmes, drain placement and fixing road camber as well as grading. Grading and other road maintenance is completed on schedule however demand following heavy rain or other disruptions always takes precedence. All roads were in good condition and accessible during this inspection despite wet weather.

Sprayers follow the spraying guidelines as set out in the Field Standards. These are constantly being monitored by the supervisors and divisional managers to ensure pesticide spraying is effective. There no little evidence of over spraying of herbicides during this assessment. Estate harvest paths are mechanically slashed reducing total sprayed area.

**There an area of 200 ha of peat on Tanah Rekah estate. There are channels in place now and they appear to all be within the nominated required depth of between 50-75 CM and effective water gates have been constructed –The plan in place to complete this and has been updated in the Continuous Improvement Plan 2012.**

The peat however is much less than 3 metres in depth with the deepest being 1.2 metres.

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

The company has a policy which includes dedicated buffer zones and riparian areas - including establishing buffers along rivers in accordance with Indonesian laws - a 50 metre buffer for rivers less than 30 metres wide. The rivers and streams in all estates appear very clean and well managed and relatively free from pollution during this assessment. Many rivers and streams were crossed and all appeared in good conditions and very healthy.

It is the policy of PT AM that all buffer zones as stipulated by Indonesian law are re-established at re-planting. There are some water courses which need to be re-established to restore riparian areas at replant. A plan is in place for this. Any palms within the buffer zone will not have any chemicals applied until replant.

There are in place practices to prevent run off of nutrients and chemicals throughout the plantation. Chemical handlers are trained in the disposal of chemicals - waste chemicals containers are disposed of or are re-used for sprayers in field.

A number of wetlands have been set aside as riparian zones and maintained in good condition. There are also a number of smaller wet lands set aside as reserves and more signs have now been put in place to indicate the status of these areas.

There is one large lake of some 700 ha which crosses into Tanah Rekah estate. PT AM have significantly improved this area and it is in a pristine condition by preserving it and preventing any hunting or miss use. However as a large number of banks and approaches are not on PT AM property the placement of HCV and other signs to prevent miss use may not be enforceable. An implemented water management plan has now been fully implemented and formalised as required at the - audit. This was reviewed and re-issued I late 2012.

PT AM are monitoring mill water use per tonne of FFB – and have records going back to July 2007 when a water meter was installed - this is the case for both mills. The rate is less than 1:1 for both mills – this water use has improved steadily since the first audit in 2010.

PT AM have taken action to ensure use of water does not have an adverse effect on downstream users by checking water quality in the lab including checking for e.Coli as well as Ph and Oil and Grease in all streams/rivers/water courses which pass through PT AM property into downstream users which they already monitor. This is further supported by reports from independent approved labs which are completed monthly for all major water ways running through PT AM property. The records showed during period of January to December 2012 all those parameters were compliant with Governor of Bengkulu Decree

No.92/2001. See comments later on standard of water testing authority which appear to be somewhat dubious and require further investigation.

These water quality tests which monitor river water quality both upstream and downstream are carried out regularly and results have indicated that water quality of other users has not been adversely affected. The water quality has not deteriorated through the activities of Agro Muko and this is borne out by the test results received.

There is no POME land application at the present time with regards to mills in PT AM however if this does take place the application is to be recorded.

Mill Effluent is treated appropriately and appears effective. The records of monitoring of effluent are in place - testing is now following a controlled methodology to ensure results are consistent and are within allowable legal limits. There are no occasions when allowable discharge limits for BOD were exceeded.

Water contamination is avoided for both surface and ground water during normal conditions – during abnormal conditions (that is very heavy rain) it is not possible to avoid all contamination.

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

The Integrated Pest Management plan has been documented for all estates – this includes all Integrated Pest management techniques used in each estate. This includes use of barn owls for rat control, planting of beneficial plants as well as use of pesticides. PT AM are planning to minimise the use of chemicals and pesticides by these biological methods.

The main issue in the estates of PT AM is the number of wild pigs in the area. These are numerous and there is much evidence of the damage pigs do to both immature palms and actual ground. As the plantations have matured this damage is now becoming less apparent however this continues to be monitored. The IPM includes traditional hunting of these pigs by local people. The numbers captured in each estate per month are registered to determine if eradication is effective.

An IPM Program is documented for relevant pests that sets out techniques or chemicals to be used, locations and timeframe for implementation. There are records in place in all estates where pigs are in abundance that this is monitored on at least a monthly basis.

In fact all areas which could be subject to any adverse effects of pests are monitored and results records monthly by field assistants in all estates.



There are training records for training of staff in regards to IPM however and are formally recorded on all occasions.

The progress and success of the implantation of the IPM are now reported on a regular basis in a formal manner to GMO.

AGRO MUKO are monitoring pesticide toxicity units (a.i. x LD 50 / tonne of FFB). This is recorded from January 2007. The trend analysis indicates use of Glyphosate in indicated a tendency to increase but has recently started to fall. This trend has continued throughout Agro Muko were each estate manages and records use of all chemicals with a view to decreasing use if possible. Also the use of paraquat is starting to decline and continues to be monitored.

The use of all chemicals is justified and a plan to reduce usage has been presented. This includes chemicals used, dosages, and frequency of use. The reason for use of a particular pesticide is always recorded on the pesticide application records. This may include herbicide spraying of palm circles, chemical weeding and upkeep among other reasons.

***Criterion 4.6: Agrochemicals are used in a way that does not endanger health or the environment. There is no prophylactic use of pesticides, except in specific situations identified in national Best Practice guidelines. Where agrochemicals are used that are categorised as World Health Organisation Type 1A or 1B, or are listed by the Stockholm or Rotterdam Conventions, growers are actively seeking to identify alternatives and this is documented.***

There is evidence in place with regards to PT AM's documented justification for all Agrochemical use. There is a register which records product use, when required, amounts to be used and frequency of use.

Agrochemicals are used to target various pests and diseases. It is demonstrated that only approved chemicals are used. The PMP has documented what chemicals are used and where and in what situation. It stipulates the maximum dose possible for each application. There are also plans in place to gradually reduce the use of Agrochemicals as detailed in the IPM. There are time frames in place in the IPM whereby chemical use is reduced. All chemicals have to be approved for use in line with the application plan.

All estates are recording pesticide use including active ingredients used, area treated, amounts used per ha and number of applications for each area.

PT AM has a register of approved and registered agro chemicals – this has been distributed to each estate and management are instructed that they are not allowed to use chemicals not on this list. There were no agro chemicals being used which were not on this register during this assessment.

Records are in place to clearly demonstrate that all chemicals applied are by persons who have received adequate training. This is mainly for the pesticide applicators. There is evidence that all pesticide handlers have received pesticide application training and records were available in all estates.

The training course for the handling of chemical concentrates is conducted by the pesticide supplier. Records of this training are available.

All pesticide mixers are adequately trained and are aware of the requirements when handling hazardous chemicals. This includes use of PPE, disposal of containers, storage of chemicals and handling of any spills.

PPE for sprayer is identified in Planting Manual as is PPE for pesticide mixers. Correct PPE is provided and is used correctly by operators.

All fertilisers are now stocked with protection from the ground and have space between the stacks and the wall to allow further ventilation.

Storage of chemicals is in locked areas with limited access. All areas where chemicals are stored appear to be adequately ventilated through cross flow ventilation. This will be further improved as PT AM has designed a standardised pesticide store which is to be in place in each estate.

Waste materials are handled in accordance with applicable laws and are stored as per regulations in secure areas. Empty pesticide containers can be re-used by sprayers once they have been properly treated and triple rinsed. Any empty pesticide containers not re-used are stored in the designated storage area as prescribed by Government regulations – this is the B3 store.

All chemicals being used are properly labelled.

There is a list provided by the Indonesian Government of both allowable and prohibited chemicals - this is known as the green book and PT AM have a copy of this publication.

Reduction in the use of paraquat is part of the IPM. However at this stage Paraquat is still used in immature areas and amounts monitored as there is no alternative available.

There are health checks provided for pesticide handlers - this is conducted at least annually. Records are maintained by the company Doctor of all tests. Records of such health check-ups were sighted.

PT AM has a policy in place which prevents pregnant or breastfeeding women from working with pesticides and it is enforced.

There is no aerial spraying of pesticides.

Records of training are kept in each estate of the following:

- Pesticide Mixers
- Pesticide Sprayers

These records are kept in each estate office. The training data is also maintained to show what the training covered.

PPE for sprayers is supplied and use demonstrated in the “blue book” and further demonstrated in training material. The company supplies two sets of overalls so that one can always be considered clean. Overalls are washed at the pesticide mixing areas in specially constructed wash areas so that sprayers and mixers do not need to take them home and therefore the risk of cross contamination with family members is eliminated.

Material Safety Data Sheets (MSDS) are obtained for all chemicals used and are available at the areas of mixing. No concentrates are taken into the field as all spray solutions are pre-mixed in a designated area.

MSDS are translated into the local language.

ASA2 Finding: follow up check confirmed that company held training for sprayers every year, with the latest training was held on 17 January 2013 attended by 45 sprayers. Record held on file “Training Records”. The observation keep closed as of 30 January 2013.

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

There is a documented Occupational Safety and Health plan in place in all the following areas:

- Estates
- Mills
- Workshops
- Clinics
- Stores

All areas have implemented and monitor the Occupational Safety and Health plan to a high standard. This has improved considerably since the pre-audit. Control of Occupational Safety and Health has improved throughout each operational area and awareness of safety and health requirements has risen considerably in this period. Management and workers are to be commended on reaching this high level of compliance.

**Observation 04 (4.7.1):** *There is a safety and health policy; however the documented procedure as mentioned in the policy is not in place.*

ASA2 Finding: Inspection to GMO, mills and estates confirmed that SOP Prosedur Keselamatan dan Kesehatan Kerja (OSH Procedure) No. ENC/SOP/06 dated 02 January 2013 is now in place.

A responsible OHS person has been identified for PT AM and for each estate and each mill – these people are identified to all staff and workers. All representatives have undertaken the required training to be safety representative as required by legislation.

There are regular safety meetings held in all operational areas – they are using the same agenda for each meeting – and includes discussion of any accidents/incidents as well as any potential issues. A workplace health and safety inspection takes place before any meetings to ensure meetings are worthwhile and meaningful. Any requirements are made known to workers during pre-shift musters and records are kept in the assistants diaries. All estates and mills visited have these meetings at least monthly.

All workers are covered by Accident Insurance – this is company policy and a legal requirement.

Regular Health checks are performed of workers who handled pesticides and records are maintained by the company doctor – these checks are carried out at least annually – records of health checks have been sighted. The latest records of health checks was carried out between 14 and 16 June 2012 which is done with collaboration of the Clinic Anugerah Ibu – Muko Muko District for a total of 272 participant for the whole PT AM

**Observation 05 (4.7.4):** *Regular health examination by a doctor for workers in the station expose to high noise level was carried out in general. However a specific audiometric test is also required for those working in the high noise level area. E.g. boiler and engine room operators at both mills.*

ASA2 Finding: Company doctor has carried out “General Medical Check Up” that includes audiometric test for those who working in high noise level area between 12 and 14 June 2012. Record held on file “Notulen Kegiatan Penyuluhan Kesehatan”.

It appears all operations where health and safety is an issue have been risk assessed and procedures and actions documented and implemented to address the identified issues. All precautions attached to products are being properly observed and applied to the workers. The risk assessment matrix is consistently applied across the board and high risk issues are clearly identified and not mixed in with less risky areas. Management and all workers are involved in work place safety. The method of risk /hazard control is documented applying the hierarchy of control. This appears to be effective.

Procedures and plans are in place to address all operations. These have been distributed to all areas and to the respective managers and supervisors. All hazard and risk assessments have been updated at least annually and at times more often. The most recent reviews took place in September 2012.

Employees are made aware of precautions attached to all products including hazardous substances, plant, machinery, equipment, tools, and vehicles through provision of MSDS, training and experience.

Therefore all potentially hazardous operations, such as pesticide application, land preparation, harvesting has been included in hazard/risk assessments.

Therefore overall risk control has continued to be compliant. This is an example only and is not complete of some of the good practices observed.

- All sprayers using appropriate PPE
- Correct signage in place in most places
- Chain guards now in place
- No guard rails missing in Mills
- The company supplies 2 pair of boots (rubber)
- Welders now using protection
- Gas bottles restrained
- Open drains covered
- Good housekeeping

**Improvement is such that only a few issues were noted and an observation made:**

**4.7.5 Observation: Risk control requires improvement as a number of unsafe acts and Unsafe Conditions were noted including but not limited to the following:**

- A number of electrical cables repaired with tape
- No flash back arrestors being used
- Trip hazard with hoses not wound up
- A number of broken gauges on gas bottles
- Lone worker at ponds at Muko Muko mill
- A few containers at Bunga Tanjung Estate were not properly labelled at to the contents – Smart and Paraquat.

See positive comments below:

- Chemical mixing areas were clean, secure and well ventilated. They had adequate signage and well stocked first aid kits.
- Health checks are undertaken by the Company Doctor for sprayers and other labourers in high risk jobs. This includes all employees who are involved in the mixing of chemicals. This includes regular audiometry tests for works in noisy areas.
- The incidence of HIV is low and awareness activities are undertaken by polyclinic staff.
- The incidence of different types of illness is systematically recorded in each polyclinic and aggregated for PT Agro Muko. A summary of the results are available on the Agro Muko website, refer [http://www.tolantiga.co.id/v1/?page\\_id=320](http://www.tolantiga.co.id/v1/?page_id=320).
- There is a high level of cooperation between government health officials and the polyclinics (for

example, government officials visit each polyclinic each month to immunise children).

- Malaria remains a health issue in Muko Muko. PT AM undertakes fogging in the emplacements. Bed nets have been issued by government in some if not all emplacements.
- Each emplacement sorts green waste from other household rubbish. Waste collection is undertaken 2 to 3 times per week.

**4.7.4. Observation. Medical waste from the polyclinics is placed in separate, clearly labelled bins (sharps are separated from other waste) and disposed of by government medical authorities on a periodic basis. Records are maintained recording the disposal of waste. However, the record can be improved by the use of separate form to record waste received at main clinic (Mukomuko Clinic) and those disposed at Mukomuko Hospital.**

There is evidence in place that all workers have been adequately trained in safe working practices as complete records are in place for all training.

There are in place emergency procedures and these are mainly with regards to fires and evacuation drills. There are phone numbers listed in each estate and mill of emergency contact numbers. Also includes training in use of spill kits. It was noted that the estates are also undertaking fire emergency accident drills and records are being kept.

**Minor NC against 4.7.7 (ref. number: A675812/2):** *It is noted accident emergency preparedness procedure available; however the simulation training of fire drills in both mills have not been carried out. It is must also undertaken in the estates.*

*Action: All estates, mills, AMTT and workshops have now undertaken drill in the last 6 months – this included fire drills, accidents drills and other scenarios. Evidence was seen in AMPOM in records if December 2012. They also carry out Tsunami drills.*

The results of any emergency drills are evaluated to ensure that activities are effective.

The control and management of fire extinguishers is excellent throughout all areas. Fire pumps start immediately when tested and all fire hydrants tested were operational with impressive water pressure maintained.

Many employees have been trained in the use of Fire Fighting equipment. Records are maintained of all Emergency response training.

First Aid equipment is largely available in all operational areas including first aid kits which are strategically placed and subject to regular inspection to ensure that they are adequately stocked.

**4.7.7 Minor NC: The emergency fire pump at Muko Muko Mill was not operational and would not start when tested and could not be relied upon in an emergency situation.**

There is evidence of workers being trained in First Aid in all areas – records are available of first aid training by outside body – training certificates were sighted.

PT AM ensure that First Aid trained workers are known to all staff by placing photographs of first aiders in work areas. They have also introduced a system whereby trained First Aiders are also identified by wearing an emblem on shirts which shows a recognised First Aid logo.

There are in place records of all accidents which are reported – there is evidence of work accidents being fully investigated to prevent recurrence. A report is prepared and forwarded to the relevant Government department of all accidents on a monthly basis. The level of reported lost time accidents in the mills remains low which indicates hazard and risk control is effective.

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

PT AM prepares an annual training program which includes both internal and external training. Internal training is generally identified and delivered by the estate/mill managers and field/mill assistants, while external training is generally prepared and organised by the HR Manager, in consultation with Head Office (Medan), including the Company Doctor, and government officials, as well as the Department of Manpower and Transmigration. Internal training focuses on basic skills and safety. External training focuses on a wider range of health, safety and labour topics, including for example, safe handling of chemicals.

In addition to first aid and safety training provided to health staff (nursing officers and midwives), the Company Doctor meets with health staff twice a year and provides information and training on new medicines or medical practices.

In addition to periodic training, the morning muster is used as an opportunity to provide awareness to employees on topics such as company policies, health and safety aspects, health and hygiene promotion, etc. In addition to direct company employees (commonly referred to as *estate or mill labour*) the morning muster includes the employees of many of the contractors (who for example, work in the nursery or undertake weeding, and are commonly referred to as *free labour*).

The field/mill assistants are required to provide induction training for new staff. The induction includes information on company policies and regulations. Following induction training new staff are placed under

close supervision of foremen until the foreman are satisfied with their competency.

It appears that training is supplied to all employees and contractors when appropriate and records of this training are maintained.

There are formal training programmes in place as well as there being a regular assessment of training needs for all operations. This formal training requirements and assessment of need takes place in plantations and mills. There was a formal training programme for 2012 and an indication was given of all training undertaken in line with the programme.

A training programme is in place for 2013 for all areas.

Specialised training courses are also planned as the need arises and this includes group or in house training. Some training is carried out on demand.

There are also formal training records for all supervisory staff up to the level of senior management. This includes recording of external courses attended or skills attained – these records are maintained by the Human Resources & Administration Department (HRAD).

There are training records in place at each operational site recording skills and training and these were sighted at all estates and mills visited as well as other areas such as workshops and clinics.

Some of these records are in the form of attendance at training which is given in the field or formal skills such as plant operators, driver's licenses, boiler operators and Red Cross First Aid.

**Observation 06 (4.8.1):** *Lack understanding of MSDS by the chemical store operators. During interview with two operators in the mill and one in the estate indicated they are not able to explain content of MSDS properly although they have been trained previously*

All workers handling chemicals who were questioned as part of the audit were able to explain the purpose of MSDS as well as the contents and what actions were required if these was a spill or workers were injured by chemicals and what actions to take such as use of the safety shower.

**Criterion 5.1: Aspects of plantation and mill management, including replanting, that have environmental impacts are identified and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored to demonstrate continuous improvement.**

All internal environmental impact assessments have been carried when and where appropriate. Records of all impact assessments carried out are readily available. The latest review was undertaken in early September 2012 and will be again reviewed at least annually.

All environmental impact assessments (AMDAL, UKL/UPL) have been carried out and approved by appropriate government body. In 2005, the company took a step to unite several estates into one management and prepared the AMDAL document to cover overall operating units (oil palm mills and their supply base and rubber mill and rubber estate), which was approved by Government of Bengkulu Province on 14 November 2005 (letter No. 425/2005). Inspection found that a copy of the report was available in each operating unit. All environmental impact assessments cover both on site and off site activities.

Details of chronology on the environmental document were readily available. Information on chronology of previous environmental documents such as AMDAL, UKL/UPL was also available.

Initially there are two environmental documents for PT AM properties.

(1) Studi Evaluasi Lingkungan (SEL) for Oil Palm, Rubber, and Cacao Plantation and its processing unit of PT Bengkulu Plantation (Tanah Rekah Project) approved by Department of Agriculture on 06 July 1992 (RC.220/986/B/VII/92). This SEL covers Tanah Rekah Estate (2,244.36 ha)— (1988 – 2003); Sei Jerinjing (2,198.33 ha) and Lubuk Pinang Estate (1,336.81 ha) are currently divided into three estate: Sei Betung Estate; Talang Petai Estate (1997-2006), and Sei Kiang (Estate 1996 – 2007).

(2) SEL of PT AM (Muko-Muko Estate), for Oil Palm, Rubber, and Cacao Plantation and its processing unit totalling 14,755 ha on 24 September 1999 No. RC.220/1601/B/IX/92, Department of Agriculture, currently divided into Muko-Muko Estate 3,731 ha (planting 1988 – 2007), Talang Petai Estate (2,270 ha – planting 1997 – 2006), Air Bikut Estate (1,140 ha planted 1991 – 1998), and Bunga Tanjung Estate 2,903 ha (planting 1998 – 2006).

Following company expansion plans from initial planting of 11,830 ha and conversion of crops from cacao as covered by the two SELs into 22,928 hectare of estate, a new revised AMDAL was prepared in replacement for both SEL's in 2005. Company has an approved AMDAL document to cover overall operating units (oil palm mills and their supply base and rubber mill and rubber estate), approved by Government of Bengkulu Province on 14 November 2005 (letter No. 425/2005).

PT Agro Muko also hold an approved UKL/UPL document for Air Buluh Estate (2,500 ha) approved on 16 January 1999 (planting year 1998 – 2007) by Bupati of Bengkulu Utara and UKL/UPL for the Bulking station (AMTT) approved by BPDLD Padang. There are three environmental documents in effect, that are an approved AMDAL document and a separated UKL/UPL documents for Sungai Buluh Estate and AMTT.

Improved control was observed with regards to the activities of the contractors working at the Quarry in

Bunga Tanjung Estate. This included control of hydrocarbons and the management of waste. The area has been cleaned up and there is no waste around this area during this assessment. The improvement in appearance of the area is considerable.

All environmental impact assessments cover both on site and off site activities. Whenever there are changes made to operations and changed impacts are updated to reflect these changes

Impact assessments have included all environmental components:

- Building new roads, processing mills or other infrastructure.
- Putting in drainage or irrigation systems.
- Replanting or expansion of planting area.
- Disposal of mill effluents (see criterion 4.4).

There are regular reports with regards to environmental management as required by regulatory authorities. This includes the RKL-RPL reports which are submitted 6 monthly. There is also reporting and testing smoke emissions on a 6 monthly basis.

Inspection of the document found that PTAM has prepared RKL/RPL report twice yearly as required by the AMDAL document with the last report was prepared on 26 January 2013 for the period of July – December 2012.

**Observation 07 (5.1.2): Review to the RKL/RPL for PT Agro Muko operation that consist of two mills and supply base indicated improvement is required as the current report has not properly follow Ministry of Environmental Decree No. 45/2005 guidance. For example, the report did not include trend analysis, critical point analysis and compliance analysis as required by above mention decree.**

**ASA2 Finding: PTAM has prepared RKL/RPL report twice yearly as required by the AMDAL document with the last report was prepared on 26 January 2013 for the period of July – December 2012. Review to the documents confirmed that now the report has follow Minister of Environmental Decree No. 45/2005 which includes trend, critical, and compliance analysis.**

**Observation 5.1.2: AMTT has submitted UKL/UPL report for period of July – December 2012 to Environmental Office on 21 January 2013. However, the report can be improved by including OHS aspect in the report, adding trend data on environmental performance, and clear explanation of environment change around AMTT operation.**

**Criterion 5.2: The status of rare, threatened or endangered species and high conservation value habitats if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and their conservation taken into account in management plans and operations.**

HCV assessment of PT AM has been undertaken by appropriately qualified and experienced expert from Yayasan Sawit Berkelanjutan (Indonesia Sustainable Palm Oil Foundation – ISPO Foundation) using the guidance of Indonesia HCV Toolkit 2008 to monitor the possible extent of HCV inside the estates as well as area adjacent to it. All HCV's are mapped and identified.

ISPO Foundation concluded that PT AM has already set aside conservation areas of a total of 2,304.9 ha consisting of natural vegetation in between palm planting to provide habitat and corridors for wildlife. During the assessment HCV 1 identified in PTAM totalling an area of 2,169.47 ha (9.47%) in all estates, HCV 2 of 200.78 ha (0.88%) in SBE, SKGE, and BTE; HCV 3 of 494.73 ha (2.16%) in TRE; HCV 4 of 1,529.96 ha (6.68%) in TRE, SBE, SKGE, TPE, BTE, ABKE, and ABE; no HCV 5, and 1.56 ha of HCV 6 in TRE, MME, SBE, SKGE, ABKE, and ABE.

Indications from the report (as above) indicates that a number of HCV areas were identified including HCV 1, 2, 3, 4 and 6 in some Estates. All HCV are mapped and identified. The map is detailed and supported by a management plan developed by the Estate. The HCV report identified HCV areas and the proposed management plan.

The assessment also found 32 species of birds 7 of them are protected species, 18 mammals (7 of them are protected species), and 9 reptiles (1 of them is protected species).

PT AM established the conservation status, legal protection, population status and habitat requirements of rare, threatened or endangered species that could be significantly affected by the grower or miller.

HCV areas identified are sign posted and this is effective and more signs have been erected to clearly identify areas as HCV's – there are signs on all boundaries of HCV stating the type of HCV and status.

Measures taken currently include the exclusion of HCV's from plantation activities. There are already sign posts in place warning outsiders that hunting, logging and fire use are prohibited and inform others about the HCV areas. The signs are informative about what is designated as HCV.

The management of sensitive HCV areas including some historical grave sites is well controlled and now identified in the environmental aspects/impact register. The management are aware of these areas and need to add them to the environmental aspects register.

PT AM has established appropriate measures to protect riparian reserves, such as conducted awareness training for "conservation cadets", socialization to field workers, and regular inspection by security to prevent hunting and disturbance.

HCV management plans are available in each estate.

PT AM have appointed a Manager who amongst other responsibilities is responsible for RSPO- and also have in place a dedicated Conservation auxiliaries team which supports the implementation of RSPO P&C requirements.

An employee is now nominated to monitor the plan and activities to manage HCV specifically for each estate. Overall Estate managers are responsible for ensuring the Estate protects HCVs in their respective estates. These are reviewed at least monthly with reported being submitted to show level of control in place.

**Observation 5.2.5. Inspection of the Talang Petai Estate housing found examples of caged dove-spotted bird which is likely to be captured from the estate. This is indicated inadequate understanding of workers on the wildlife conservation.**

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

There is a waste management plan in place and it is current with the most recent review being in July 2012. There are formal rubbish collections in all areas at least weekly. This is monitored to make sure it happens as planned. The waste management plan is covered in the EMS and includes pesticide contaminated waste.

There are plans in place to recycle where possible. Including batteries, aluminium, waste oil, chemical containers, half drum is used for spill kits and rubbish bins. Green waste is recycled wherever possible. Recycling includes information as to types of wastes, prohibited wastes, recycling guides, re-use of nutrients, management of effluent ponds, increasing the efficiency of mill extraction etc.

All waste streams have been identified in the waste management plan and they are now handled appropriately in all areas. Waste control at present is compliant with household waste being controlled adequately in all placements.

The following waste streams have been identified and are controlled through the EMS:

- Office Waste – segregated, recycled where possible with rest to the landfill.
- Household waste – segregated, recycled where possible with the rest to the landfill. Drainage from housing, waste to landfill.

- Human waste – Septic Mill Effluent – through effluent ponds and land application (none at present).
- Fibre – Fuel for furnace.
- EFB – Fertiliser.
- Oils and Hydrocarbons (including containers) to B3 store.
- Pesticides (including containers which are triple rinsed, punctured and disposed of in the B3 store)
- Pesticide spills – cleaned with spill kits used kits sent to B3 store
- Hydrocarbon spills treated with sawdust. Burnt in boiler.
- Used oil – recycled, Stored in B3 storage.

**Minor NC against 5.3.3 (ref. number A675812/3): Empty chemical container must be kept in the temporary hazardous waste storage, or reused in accordance to the product label and existing regulation.**

**Finding ASA 2 Empty containers are now kept in B3 store or in pesticide store and are secure. All B3 stores were visited in reach location including all estates visited, in the workshop and at each mil and all were in good order. Where possible empty pesticide containers are re-used following rinsing and proper attention.**

Landfill sites are in place and improvement has been made in the management of these areas and they are effectively managed.

All Land fill sites have no odour and waste is within the pit and not spreading. Most are fenced and identified as to location.

Landfill sites are now included in monthly estate inspections. Waste collectors have been trained to be more efficient in the use of the landfills – for example fill from one end and compact as they go rather than fill in all areas and also exclude green waste from landfills.

PT AM also have in place treatment system for POME in the form of effluent ponds.

Records of the disposal of pesticide drums are kept.

Medical waste from clinics is managed properly. All clinic officers said the clinic waste was collected by regular waste collector. In all clinics the clinical waste is well managed.

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

PT AM uses fibre which powers the boiler which produces steam which drives the turbine which electrify - at present this is at around 75% of all power for the mills. AGRO MUKO provides records of both monitoring of kilowatt hours per tonne of palm product and Kilogram of steam per tonne FFB.

A large number of sheds including pesticide and fertilisers stores are relying on natural light (translucent roof panels) and therefore use of electricity for lighting is reduced. This is now in virtually every enclosed storage area which has considerable roof areas.

**Fuel Efficiency:**

For Mukomuko Mill in 2012 : 1.99 liter HSD/mt FFB (2011 : 2.06).

For Bunga Tanjung Mill in 2012 : 1.24 liter HSD/mt FFB (2011 : 1.66).

Both mills saw their efficiency increase due to better maintenance and operational controls. Volumes processed were marginally higher in both mills, which supported higher efficiency.

PT AM monitors the use of non-renewable energy (diesel) and this is monitored in the form of data which records use of diesel per tonne of FFB.

The fuel used for all operations is measured and monitored with a view to reducing use of non-renewable energy. Records indicate that levels of non-renewable resources are well monitored and ensure this use is below the budgeted amount.

This information has been gathered and collected annually since 2009.

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

There is no burning in new developments or at replanting. Burning is not allowed by PT AM and there is no evidence of burning.

There has not been any sanitary burning at PT AM at this stage.

There was no sighting of the burning of domestic waste by workers and families of PT AM during this assessment. Burning of domestic waste is against company policy and is strictly monitored to ensure this remains the case and is part of the inspection regime. Inspection of the housing e.g. MMM housing confirmed there was no evident of fire used for domestic waste disposal. There was no evidence of fire use in any areas visited.

PT AM has a procedure in place with regards to land burning emergencies and records are maintained of training in response to fire. Records are kept if at any time PT AM has to respond to illegal fires or outbreaks.

Fire Extinguishers are regularly checked and inspected and are widely available in all areas and are appropriate. All fire hydrants checked worked effectively. There is

evidence of regular routine checking of all fire fighting equipment.

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

Assessments have been carried out on all recognised polluting activities and include gas and smoke emissions, particulate and soot emissions, effluent control, treatment and discharge. Any significant pollutants and emissions have been identified. There is a plan in place to reduce pollution – this is included in the environmental aspects/impacts register.

Stack emissions are measured by a 6 monthly check as required by Government regulations – evidence of these inspections is available for both mills.

PT AM also identified POME which is used for land application (although not at the present time) and BOD is monitored. Records indicate the results are well below thresholds as set by government.

PT AM also monitor any water courses which could be affected by operations to ensure there are no pollution effects from the operations of the mill.

PT AM are also checking the purity of drinking water including testing for e.coli and faecal coli forms. These are completed at an outside lab and confirm ongoing water quality is acceptable.

The strategies to reduce pollution are documented in the EMS documentation. Records are in place for all reports which are received from analysis at independent labs. Results indicate if PT AM are reducing pollution and any emissions are within allowable limits.

**Minor NC against indicator 5.6.3 (ref. number A675812/4):** *Inspection to the diesel storage area at Bunga Tanjung and Air Buluh Estates indicate a minor crack on the containment wall which it could potentially cause pollution during emergency situation. While at Muko Muko Estate inspection was indicated empty fuel container were placed in the open area which can cause pollution during rain. Pollution control device at the generator room area also was not effectively to prevent pollution.*

ASA2 Finding: Bunga Tanjung and Air Buluh estate has provided photographic evidence on the repair of minor crack at containment bund. At Muko-Muko Estate, inspection confirmed no more empty fuel container placed at open area. Estate had also redesign oil trap and carried out regular clean up weekly. NC has now been closed on 31 January 2013.

**Observation 5.6.3: The following items required improved control. At Tank Farm in Padang – Evidence of small spill in Gudang not treated, Interceptors**

**require regular inspection and cleaning, all valve to be set in closed position.**

**Criterion 6.1: Aspects of plantation and mill management, including replanting, that have social impacts are identified in a participatory way and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.**

Social impact assessments are undertaken by both PT AM and independent consultants depending on the situation. Items considered which could have potential social impacts include: Building of new roads, new mills, planting expansions, mill effluent disposal and clearing of natural vegetation.

In all EIA documents the major emphasis is on the physical/environment impact such as soil, air, water, wastes, fauna, flora and human activities).

PT AM has an approved AMDAL document to cover overall operating units (oil palm mills and their supply base and rubber mill and rubber estate), approved by Government of Bengkulu Province on 14 November 2005 (letter No. 425/2005). The AMDAL also sufficiently covers social aspects, including both negative and positive impacts.

All mills and estates have a copy of an approved revised AMDAL document and UKL/UPL documents depending on the requirement of each operating unit. In May 2010, PT AM in line with the RSPO certification preparation, has supplemented the AMDAL and UKL/UPL information with regards to negative and positive impacts with additional Social Impact Assessment carried out between 15 April and 5 May 2010 by ISPO foundation which included consultation with the local community in form of Focused Group Discussion (FGD) with stakeholders including government representatives, mills and estates, and surrounding local communities (38 villages overall). It was confirmed with local communities that they were involved during the AMDAL preparation.

The Management of PT AM has taken into account a number of social impacts and these include: Access and use rights, economics, subsistence activities, cultural values, Health and education. These have been thoroughly documented through the Social Impact Assessments.

The criteria specifically required that unit's management review documented environmental and social impacts. Currently all estates have prepared RKL (environmental management plan and UPL (environmental monitoring plan). These documents are applied as environmental impact assessment (EIA).

Regular RKL/RPL reports are available. PT AM submit Environmental Monitoring Report / Environmental



Management (RKL/RPL) every six months. Inspection of the document found the GMO has prepared and submitted the report to appropriate government agency in January 2013 for the period July-December 2012.

All CD/CSR activities are dependent on the community requests. Most of the requests related to the road improvement, contribution to schools, mosques/churches, and village administration facilities.

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

PT AM has documented a procedure of communication with internal and external stakeholders on "Prosedur Keluh Kesah dengan Pihak Internal" (SOP/025/HRA date 23 December 2009) for all operating unit within PT AM that has been socialized to workers and "Prosedur Keluh Kesah dengan Pihak Eksternal" available publicly in company website <http://www.tolantiga.co.id/v1/wp-content/uploads/2010/03/Prosedur-Keluh-Kesah-Pihak-Eksternal.pdf>. Interviews with local communities confirmed effective communication with PT AM. Inspection of PT AM documents confirmed that all operating units have already socialized the procedures and maintained a record of communication with external stakeholders, including actions taken in response to input from stakeholders. These records were available at audit for the Social Auditor.

All stakeholders consulted during the audit commented favourably on their relationship with PT AM, which indicated that PT AM maintained a good rapport with stakeholders. The labour union, emplacement residents, KMD committees, company employees, local community representatives, NGO, and government officials indicated that they had good access to managers when they wished to raise or discuss issues, and generally received a quick response.

Records are kept of all community requests/proposals of activities and management unit responses which include follow up to ensure actions are complete. The responses to the community responses/requests have been made consistently throughout the estates.

All community/stakeholders communication is responded to by Estate Managers - who nominates a responsible person to undertake the task if he is not available.

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

A procedure is available for handling complaints. Records of the handling of complaints is documented and managed. Each unit manager is responsible for the management of complaints. There is a documented

system aimed to resolve disputes. A grievance book is kept in all estate and mill offices. Items are dealt with on a local level unless they cannot be resolved and then referred to more Senior Management for further consideration.

The procedure includes land dispute handling procedures. An external grievance procedure was issued on 23 December 2009 and is available to the public in <http://www.tolantiga.co.id/v1/wp-content/uploads/2010/03/Prosedur-Keluh-Kesah-Pihak-Eksternal.pdf>.

Another procedure dealing with internal stakeholders has also been issued. Inspection of all operating units confirmed the procedure is already in effect and has been socialized to staff and workers. Interviews with workers and external stakeholders indicated understanding of grievance process. Each operating unit is responsible for the record keeping of grievances and outcomes. For example, several grievances was raised to AMTT by security guard, inspection to the record and interview of security guard confirmed appropriate handling of the complaints. Record held on file "Prosedur Keluh Kesah".

Any disputes which are resolved and are agreed are signed off by the grieving party.

**Minor NC against indicator 6.3.3 (ref. number A675812/5):** *the procedure for identification and calculation of fair compensation for land dispute settlement with the involvement of local community representatives and relevant agencies is not available.*

ASA2 Finding: At the time of ASA1, there was a draft of procedure of fair compensation for land dispute settlement with the involvement of local community. Now, the draft has been formalise into SOP/CA/02 dated 01 July 2012 and held at GMO. The NC has now been closed on 31 January 2013.

**Criterion 6.4: Any negotiations concerning compensation for loss of legal or customary rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.**

Hak atas Tanah". The procedure requires involvement of local communities and government officials for identification and assessment for compensation and witnessing payment. Information on compensation is publicly available.

Records of people identified and entitled to compensation are in place. Records of all compensation issues are retained. The process and outcome of any negotiated agreements and compensation claims are documented and publicly available. However records will not be made publicly available unless agreed by affected

parties. The outcomes to any settlements are not made public although information quickly becomes known.

Although PT AM is not acquiring or utilising land which is legally or customary owned by other entities, it is planting oil palm on village land for the benefit of the village. The Kebun Masyarakat Desa (KMD) or mini-estate program is one in which PT AM establishes and manages a 10 to 15 hectare mini-estate on village land for the benefit of the village. At present, the KMD income greatly surpasses other sources of income available to the village. Interview of KMD officials and community representatives at sample village confirmed positive respond to the KMD programme.

As it has been mention in 2.2, local people occupied some parts of the HGU area. PT AM has a program to take back the land by paying compensation for any improvement of the land. For Example: at Air Buluh Estate, approximately 82.00 hectares of HGU area still being occupied by 29 settlers of local village. As per January 2013 (at the time of surveillance visit) most of the area at Block V, X, R, Q, P & N mostly still occupied by local people, who hold around 1 to 6 ha. One parcel (2.13 ha) has been settled on 01 November 2012 where an agreed compensation was made. The rest is still ongoing process due to high demand of improvement compensation of the settlers. Record held on file "Ganti Rugi Tanam Tumbuh (GRTT).

According to local people, even though an occupation prevail, however, no land dispute areas since at this time PTAM always pay compensation to the settlers following negotiation by paying ex-gratia compensation.

This estate also committed no planting will be carried out upon completion of land improvement compensation. Inspection to the record indicated that the estate has proper land release mechanism. Records of all negotiations are maintained although all occupations are illegal with regards to HGU as the land is legally owned by PT AM. For example, on 01 November 2012 PT MA paid land compensation to Isut for 2.13 ha for IDR 42,600,000. Receipts and photo of the persons receiving the money is kept by estate. The transaction was witnessed by "stakeholders" from local representative and endorsed by local authority (Camat and village head).

Following resurvey to the estate boundary in 2012, it was found out that 49 ha of Divisi 1 conservation area bordering with Talang Petai village have been occupied by 17 people, while at Divisi 2 about 7 palms and 30 palms by two residents. Negotiation was underway for Divisi 2, when at 09 December 2012 local people proposing a certain amount of compensation, expected to completed by 2013. As for Divisi 1, 8 of people (29 ha) have agree surrender the land and waiting for HO approval, 7 people (17) admitted their intention to surrendered the land, while the last to person (3 ha) in the initial process of negotiation. Progress of resolution has been submitted to GMO at 31 November 2012, the

compensation process was pending upon HO approval. Record held on file "Rekaman Perselisihan".

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

PT AM has approximately 100 staff (managers and other senior positions) and 2,200 direct employees.<sup>1</sup> Pay rates for estate/mill employees are agreed to annually in consultation with the labour union, after considering the minimum wage set by government. The minimum wage is currently R.780, 000/month (approximately US\$88). PT AM has a basic wage of R.840, 000/month (US\$94), but often adds overtime and includes the provision of a range of other benefits (housing, water, electricity, etc.). Over the past three years PT AM has increased the basic wage from R.732, 000 (2008) to R.780, 000 (2009) to R.840, 000 (2010). This represents an increase of 6.6% and 7.7% respectively.

Employment conditions are specified in the Perjanjian Kerja Bersama (PKB) or collective labour agreement, which is again finalised in consultation with the labour union and reviewed every second year.

GMO advised pay rates every new fiscal year to every operating unit in accordance to the regional minimum wage. The company is applying The Decision of Minimum Wage set by Provincial Government.

The minimum wage is currently IDR 1,200,000/month (approximately US\$130 for 2012) since 01 January 2013. At the time of audit, basic wage IDR120,000 (US\$130) but often adds overtime and includes the provision of a range of other benefits (housing, water, electricity, etc.) and additional three months basic salary bonus per year. Interview of harvester, sprayers, and SPAM representatives in average they are able ear approximately between IDR 1,200,000 (US\$130) and IDR 1,500,000 (US\$168) during high FFB yield. Over the past three years PT AM has increased the basic wage from IDR 732,000 (2008) to IDR 780,000 (2009) to IDR 840,000 (2010), to IDR 900,000 (2011), to IDR 930, 000 (2012) to IDR 1,200,000 (2013). This represents an increase of 7.1% and 29.0% respectively. Following the enactment of new minimum wage for 2013 of IDR 1,200,000 (US\$130) since January 2012, PTAM and SPAM will held meeting 2012 to negotiate basic salary for 2013. Upon agreement PTAM will pay the discrepancy of wage since January 2013.

Wage levels exceed the minimum government requirement. In addition, PT AM provides a range of additional benefits, free of charge, including housing and utilities (water, electricity and garbage collection), medical support, a kindergarten in each estate/mill, and

school buses for children to get to and from primary and secondary school.

While salaries are paid into bank accounts, pay slips are provided to each employee every fortnight. Pay slips are generated by each estate/mill and provide adequate detail, including the basic wage, the value of rice provided (as required by law), overtime and any other allowances, tax and any other deductions, and the net pay. Workers interviewed said that the pay slips were clear and easy to understand. Furthermore, a local bank visits each estate/mill every fortnight to enable employees to withdraw some cash, as needed.

Working conditions have been agreed with the labour union (refer Criterion 6.6) and are specified in the PKB. The PKB is reviewed by SPAM and PT AM every two years. The previous review, conducted in late 2012, resulted in changes to a range of working conditions and entitlements, including, for example, scholarships for children to attend school, travel allowance rates, rice allowance eligibility, the quantity of safety shoes issued, etc. Therefore working conditions are documented in the Collective Labour Agreement (CLA). CLA is the document of agreement between workers represented by Labour Union (Pengurus Serikat Pekerja Agro Mandiri (SPAM)) and the company dated 23 October 2012, for period of 23 October 2012 to 22 October 2014. The CLA is produced in a form of booklet which is currently distributed to employee representatives only, but accessible to all workers. The CLA is in line with regulatory requirements approved by the Manpower District Agency. Inspection of record and sample of pay slips confirmed pay and conditions are in accordance with the Minister of Manpower Decree No Kep.102/MEN/Year 2004 and CLA agreement between Labour Union and PT AM.

The Company provides housing, water, electricity, medical support, kindergarten and school bus services for all 3,137 staff and employees and some free labour (as of November 2012). The houses are relatively spacious and have electricity (generally from 5 pm and 7 am), with the exception of GMO with available 14/7, plus water, showers, toilets, etc. The houses and surrounding areas appear clean and tidy. Each estate/mill generally has a kindergarten and polyclinic. Both provide free services for the employees and their families. The polyclinics provide a range of inpatient and outpatient services and are staffed by qualified personnel. The Company provides a free bus service for children to attend school.

**6.5.3 Minor NC: It was noted that in latest water tests that the ph. was below the limits required and set by government. This reading appeared to be the same for all areas even though some sources were over 100 kilometres apart. These recording appear dubious and should have been further investigated to determine the cause. There were no complaints from residents and therefore these readings should have been in doubt.**

Each estate/mill emplacement has a regular maintenance program (generally targeting around 1/3 of the houses each year). Other requests for more immediate repairs are made to the foreman and passed onto the estate/mill managers. The response to these requests are according to interview of residents said to be adequate.

PT AM provided SPAM with a loan of approximately R1.1 billion. While the loan is to be repaid over a 20 year period, it has been used to help SPAM provide services to its members. This includes the establishment of the Koperasi Serba Usaha – Agro Muko (a cooperative run by the labour union). The Koperasi buys goods in bulk and sells to the members at comparably low prices. In addition, the Koperasi maintains a schedule of visits to all estate/mill emplacements to sell the goods (avoiding the need to travel to buy store goods), and members can deduct the cost of goods from their salary for the next fortnight. A receipt for all sales is printed electronically and provided to the buyer (employee), with a copy kept on file by the Koperasi. The Koperasi informs the estate/mill pay officers of the amount of goods bought on credit and deductions are made from the following wage payment.

The Company currently has agreements with 37 contractors. The agreements stipulate that contractors must abide by the law, including wage rates and employment conditions for staff. PT AM undertook socialisation of this requirement in February 2010. Any contractor not participating is required to complete socialisation prior to the commencement of work.

While most contractors appeared to meet or exceed minimum wages and basic conditions, one contractor appeared to have staff working long hours for extended periods. This occurred at a rock crusher, where 12 men resided for periods of two months at a time, after which they returned to their homes for a short visit. While on site, the men indicated that they exceeded both the maximum length of work in any one day, and the number of days worked without time off. While the contractors were not complaining, PT AM should provide routine checks of contractors to ensure they are complying with labour laws.

PT AM has decided to directly employ sprayers and some other positions rather than engage them as free labour. This will increase the benefits provided to these employees and give PT AM more direct control of the workplace.

***Criterion 6.6: The employer respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel.***

The Pengurus Serikat Pekerja Agro Mandiri (SPAM) is an independent union for all estate/mill labour and free labour working for PT AM. SPAM was established in

2006. Prior to this time workers were represented by a national union. SPAM has around 3,100 members, with no membership fee.

SPAM branches have been established in each estate/mill. The union committees generally meet each month, while they meet with the estate/mill management every 2 or 3 months.

The main SPAM committee, which is elected for a two year period, meets monthly and has meetings with the HR Manager of PT AM every quarter. The union and its estate/mill branches appear to have maintained a good relationship with PT AM since establishment in 2006

PT AM has a policy on Freedom of Association. The policy is clearly displayed on notice boards. The vast majority of estate/mill employees are members of SPAM. The policy has been socialised during morning muster.

Minutes of each meeting between SPAM and PT AM are documented; signed by both parties; and recorded on file by SPAM and the HR Manager (on behalf of PT AM). Minutes between SPAM and the estate/mill managers also appear to be well documented, signed by both parties and records kept on file.

***Criterion 6.7: Children are not employed or exploited. Work by children is acceptable on family farms, under adult supervision and when not interfering with education programmes. Children are not exposed to hazardous working conditions.***

PT AM does not knowingly employ workers under the national legal age limit.

The policy does not allow for any employees under 18. The policy is clearly displayed on notice boards (e.g. in polyclinics, offices, other work areas).

Each direct employee has an individual contract with PT AM. The contract records the date of birth, which is taken from the employee's identify card. The awareness of the minimum age requirement has been raised during meetings at the GMO and with the estate/mill managers.

This minimum age policy is also reflected in all agreements with contractors.

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

PT AM has an equal opportunities employment policy. The policy is clearly displayed on notice boards (e.g. in polyclinics, offices, other work areas). The awareness of the equal opportunities policy has been raised during

meetings at the GMO and with the estate/mill managers.

There was no evidence or allegations of discrimination during the audit. Males and females have equal opportunity and receive equal wages, although male employment far exceeds female employment. Employment preference is given to local people, when they have similar qualifications and/or experience to candidates from other areas.

There is no indication of discrimination. Interview of workers and review of pay record indicated female and male has the same opportunity in job and payments. Local people also have opportunity for employment

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

There is a policy in place on Sexual Harassment and is documented and available to Managers, assistants and all stakeholders via notice boards although could be more widely distributed.

There is a documented policy in the CLA on the protection of reproductive rights available on subheading of Maternity Leave. Women who are pregnant or breastfeeding are not allowed to work in a dangerous environment. It is PT AM policy not to assign pregnant or breast feeding workers as sprayers, and will be transferred to other duties once confirmed pregnant by the company doctor. Meetings with workers confirmed their understanding and implementation of the policy.

PT AM provides 3 months paid maternity leave and pregnant women or breastfeeding mothers are not permitted to undertake jobs which may put their babies in danger, such as spraying or anything involving heavy lifting. In addition breastfeeding mothers are permitted a 30 minute break each morning and each afternoon to breast feed their babies. If the mothers are not in close proximity to the emplacement, the company provides transport and additional time, if necessary, to allow the mother to breast feed.

There is documented procedure of the grievance mechanism, which included internal and external stakeholders. Management has provided training to manager and staff. Women's groups were established to facilitate grievance of women. A regular meeting have been carried out for example at AMTT the last meeting was held on 10 January 2013 attended by all employees. Record held on file "Gender Committee".

A sexual harassment grievance mechanism has also been established – there have been no reports received or documented of sexual harassment. Interview of female workers at the Tanah Rekah Estate, Sei Kiang Estate, Talang Petai Estate, and Bunga Tanjung Estate confirmed

understanding and willingness to use the procedures if they need to.

There is proof implementation of reproductive rights and it is written in detail in the PKB documents to guarantee leave and medical treatment.

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

At the time of audit, PT AM does not buy FFB from smallholders but has entered into agreements with 51 local villages for the establishment of KMD (mini-estates) on their land to make of a total KMD estate of 620 ha. Each KMD varies from 10 to 15 hectares in size, but provides a long term source of income for the village. There is a short term outside grower (around 1 month only), but have been stopped last year.

The price of FFB used in the calculation of payments to villages under the KMD scheme is calculated by PT AM in Medan and publically displayed at each mill. According to several KMD committees interviewed, the price is generally higher than that paid by other mills in the Muko Muko area. The prices paid are also sent to the KMD committees directly each month.

The Marketing Department of Medan HO advised FFB price to the GMO every week by email according to the agreed formula. The GMO later advised the FFB price to Estates, Mills, and KMD officials, who are handed a copy of latest information which is made available to KMD representative. An example was that on 23 January 2013 (for period 14-20 January 2013), GMO received FFB price from Medan HO (letter number GM-AM/EDB/1/012. GMO later issued letter to inform the price to Estates, Mills, and KMD and advised the KMD on the same day. A record of FFB price is publicly available in each estate office and publicly accessible. It is sighted on the noticeboard close to the weighbridge.

Agreements for the KMD specify the need for inputs, but the cost is not estimated in the KMD agreements. Rather, the quantity of inputs and cost are recorded by PT AM, along with deductions and the outstanding debt, and this information is sent to each KMD committee periodically but a least monthly.

PT AM uses a range of contracted services, including the provision of labour for some field activities (e.g. spraying, fertilizing, nurseries), building construction and maintenance, production of gravel, etc. [Truck drivers are contracted by PT Agro Muko]. Contracted services are clearly documented and the cost of inputs or services clearly stated

PT AM have a template for contractual agreement of contractors indicating term and condition of the contract. Engagement of contractors follows certain steps, e.g. pre-qualification program, selection criteria and explanation of contract terms and conditions.

KMD villages and contractors appear to have a full understanding of the contracts they enter and the contracts appear to be fair, legal and transparent.

KMD villages and contractors appear to be paid on time. Sub-contractors also appear to be paid adequately and on time – there have been no complaints of late payments received or recorded

There is an induction process carried out which includes contractors prior to work commencement, which includes safety and PPE. Interviews with contractors confirmed that all contractors understand the contractual agreements they enter into, and consider that contract agreements are fair, legal and transparent.

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

PT AM provides regular financial and in-kind assistance to government agencies, NGOs, other organisations and local communities. Requests for assistance are recorded, along with the Company's response. Detailed records are maintained showing the amount (or value) of each contribution. The most common types of assistance are materials for the construction of public buildings (classrooms, village offices, mosques, etc.) and grants to help celebrate festivals or public holidays.

The first KMD site was established in 2001, and of the 51 established to date (January 2013), 17 have repaid the initial debt, 21 are repaying their debt, and 13 are yet to commence production. Following several villages split, it is anticipated request from another 21 villages for additional mini estates. This will bring the total KMD villages to 72 (or around 48% of villages in Muko Muko sub-district). Not surprisingly, the KMD program is now very popular and PT AM regularly receives requests for new or expanded sites.

At the time of surveillance, three more villages have requested a development of KMD for their villages. PTAM will review its feasibility and carried out intense discussion with those villages before come into the conclusion. It would be taken about 6 month to arrive into go/no go decision at the latest.

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

There are no new plantings included in PT Agro Muko plantation and supply base areas

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

There are no new plantings included in PT Agro Muko plantation and supply base areas

**Criterion 7.3 New plantings since November 2005 have not replaced primary forest or any area containing one or more high Conservation Values.**

There are no new plantings included in PT Agro Muko plantation and supply base areas

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

There are no new plantings included in PT Agro Muko plantation and supply base areas

**Criterion 7.5 No new plantings are established on local peoples' land without their free, prior and informed consent, dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their own representative institutions.**

There are no new plantings included in PT Agro Muko plantation and supply base areas

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

There are no new plantings included in PT Agro Muko plantation and supply base areas

**Criterion 7.7 Use of fire in the preparation of new plantings is avoided other than in specific situations as identified in the ASEAN guidelines or other regional best practices.**

There are no new plantings included in PT Agro Muko plantation and supply base areas

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

The company has implemented an environmental Management System that is certified to the ISO 14001:2004 Standard.

Objectives and Targets have been developed and an improvement plan prepared. The third party ISO 14001 Certification Audit checks the achievement of the objectives and targets annually for continuous improvement. The main focus of continual improvement

to date has been environmental performance, while less attention has been given to social impacts.

A continuous improvement plan has been prepared which contains a number of social activities (e.g. improving housing conditions and health levels in the emplacements, raising the awareness of company policies, providing support to women for home industries in the emplacements). The plan has not been widely discussed with management at this stage, but appears relatively comprehensive and an effective means on which to focus on key social issues. Quantifiable indicators, to monitor improvement on a periodic basis (e.g. annually), should be added. It will also be important, in time, to ensure wide stakeholder input to the continuous improvement plan, both in terms of its focus and content, and in monitoring achievements over time.

A Continuous Improvement Plan is attached (Appendix C).

### **3.2 Detailed Identified Nonconformities, Corrective Actions and Auditor Conclusions (Also included as Appendix D)**

#### **MAJOR NONCONFORMITIES**

Nil Major Nonconformities were assigned

#### **MINOR NONCONFORMITIES**

Two (2) Nonconformities were assigned against Minor Compliance Indicators. Details of these Nonconformities are provided below:

**4.7.7 Minor NC: The emergency fire pump at Muko Muko Mill was not operational and would not start when tested and could not be relied upon in an emergency situation.**

**6.5.3 Minor NC: It was noted that in latest water tests that the ph. was below the limits required and set by government. This reading appeared to be the same for all areas even though some sources were over 100 kilometres apart. These recording appear dubious and should have been further investigated to determine the cause. There were no complaints from residents and therefore these readings should have been in doubt.**

*PT AM has prepared a Corrective Action Plan (Appendix D) that has been reviewed and accepted by BSi. Progress on Corrective Action will be checked during the Surveillance Audit.*

Non Conformances from ASA 1 are addressed in the body of this report.

**OBSERVATIONS / OPPORTUNITIES FOR IMPROVEMENT**

The assessment identified six (6) Observations/Opportunities for Improvement. The progress with the Observations/Opportunities for Improvement will be checked during the Surveillance Assessment visit scheduled for twelve months following certification.

**1.2.1 Observation: A number of policies displayed are authorized by the previous Senior Executive who has since passed away and these will need to be replaced by policies authorized by the current Chief Executive. This includes OHS Policy, EEO Policy and Sexual Harassment Policy.**

**4.7.5 Observation: Risk control requires improvement as a number of unsafe acts and Unsafe Conditions were noted including but not limited to the following:**

- A number of electrical cables repaired with tape
- No flash back arrestors being used
- Trip hazard with hoses not wound up
- A number of broken gauges on gas bottles
- Lone worker at ponds at Muko Muko mill
- A few containers at Bunga Tanjung Estate were not properly labelled at to the contents – Smart and Paraquat.

**4.7.4. Observation. Medical waste from the polyclinics is placed in separate, clearly labelled bins (sharps are separated from other waste) and disposed of by government medical authorities on a periodic basis. Records are maintained recording the disposal of waste. However, the record can be improved by the use of separate form to record waste received at main clinic (Mukomuko Clinic) and those disposed at Mukomuko Hospital.**

**Observation 5.1.2: AMTT has submitted UKL/UPL report for period of July – December 2012 to Environmental Office on 21 January 2013. However, the report can be improved by excluding OHS aspect from the report, adding trend data on environmental performance, and clear explanation of environment change around AMTT operation.**

**Observation 5.2.5. Inspection of the Talang Petai Estate housing found examples of caged dove-spotted bird which is likely to be captured from the estate. This is indicated inadequate understanding of workers on the wildlife conservation.**

**Observation 5.6.3: The following items required improved control. At Tank Farm in Padang – Evidence of small spill in Gudang not treated, Interceptors require regular inspection and cleaning, all valve to be set in closed position.**

Observations from ASA 1 are addressed in the body of this report

**3.3 Noteworthy Positive Components**

1. There is an appreciation of the company due to the existence of the company facilities and infrastructure that can be used by the local communities. The facilities such as health clinics, basic education, school bus transportation, and sports facilities are open for local community around the plantation. In addition some company infrastructures such as road access and bridges are also used by local community in connecting between villages.
2. There is an appreciation related to the company contributions to the local communities such as mosque renovation, village infrastructures, sporting activities, etc. There are two kinds of company aid: first, routine aid such as contributions towards local communities basic needs (“*sembako*”) on the eve of Islamic holidays; second, the contribution based on proposals projected by local communities. In general, local communities are also satisfied with the management and staff in responding to proposals.
3. There are new job and business opportunities for local communities. In order to support the production, PT AM needs third parties to handle some work that cannot be done by the company itself. For example harvesting, maintaining the plants, spraying, etc. In addition, business opportunity is also available for local businessmen such as becoming business partners (contractors).
4. The company has set up women’s groups to better represent their needs. There are regular meetings held where the women are encouraged to state their views. This is encouraged by PT AM Management.

**3.4 Issues Raised By Stakeholders and Findings with Respect To Each Issue**

Workers interviewed indicated unclear when the new minimum wages being implemented in accordance to the enactment of new minimum wages as of 01 January 2013.

**Company response:** PT AM will held meeting with SPAM in February or March at the latest to decide basic wage of the workers following the enactment of provincial minimum wage 2013. During this time, PTAM will use 2012 minimum wage. Upon agreement PTAM will paid the discrepancies occurred since January 2013. Most of the permanent staff understood new wages will be implemented after SPAM agreement is made. For FL a circular have been made to inform the implementation of new minimum wages.

- **External stakeholders and the Contractors and suppliers**

All contractors interviewed did not raise any issues of concern. They stated good relationship with PTAM. PTAM just need to maintained current conditions.

- **Government officials**

Government officials interviews did not raised any issue of concern. They are supporting PT AM to hold RSPO certification.

- **NGO**

Interview of NGO confirmed no issue was raised in relation to PTAM operation performance.

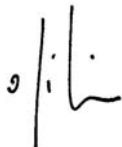
- **Local communities**

Local community representative interviewed did not raise any issue of concern.

**3.5 Acknowledgement of Internal Responsibility and Formal Sign-off of Assessment Findings**

Please sign below to acknowledge receipt of the assessment visit described in this report and confirm the acceptance of the assessment report contents including assessment findings.

Signed for on behalf of  
PT Agro Muko Indonesia



.....  
**Mr Olivier Tichit**  
**Environment and Conservation General Manager**  
**Date: 10.2.13**

Signed for on behalf of  
BSi Group Singapore Pte Ltd



.....  
**Mr Allan Thomas**  
**Lead Auditor**  
**Date: 10.2.13**



## ***Appendix “A”***

### ***RSPO Certificate Details***

PT Agro Muko  
 Gedung Bank Sumut Lt.7  
 Jl. Imam Bonjol 18  
 20152 MEDAN NORTH SUMATRA  
 INDONESIA

Certificate Number: SPO 556042

Website: www.tolantiga.co.id

Applicable Standards: RSPO Principles & Criteria : 2007; **RSPO INA-NIWG May 2008**

**Standard: Supply Chain Certification requirement for CPO Mills – Module D Segregation**

<b>Mukomuko Palm Oil Mill and Supply Base</b>				
Location Address		Teruntung, kec.Teras Terunjam, kab.Mukomuko, Bengkulu, Indonesia		
GPS Location		E101°16' – S02°36'		
CPO Tonnage Total		56,194mt		
PK Tonnage Total		12,396 mt		
Own estates FFB Tonnage		237,044 mt		
Non-company Suppliers FFB Tonnage		4,732mt		
SIPEF estates	Mature (ha)	Immature (ha)	Total land-use titles (ha)	Annual FFB Production (mt)
Mukomuko Estate	2,799	0	3,731	68,440
Tanah Rekah Estate	3,086	9	3,849	27,861
Sungai Kiang Estate	1,764	285	2,171	80,797
Talang Petai Estate	1,215	918	2,270	26,815
Sungai Betung Estate	2,112	66	4,080	33,131
Kebun Masyarakat Desa (KMD)	260	60	320	4,732
<b>TOTAL</b>	<b>11,236</b>	<b>1,338</b>	<b>16,101</b>	<b>241,776</b>

<b>Bunga Tanjung Palm Oil Mill and Supply Base</b>				
Location Address		Berangan Jaya, kec.Teramang Jaya, kab.Mukomuko, Bengkulu, Indonesia		
GPS Location		E101°22' – S02°43'		
CPO Tonnage Total		30,773 mt		
PK Tonnage Total		6,668 mt		
Own Estates FFB Tonnage		126,635 mt		
Non-company Suppliers FFB Tonnage		4,249 mt		
SIPEF Estate	Mature (ha)	Immature (ha)	Total land-use titles (ha)	Annual FFB Production (mt)
Bunga Tanjung Estate	2 384	84	2 903	50,425
Air Bikuk Estate	1 149	71	1 410	28,325
Air Buluh Estate	2 011	327	2 500	47,845
Kebun Masyarakat Desa (KMD)	241	59	300	4,249
<b>TOTAL</b>	<b>5 785</b>	<b>541</b>	<b>6 326</b>	<b>130,884</b>

## ***Appendix “B”***

### ***ASA2 2<sup>nd</sup> Surveillance Audit Programme***

## Assessment Plan Monday 28th January – Friday 1<sup>st</sup> February 2012

### Monday 28<sup>th</sup> January

- Allan and Iman arrive from Jakarta at Padang Airport 8.10 – meet and pick up at airport
- Travel Padang
- Overnight Padang

### Monday 28<sup>th</sup> January

Time	Activity	Allan	Iman	Action
8.00 am	Travel to Agro Muko	X	X	
13h30-13.30	Opening Meeting	X	X	
13h30-14h30	General Documentation		X	
14.30-16h00	Central Workshop, Central warehouse	X		
16h00-17h00	Review records of land title, leases, etc. HCV/KMD		X	
17h00-18h00	Continue review of RSPO documentation	X		

### Tuesday 29<sup>th</sup> January

Time	Activity	Allan	Iman	Action
8:00am – 11:00am	MM Mill - Inspect mill, mill records, laboratory and effluent ponds	X		
8:00am – 9:00am	Inspect Mill Emplacement, Landfill		X	
9:00am – 12:00noon	Review Environmental and Social Reports		X	
12:00noon – 1:00pm	Lunch	X	X	
1:00pm – 4:45pm	Tanah Rekah Estate documentation, Estate Operations	X	X	
1:00pm – 3:45pm	Social issues/HCV reports		X	
3:45pm –4:30pm	Meet with NGO Representatives?		X	

Wednesday 30<sup>th</sup> January

Time	Activity	Allan	Iman	Action
7 am – 9am	Travel to Sungai Kiang Estate			
9:00am – 12:00noon	Sungai Kiang Estate (Office, Clinic, Landfill, Gravel Extraction, Chemical store and mixing, Fertiliser, buffers, reserves, field spraying & harvesting)	X		
9:00am – 12:00noon	Inspect area around Sungai –Kiang – Social issues etc.		X	
12:00noon – 1:00pm	Lunch	X	X	
1:00pm – 2:30pm	Talang Petai Estate (Office, Clinic, Landfill, Chemical store and mixing, Fertiliser, buffers, reserves, field spraying & harvesting) KMD and community next to TPE		X	
2:30pm – 5:00pm		X		
2:30pm – 5:00pm			X	

Thursday 31<sup>st</sup> January

Time	Activity	Allan	Iman	Action
8:00am – 12:00noon	Bunga Tanjung Estate (Office, Clinic, Landfill, Gravel Extraction, Chemical store and mixing, Fertiliser, buffers, reserves, field spraying & harvesting)	X	X	
	Review Aspects/Hazard - Risks	x		
8:00am – 12:00noon	Mill Housing/ Personnel		X	
	Clinic		x	
	Review Documentation		X	
12:00noon – 1:00pm	Lunch	X	X	
1:00pm – 3:00pm	Inspect Bunga Tanjung Mill and relevant areas	X	X	
3:00pm – 5:00pm	Includes Documentation and Inspection- Meeting with stakeholders - documentation		X	

Friday 1<sup>st</sup> February

Time	Activity	Allan	Iman	Action
5.30 – 11.00	Travel to Padang Tank Station			
		x	X	
11.00 – 2.00	Tank Station and Supply Chain Documents Exit Meeting	X	X	
2.00 travel to Padang Airport	Travel to Padang	X	X	

Pandang – Jakarta 1600 Depart Garuda

## ***Appendix “C”***

### ***Continuous Improvement Plan***

**CONTINUOUS IMPROVEMENT PLAN - PT AGRO MUKO  
(SIPEF Group)**

Last update : 05 February 2013.

Distribution : PD / D-ENG / D-FAD / GM-AM / GM-HRA / GM-IAD / Cpy.Doctor / SFM-AM / SMA-AM / EM / MM.

By : Olivier TICHIT – Marketing Director

FINDINGS and CORRECTIVE ACTIONS	LOCATION	IN CHARGE	SUPPORT	TIME TARGET	STATUS
<b>RSPO P&amp;C 4.7.7</b>					
<b>Minor NC Fire pump in MMPOM</b>					
Replace fire pump immediately, and ensure proper maintenance.	MMPOM	ENG	GMO	2013	planned
<b>RSPO P&amp;C 6.5.3</b>					
<b>Minor NC Water quality tests (rivers)</b>					
1- new samples of river water will be analysed internally to cross-check with government laboratory results. Results will be reviewed by management. [Note : only one laboratory abilitated to carry out the analysis in the province.]	all estates	ENC	mills	March/April 2013	planned
2- yearly samples analysis results will be reviewed by management and obvious discrepancies will be discussed, with internal cross-check tests if necessary.	GMO	ENC	GMO	2013	planned
<b>RSPO P&amp;C 1.2.1</b>					
<b>observation Policies displayed are authorised by previous Senior Executive.</b>					
All policies signatures to be renewed, showing current Senior Executive.	all	ENC	GMO	March 2013	planned
<b>RSPO P&amp;C 4.7.5</b>					
<b>observation Unsafe acts &amp; conditions noted.</b>					
1- Handrail will be installed on the pump platform of MMPOM effluent pond.	MMPOM	Mill manager	ENC	March 2013	planned
2- Improve safety of electrical installations.	all	GMO	ENC	continuous in 2013	started
3- Unlabelled containers removed or labelled if still needed (BTE)	BTE	Estate manager	ENC	immediate	completed
4- Renewed training on pesticides handling for pesticide shed workers and Field Assistants.	BTE	Estate manager	ENC	2013	planned
5- Renewed training on OHS risk prevention and monitoring.	all	EM/MM	ENC	continuous in 2013	planned

	<b>RSPO P&amp;C 4.7.4</b>					
<b>observation</b>	<b>Medical waste handling records should be improved.</b>					
	1- Create new forms to clearly identify despatches of medical waste to licenced incinerator	all polyclinics	Co.Doctor	GMO/ENC	March 2013	planned
	2- Training and monitoring of the use of the new forms.	all polyclinics	Co.Doctor/ENC	ENC	2013	planned
	<b>RSPO P&amp;C 5.2.5</b>					
<b>observation</b>	<b>Wild birds found caged in emplacement (TPE).</b>					
	1- Increase awareness of employees and their families on regulations about wildlife (presentations/discussions, signs).	all	ENC	GMO	continuous in 2013	planned
	2- Release birds still capable of living in the wild.	all	Managers	ENC	continuous in 2013	planned
	<b>RSPO P&amp;C 5.1.2</b>					
<b>observation</b>	<b>UKL/UPL report for AMTT including elements not required by regulations.</b>					
	Remove OHS aspects from upcoming UKL/UPL reports.	GMO & AMTT	SMA-AM & Manager AMTT	ENC	continuous in 2013	planned
	<b>RSPO P&amp;C 5.6.3</b>					
<b>observation</b>	<b>Improved pollution control necessary in tank farm : small spills, interceptors to be cleaned more often, valves for double-containment areas to be kept in closed position.</b>					
	1- Improve training and monitoring of spills control measures (including double-containment areas control by keeping valves shut except when controlled flushing is necessary).	AMTT	Manager AMTT	ENC	continuous in 2013	started
	2- Improve management of interceptors (systematic monthly cleaning, spot monitoring after rains or incidents)	AMTT	Manager AMTT	ENC	continuous in 2013	started
	GMO : General Manager Office ; SMA-AM : Senior Manager Administration, PTAM ; GCo : Gender Committee ; ENC : Environment & Conservation dpt.; ESD : Estates dpt.; ENG : Engineering dpt.					
	EM : estate manager ; MM : mill manager.					



## ***Appendix “D”***

### ***Nonconformities, Corrective Actions and Observations Summary***

**2 Nonconformities against Minor Compliance Indicators**  
**6 Observations/Opportunities for Improvement**

**Minor Nonconformities (Detail)**

RSPO Indicator	NCR Ref	Details
4.7.7	AT 01	<p>Minor NC: The emergency fire pump at Muko Muko Mill was not operational and would not start when tested and could not be relied upon in an emergency situation.</p> <p><b>Corrective Action Plan:</b></p> <p>Corrective Action: Replace fire pump (capex 2013) and ensure proper maintenance/fire drills are maintained by the mill.</p>
6.5.3	AT 02	<p>Minor NC: It was noted that in latest water tests that the ph. was below the limits required and set by government. This reading appeared to be the same for all areas even though some sources were over 100 kilometres apart. These recording appear dubious and should have been further investigated to determine the cause. There were no complaints from residents and therefore these readings should have been in doubt.</p> <p><b>Corrective Action Plan:</b></p> <p>Take new water samples for testing internally as cross-check against earlier tests. Results to be reviewed by management. For upcoming tests by the government laboratory, results will be reviewed by management and obvious discrepancies discussed in writing.</p>

**6 OBSERVATIONS / OPPORTUNITIES FOR IMPROVEMENT**

1.2.1 Observation: A number of policies displayed are authorized by the previous Senior Executive who has since passed away and these will need to be replaced by policies authorized by the current Chief Executive. This includes OHS Policy, EEO Policy and Sexual Harassment Policy.

4.7.5 Observation: Risk control requires improvement as a number of unsafe acts and Unsafe Conditions were noted including but not limited to the following:

- A number of electrical cables repaired with tape
- No flash back arrestors being used
- Trip hazard with hoses not wound up
- A number of broken gauges on gas bottles
- Lone worker at ponds at Muko Muko mill
- A few containers at Bunga Tanjung Estate were not properly labelled as to the contents – Smart and Paraquat.

4.7.4. Observation. Medical waste from the polyclinics is placed in separate, clearly labelled bins (sharps are separated from other waste) and disposed of by government medical authorities on a periodic basis. Records are maintained recording the disposal of waste. However, the record can be improved by the use of separate form to record waste received at main clinic (Muko muko Clinic) and those disposed at Muko muko Hospital.

Observation 5.1.2: AMTT has submitted UKL/UPL report for period of July – December 2012 to Environmental Office on 21 January 2013. However, the report can be improved by excluding OHS aspect from the report, adding trend data on environmental performance, and clear explanation of environment change around AMTT operation.

Observation 5.2.5. Inspection of the Talang Petai Estate housing found examples of caged dove-spotted bird which is likely to be captured from the estate. This is indicated inadequate understanding of workers on the wildlife conservation.

Observation 5.6.3: The following items required improved control. At Tank Farm in Padang – Evidence of small spill in Gudang not treated, Interceptors require regular inspection and cleaning, all valve to be set in closed position.

## ***Appendix “E”***

### ***Supply Chain***

### Agro Muko Muko Oil Mill Supply Chain 29.1.13

Requirements	SG
<b>1. Documented procedures</b>	
<p>1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified in these requirements. This will include as a minimum</p> <p style="margin-left: 20px;">a. up to date procedures covering all elements of supply chain requirements</p> <p style="margin-left: 20px;">b. The name of the person having overall responsibility for and implementation of these requirements and shall demonstrate awareness of facilities for implementation of the standard</p> <p>1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFB.</p>	<p>At this stage there are written/documented procedures for the chain of custody for Muko Muko Mill</p> <p>Supply Chain Management Guideline Supply Chain # BMT-RSPO-000019 Issue 2 06 December 2011</p> <p>Approved by Olivier Tichit Responsibility: Olivier Tichit - Sustainability Manager</p> <p>The documented procedures for receiving and processing certified and non-certified FFB are included in the Supply Chain Manager Guideline</p>
<b>2. Purchasing and goods in</b>	
<p>2.1 The facility shall verify and document the volumes of certified and non-certified FFB received.</p> <p>2.2 The facility shall inform the CB immediately if there is projected over production</p>	<p>Around 98% of material comes from NBPOL Estates therefore there is no PO. 2 % comes from KMD estates which are managed by Agro Muko. With KMD the company uses a Docket system which indicate weight (quality of product is checked in the field and rejected if rotten) and source of materials. This indicates which small holder block this came from. Purchase orders are not used.</p> <p>Yes this is done by weighbridge docket indicate weight and source of RSPO material. In this case PO is not used because internal supplier. All Small Holder RSPO Material is identified by docket system as to source including small holder block location</p> <p>The volumes of certified and non-certified FFB is documented by the weighbridge – all FFB is certified</p> <p>There is no projected over production for each mill.</p>
<b>3 Record keeping</b>	
<p>3.1 The facility shall maintain accurate, complete, up-to-date and accessible records and reports covering all aspects of these requirements.</p> <p>3.2 Retention times for all records and reports shall be at least five (5) years.</p> <p>3.3 The facility shall record and balance all receipts of RSPO certified FFB and deliveries of RSPO certified CPO, PKO and palm kernel meal on a three-monthly basis.</p> <p>3.4 The following trade names should be used and specified in relevant documents, e.g. purchase and sales contracts, e.g. *product name*/SG or Segregated. The supply chain model used should be clearly indicated.</p>	<p>There are records in place which are complete, up to date and accurate for all requirements. These are available from the weighbridge and within the system. All were readily retrievable</p> <p>It is company policy that all records and reports are retained for a minimum of 5 years. This was demonstrated in company archives.</p> <p>The mill records and balance of all materials on a 3 monthly basis – all material is RSPO certified FFB</p> <p>The supply chain model is clearly indicated on all sales contracts – This is indicated on dockets and transport records and marked as SG – a number of transport documents where noted.</p>
<b>4. 4 Sales and goods out</b>	
<p>4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:</p> <p style="margin-left: 20px;">a) The name and address of the buyer;</p> <p style="margin-left: 20px;">b) The date on which the invoice was issued;</p>	<p>The company is able to issue an invoice which will allow them under the segregation scheme to include amount of RSPO materials.</p> <p>This is included on each sales contract</p> <p>Date of issue of invoice is recorded for example 14 November 2012</p>

<p>c) A description of the product, including the applicable supply chain model (Segregated)</p> <p>d) The quantity of the products delivered;</p> <p>e) Reference to related transport documentation.</p>	<p>Description of product is included – including supply chain model – segregation.</p> <p>This is via an arrival alert that client has received product</p>
<b>5. Processing</b>	
<p>5.1 The facility shall assure and verify through clear procedures and record keeping that the RSPO certified palm oil is kept segregated from non-certified material including during transport and storage and be able to demonstrate that it has taken all reasonable measures to ensure that contamination is avoided. The objective is for 100 % segregated material to be reached. The systems should guarantee the minimum standard of 95 % segregated physical material; up to 5 % contamination is allowed.</p>	<p>There are clear and precise procedures in place that record that RSPO product is segregated – however product is 100% segregated</p>
<p>5.2 The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated material</p>	<p>All material is RSPO certified</p>
<p>5.3 In cases where a mill outsources activities to an independent 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:</p> <ul style="list-style-type: none"> <li>• The crush operator conforms to these requirements for segregation</li> <li>• The crush is covered through a signed and enforceable agreement</li> </ul>	<p>Not applicable to Agro Muko or its mills</p>

<b>6. Training</b>	
<p>6.1. The facility shall provide the training for all staff as required to implement the requirements of the Supply Chain Certification Systems.</p>	<p>Staff in the weighbridge are already competent in separating the source of the material and this can be related to company &amp; KDM – all RSPO. There are records of competency of staff in weighbridge. There are records of training for all involved in Supply Chain activities. This is in the form of attendance records at training sessions on supply chain</p>

<b>7. Claims</b>	
<p>D.7.1 The facility shall only make claims regarding the use of or support of RSPO certified oil palm products that are in compliance with the RSPO Rules for Communications and Claims</p>	<p>All RSPO material - the company has not made claims outside of the RSPO rules for Communications and Claims.</p>

### Agro Muko Bunga Tanjung Oil Mill Supply Chain 31.1.13

Requirements	SG
<b>1. Documented procedures</b>	
<p>1.1 The facility shall have written procedures and/or work instructions to ensure implementation of all the elements specified in these requirements. This will include as a minimum</p> <p>a. up to date procedures covering all elements of supply chain requirements</p> <p>b. The name of the person having overall responsibility for and implementation of these requirements and shall demonstrate awareness of facilities for implementation of the standard</p> <p>1.2 The facility shall have documented procedures for receiving and processing certified and non-certified FFB.</p>	<p>At this stage there are written/documented procedures for the chain of custody for Bunga Tanjung Mill.</p> <p>Supply Chain Management Guideline Supply Chain # BMT-RSPO-000019 Issue 2 06 December 2011</p> <p>Approved by Olivier Tichit Responsibility: Olivier Tichit - Sustainability Manager</p> <p>The documented procedures for receiving and processing certified and non-certified FFB are included in the Supply Chain Manager Guideline</p>
<b>2. Purchasing and goods in</b>	
<p>2.1 The facility shall verify and document the volumes of certified and non-certified FFB received.</p>	<p>Around 97% of material comes from NBPOL Estates therefore there is no PO. 3 % comes from KMD estates which are managed by Agro Muko. With KMD the company uses a Docket system which indicate weight (quality of product</p>

<p>2.2 The facility shall inform the CB immediately if there is projected over production</p>	<p>is checked in the field and rejected if rotten) and source of materials. This indicates which small holder block this came from. Purchase orders are not used.</p> <p>Yes this is done by weighbridge docket indicate weight and source of RSPO material. In this case PO is not used because internal supplier. All Small Holder RSPO Material is identified by docket system as to source including small holder block location</p> <p>The volumes of certified and non-certified FFB is documented by the weighbridge – all FFB is certified</p> <p>There is no projected over production for each mill.</p>
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<p>4.1 The facility shall ensure that all sales invoices issued for RSPO certified products delivered include the following information:</p> <ul style="list-style-type: none"> <li>a) The name and address of the buyer;</li> <li>b) The date on which the invoice was issued;</li> <li>c) A description of the product, including the applicable supply chain model (Segregated)</li> <li>d) The quantity of the products delivered</li> <li>e) Reference to related transport documentation.</li> </ul>	<p>The company is able to issue an invoice which will allow them under the segregation scheme to include amount of RSPO materials.</p> <p>This is included on each sales contract</p> <p>Date of issue of invoice is recorded for example 14 November 2012</p> <p>Description of product is included – including supply chain model – segregation.</p> <p>This is via an arrival alert that client has received product and included in transport documentation.</p>
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<p>5.2 The facility shall provide documented proof that the RSPO certified palm oil can be traced back to only certified segregated material</p>	<p>All material is RSPO certified</p>
<p>5.3 In cases where a mill outsources activities to an independent 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:</p> <ul style="list-style-type: none"> <li>• The crush operator conforms to these requirements for segregation</li> <li>• The crush is covered through a signed and enforceable agreement</li> </ul>	<p>Not applicable to Agro Muko or its mills</p>

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7. Claims	
D.7.1 The facility shall only make claims regarding the use of or support of RSPO certified oil palm products that are in compliance with the RSPO Rules for Communications and Claims	All RSPO material - the company has not made claims outside of the RSPO rules for Communications and Claims.

CSPO/CSPK sales registered with Utz : 0mt.

Greenpalm CPO certificates sold for 2012 period : 68'246 in total for PTAM. SIPEF has sold 91'273 certificates in total for all its mills.

Greenpalm CPKO certificates sold for 2012 period : 8'336 in total for PTAM. SIPEF has sold 16'216 certificates in total for all its mills.