Roundtable on Sustainable Palm Oil
Public Summary Report
Report no. : ASA1-14024_rev.2
Certification assessment against the
RSPO Principles & Criteria Generic Standard year 2013 and RSPO SCCS year 2014

PT PERKEBUNAN NUSANTARA III
Aek Nabara Selatan Mill
Head Office :
Jl. Sei Batang Hari No. 2 Medan, North Sumatera Province - Indonesia
Site Office :
Bilah Hulu Sub District, Labuhan Batu District, North Sumatera Province - Indonesia

Date of surveillance audit : 06 to 13 April 2015

Report prepared by:
Aswan Hasibuan
(RSPO Lead Auditor)

Certification decision by:
M Bascharul Asana
(Managing Director of TÜV Rheinland Indonesia)

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1.0 SCOPE OF FIRST SURVEILLANCE AUDIT

1.1 National Interpretation Used

The operations of the mill(s) and its supply base of FFB were assessed against the RSPO Generic Principles & Criteria 2013 and the RSPO Supply Chain Certification Systems (SCCS) document 2014.

1.2 Type of Assessment

The first annual surveillance assessment was carried out on 1 (one) mill (Aek Nabara Selatan Mill) and 6 (six) estates (Aek Nabara Selatan Estate, Rantau Prapat Estate, Merbau Selatan Estate, Mambang Muda Estate, Labuhan Haji Estate, and Bandar Selamat Estate, under Aek Nabara Selatan Mill owned by PT Perkebunan Nusantara III (hereinafter referred to as “PTPN III” or “the company”). There is one estate ie. Sei Dadap estate has been excluded from Aek Nabara Selatan supply base, and RSPO certification scope.

1.3 Certification Details

The details of RSPO certification of Aek Nabara Selatan Palm Oil Mill are as per the table below

<table>
<thead>
<tr>
<th>Table 1: RSPO Certification details of PT Perkebunan Nusantara III, Aek Nabara Selatan Palm Oil Mill</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSPO Membership no.:</td>
</tr>
<tr>
<td>RSPO Certificate no.:</td>
</tr>
<tr>
<td>Date of first RSPO certificate &amp; validity:</td>
</tr>
<tr>
<td>Date of certification audit:</td>
</tr>
<tr>
<td>Re Audit on September 09 to 12, 2013</td>
</tr>
<tr>
<td>Date of previous surveillance audit:</td>
</tr>
<tr>
<td>Date of revised RSPO certificate &amp; validity (if applicable):</td>
</tr>
<tr>
<td>Certified FFB processed :</td>
</tr>
<tr>
<td>CPO tonnages claimed:</td>
</tr>
<tr>
<td>PK tonnages claimed:</td>
</tr>
<tr>
<td>Mill Capacity</td>
</tr>
<tr>
<td>HCV area/Conservation Area</td>
</tr>
</tbody>
</table>
1.4 Location and Maps

Figure 1. PTPN III’s Location in North Sumatera-Indonesia

Figure 2. Location of PTPN III’s 7 estates in North Sumatera

Table 1: GPS locations for all estates and mills included in certification assessment
1.5. Organizational Information/Contact Person

PTPN III is one of the fourteen state owned enterprises which operate in the plantation industry. Its business comprises cultivation of oil palm and rubber, and the production and sale of oil palm and rubber products. The company's main products are Crude Palm Oil (CPO), Palm Kernel, dry rubber and downstream, rubber product.

The enterprise was established through a takeover of the Dutch plantation companies in 1958 by the Republic of Indonesia, through the process of nationalisation of foreign plantation companies, to form Perseroan Perkebunan Negara (PPN)

In 1968, Perseroan Perkebunan Nusantara (PPN) was restructured by the Government to form a number of Perusahaan Negara Perkebunan (PNP). Thereafter, in 1974, the legal status of PNP was changed to that of a limited company and given the name PT Perkebunan (Persero). In order to improve the efficiency and effectiveness of state owned companies/enterprises the Government of Indonesia restructured the state owned companies/enterprises in the plantation sector, through the process of merging companies on the basis of geographical locations. Concurrently, the organisation structures of the companies were also streamlined. In 1994, through a process of merger of managements, the managements of three state owned plantations, namely PTPN III (Persero), PT Perkebunan IV (Persero) and PT Perkebunan V (Persero), were unified under the management of PTPN III (Persero)

Thereafter, through Government Regulation No. 8 of 1996 dated 14 February 1996, the three companies, whose businesses were located in North Sumatera, were merged into one company and given the name of PT Perkebunan Nusantara III (Persero) was located in Medan, North Sumatera. PTPN III was incorporated through By Laws of the company notarised by Harun Kamil, S.H., carrying Number 36 dated 11 March 1996, and legalised by the Minister of Justice of the Government of Indonesia through Decree No. C2 8331.HT.01.01.TH.96 dated 8 August 1996, and published in the Gazette of the Republic of Indonesia No. 81 of 1996, and Annexure to the Gazette No. 8674 of 1996.

Along 2004, PTPN III has been actualising fundamental and comprehensive changes to achieve company's vision. PT Nusantara Plantation estates and mills management divide into parts management area called a district. Currently there are eight district which are manage estate and mills throughout the work area in Sumatera PTPN III i.e.:
- Deli Serdang 1 District
- Deli Serdang II District
- Simalungun District
- Asahan District
- Labuhan Batu I District
- Labuhan Batu II District

<table>
<thead>
<tr>
<th>Name of mill / estate</th>
<th>Location</th>
<th>GPS locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aek Nabara Selatan Mill</td>
<td>Aek Nabara Village, Bilah Hulu Sub District, Labuhan Batu District</td>
<td>02º03'42&quot; 99º57'20&quot;</td>
</tr>
<tr>
<td>Aek Nabara Selatan</td>
<td>Aek Nabara Village, Bilah Hulu Sub District, Labuhan Batu District</td>
<td>02º03'29&quot; 99º57'19&quot;</td>
</tr>
<tr>
<td>Mambang Muda</td>
<td>Perkebunan Mambang Muda Village, Kualah Hulu Sub District, North Labuhan Batu District</td>
<td>02º33'02&quot; 99º49'20&quot;</td>
</tr>
<tr>
<td>Rantau Prapat</td>
<td>Jl. Lintas Sumatera Utara Rantau Prapat, Bilah Barat Sub-District, Labuhan Batu District</td>
<td>02º03'32&quot; 99º48'04&quot;</td>
</tr>
<tr>
<td>Merbau Selatan</td>
<td>Merbau Selat Estate Village, Merbau Sub-District, North Labuhan Batu District</td>
<td>02º12'30&quot; 99º49'54&quot;</td>
</tr>
<tr>
<td>Labuhan Haji</td>
<td>Labuhan Haji Village, Kualah Hulu Sub District, North Labuhan Batu District</td>
<td>02º32'10&quot; 99º42'20&quot;</td>
</tr>
<tr>
<td>Bandar Selamat</td>
<td>Perkebunan Bandar Selamat Village, Aek Songsongan Sub District, Asahan District</td>
<td>02º12'00&quot; 99º33'00&quot;</td>
</tr>
</tbody>
</table>
Aek Nabara Selatan Mill is one of mills owned by PTPN III, that is located in Aek Nabara Selatan Village, Bilah Hulu sub district, Labuhan Batu District, North Sumatera. The mill managed under Labuhan Batu I district, Aek Nabara Selatan Mill has Plantation business registration letter (No. HK.350/522/Dj.Bun.5/VII/2001) from Ministry of Agriculture on 5 July 2001 with the production capacity is 60 tonne/hour. The supply base is the 7 estates and out growers supplying to Aek Nabara Mill. The estates are Aek Nabara Selatan, Mambang Muda, Rantau Prapat, Merbau Selatan, Labuhan Haji, Bandar Selamat, and Sei Dadap Estates. Aek Nabara Mill also supplied other PTPN III owned estate which is not included in certification scope as well as supply from independent small holder.

**Table 2: FFB Supply Information for Aek Nabara Selatan Mill (PTPN III) year 2014 and year 2015 (until March 2013)**

<table>
<thead>
<tr>
<th>FFB Contributors</th>
<th>FFB supplied in year 2014*</th>
<th>FFB supplied in year 2015**</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tonnes</td>
<td>%</td>
</tr>
<tr>
<td>Company-owned estates:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aek Nabara Selatan (KANAS)</td>
<td>142,202,550</td>
<td>53.55</td>
</tr>
<tr>
<td>Mambang Muda (KMMDA)</td>
<td>28,740,970</td>
<td>10.82</td>
</tr>
<tr>
<td>Rantau Prapat (KRPPT)</td>
<td>21,078,850</td>
<td>7.93</td>
</tr>
<tr>
<td>Merbau Selatan (KMSTN)</td>
<td>3,036,820</td>
<td>1.14</td>
</tr>
<tr>
<td>Labuhan Haji (KLAIJI)</td>
<td>42,905,910</td>
<td>16.15</td>
</tr>
<tr>
<td>Bandar Selamat (KBDSL)</td>
<td>10,647,500</td>
<td>4.01</td>
</tr>
<tr>
<td></td>
<td><strong>Sub Total</strong></td>
<td><strong>93.63</strong></td>
</tr>
<tr>
<td>Other estates under PTPN III</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aek Nabara Utara (KANAU)</td>
<td>7,608,690</td>
<td>2.86</td>
</tr>
<tr>
<td>Sisumut (KSSUT)</td>
<td>399,390</td>
<td>0.16</td>
</tr>
<tr>
<td></td>
<td><strong>Sub Total</strong></td>
<td><strong>3.02</strong></td>
</tr>
<tr>
<td>Independent Out-growers/ Smallholders</td>
<td>8,910,450</td>
<td>3.35</td>
</tr>
<tr>
<td></td>
<td><strong>Sub Total</strong></td>
<td><strong>3.35</strong></td>
</tr>
</tbody>
</table>

QMF: RSPO-007b-13(Rev.0)
1.7 Actual production volumes and project outputs

To date, the mill has not sold any CPO as RSPO certified material, as viewed from the table below.

Table 3: Total and projected CPO and PK production from Aek Nabara Selatan Mill (PTPN III)

<table>
<thead>
<tr>
<th>Product</th>
<th>CPO</th>
<th>PK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certified tonnages claimed (MT)*</td>
<td>60,573.59</td>
<td>11,592</td>
</tr>
<tr>
<td>Certified tonnages sold (MT)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Certified tonnages purchased (MT)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Actual production (MT)** total CPO (CSPO+Non)</td>
<td>60,194.394</td>
<td>10,382.342</td>
</tr>
<tr>
<td>Extraction Rate (%)</td>
<td>22.67</td>
<td>3.91</td>
</tr>
<tr>
<td>Projected output for year 2015 (MT)</td>
<td>71,158.026</td>
<td>13,150.585</td>
</tr>
</tbody>
</table>

Note:
* Refer to section 1.13 for further explanation
** Actual production from January to December 2014 consisting of material from certified and non-certified FFB.

1.8 Dates of Plantings and Replanting Cycles

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

Table 4: Age and year of plantings of company estate supplying to Aek Nabara Selatan Mill

<table>
<thead>
<tr>
<th>Age &amp; Year of Plantings</th>
<th>Oil palm planted area at each estate(ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rantau Parapat (Merbau Selatan)</td>
</tr>
<tr>
<td>0 – 5 yrs. (2011 – 2015)</td>
<td>29.40</td>
</tr>
<tr>
<td>6-10 yrs (2006 – 2010)</td>
<td>85.10</td>
</tr>
<tr>
<td>11-15 yrs (2001 – 2005)</td>
<td>325.20</td>
</tr>
<tr>
<td>16-20 yrs (1996 – 2000)</td>
<td>419.84</td>
</tr>
<tr>
<td>21-25 yrs (1991 – 1995)</td>
<td>837.88</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,697.42</td>
</tr>
</tbody>
</table>
### Table 5: Planned and actual oil palm replanting activities for company estate supplying to Aek Nabara Selatan Mill for year 2015

<table>
<thead>
<tr>
<th>Estate Name</th>
<th>Total planned replanting area for each estate (ha)</th>
<th>Total planned replanting area (ha)</th>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Actual total area replanted (ha)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aek Nabara Selatan</td>
<td>13.80</td>
<td>0</td>
<td></td>
<td>13.80</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mambang Muda</td>
<td>685.50</td>
<td>0</td>
<td></td>
<td>0</td>
<td>0</td>
<td>111.87</td>
<td>277.63</td>
<td>296.00</td>
<td>0</td>
</tr>
<tr>
<td>Rantau Prapat</td>
<td>864.37</td>
<td>0</td>
<td></td>
<td>0</td>
<td>0</td>
<td>801.16</td>
<td>63.21</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Merbau Selatan</td>
<td>0</td>
<td>0</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Labuhan Haji</td>
<td>107.58</td>
<td>0</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>91.55</td>
<td>16.03</td>
<td>0</td>
</tr>
<tr>
<td>Bandar Selamat</td>
<td>0</td>
<td>0</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

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

### Table 7: Oil Palm Planted Area Summary, FFB Production and Average yield/ha for company estate supplying to Aek Nabara Selatan Mill

<table>
<thead>
<tr>
<th>Estate Name</th>
<th>Total area (ha)</th>
<th>Oil Palm Planted area (ha)</th>
<th>Mature (Production) area (ha)</th>
<th>Immature (Non-production) area (ha)</th>
<th>FFB Production* (tonnes)</th>
<th>Average yield/ ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aek Nabara Selatan</td>
<td>7.312,68</td>
<td>7.201,88</td>
<td>7.028,43</td>
<td>173,45</td>
<td>157,867</td>
<td>22.461</td>
</tr>
<tr>
<td>Mambang Muda</td>
<td>2.953,06</td>
<td>1.308,81</td>
<td>1.308,81</td>
<td>0</td>
<td>30.328</td>
<td>23.172</td>
</tr>
<tr>
<td>Rantau Prapat</td>
<td>3.842,59</td>
<td>1.697,42</td>
<td>1.668,02</td>
<td>29,40</td>
<td>24.918</td>
<td>14.939</td>
</tr>
<tr>
<td>Merbau Selatan</td>
<td>3.293,55</td>
<td>143,01</td>
<td>143,01</td>
<td>0</td>
<td>3.037</td>
<td>21.235</td>
</tr>
<tr>
<td>Labuhan Haji</td>
<td>3.248,07</td>
<td>1.858,06</td>
<td>1.858,06</td>
<td>0</td>
<td>43.030</td>
<td>23.159</td>
</tr>
<tr>
<td>Bandar Selamat</td>
<td>3.760,30</td>
<td>3.679,24</td>
<td>3.679,24</td>
<td>0</td>
<td>90.435</td>
<td>25.337</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24.401,25</strong></td>
<td><strong>15.888,42</strong></td>
<td><strong>15.685,57</strong></td>
<td><strong>202,85</strong></td>
<td><strong>349.615</strong></td>
<td><strong>21.717</strong></td>
</tr>
</tbody>
</table>

Note: FFB production data from estates on January to December 2014.

### Table 8: Land use data for company estate supplying to Aek Nabara Selatan Mill (PTPN III)

<table>
<thead>
<tr>
<th>Estate Name</th>
<th>Total area (ha)</th>
<th>Rubber Planted Area (ha)</th>
<th>Oil Palm Planted Area (ha)</th>
<th>HCV/ Potenti al HCV areas* (ha)</th>
<th>Used for other purposes (ha)</th>
<th>Office, housing, effluent pond, road, etc.</th>
<th>Occupied</th>
<th>Non-productive area</th>
<th>Governmental use.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aek Nabara Selatan</td>
<td>7.312,68</td>
<td>0</td>
<td>7.201,88</td>
<td>(98.40)</td>
<td>94,58</td>
<td>0</td>
<td>16,22</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Mambang Muda</td>
<td>2.953,06</td>
<td>1.394,60</td>
<td>1.308,81</td>
<td>(160.15)</td>
<td>121,24</td>
<td>7,93</td>
<td>117,47</td>
<td>3,01</td>
<td></td>
</tr>
<tr>
<td>Rantau Prapat</td>
<td>3.842,59</td>
<td>1.865,97</td>
<td>1.697,42</td>
<td>(93.68)</td>
<td>151,03</td>
<td>0</td>
<td>90,01</td>
<td>38,20</td>
<td></td>
</tr>
<tr>
<td>Merbau Selatan</td>
<td>3.293,55</td>
<td>3.098,67</td>
<td>1.858,06</td>
<td>(6.49)</td>
<td>139,46</td>
<td>0</td>
<td>6,27</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Labuhan Haji</td>
<td>3.248,07</td>
<td>1.244,28</td>
<td>1.858,06</td>
<td>(55.84)</td>
<td>47,87</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Bandar Selamat</td>
<td>3,760,30</td>
<td>3.679,24</td>
<td>179.83</td>
<td>81,06</td>
<td>0</td>
<td>0</td>
<td>41,21</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24.401,25</strong></td>
<td><strong>7.603,48</strong></td>
<td><strong>15.888.42</strong></td>
<td><strong>(594.39)</strong></td>
<td><strong>635,24</strong></td>
<td><strong>7,93</strong></td>
<td><strong>233,97</strong></td>
<td><strong>41,21</strong></td>
<td></td>
</tr>
</tbody>
</table>

Note: Areal HCV include in planted area
1.10 Progress against Time Bound Plan
The company has revised their time bound plan for RSPO certification of other management units as per the schedule below. The plan was revised as the company was awaiting the readiness to comply RSPO certification requirement.

Table 10: Time Bound Plan of PTPN III

<table>
<thead>
<tr>
<th>Name of Holding</th>
<th>Location</th>
<th>Time bound plan for certification</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>PKSMK</td>
<td>Sei Mangke / Simalungun</td>
<td>August 2010</td>
<td>Certified</td>
</tr>
<tr>
<td>PRBTN</td>
<td>Tebing Tinggi</td>
<td>May 2015</td>
<td>In-process</td>
</tr>
<tr>
<td>PSSIL</td>
<td>Sei Silau / Asahan</td>
<td>May 2015</td>
<td>In-process</td>
</tr>
<tr>
<td>PANAS</td>
<td>Aek Nabara / Labuhan Batu</td>
<td>May 2014</td>
<td>Certified</td>
</tr>
<tr>
<td>PSSUT</td>
<td>Sisumut / Labuhan Batu</td>
<td>May 2015</td>
<td>In-process</td>
</tr>
<tr>
<td>PSBAR</td>
<td>Sei Baruhur/ Labuhan Batu</td>
<td>November 2014</td>
<td>Certified</td>
</tr>
<tr>
<td>PPARO</td>
<td>Aek Raso/ Labuhan Batu</td>
<td>June 2014</td>
<td>Certified</td>
</tr>
<tr>
<td>PTORA</td>
<td>Torgamba/ Labuhan Batu</td>
<td>June 2015</td>
<td>Planned</td>
</tr>
<tr>
<td>PATOR</td>
<td>Aek Torop/ Labuhan Batu</td>
<td>June 2014</td>
<td>Certified</td>
</tr>
<tr>
<td>PSDAN</td>
<td>Sei Daun/ Labuhan Batu</td>
<td>June 2015</td>
<td>In-process</td>
</tr>
<tr>
<td>PSMTI</td>
<td>Sei Meranti/ Labuhan Batu</td>
<td>June 2015</td>
<td>In-process</td>
</tr>
<tr>
<td>Hapesong Mill</td>
<td>Tapanuli Selatan</td>
<td>November 2016</td>
<td>Planned</td>
</tr>
</tbody>
</table>

1.11 Compliance to rules for Partial Certification
PTPN III’s compliance with partial certification rules under Clause 4.2.4 of 2007 RSPO certification system has been assessed through document check and interview in the head office and through findings of concurrent ISO: 9001 checks conducted at other management units of PTPN III. Below is summary of the findings:

<table>
<thead>
<tr>
<th>Partial Certification Requirements</th>
<th>Audit Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.a</td>
<td>The organisation is an RSPO member. Yes, PTPN III is an RSPO member with ID No. 1-0030-06-000-00 (membership since 14 December 2006). RSPO Certification system section 4.2.4</td>
</tr>
<tr>
<td></td>
<td>PTPN III did not provide result of the self-assessment for all units entering estate and mill at the time bound, except those in Silau Dunia, Gunung Monako and Pulau Mandi Estates. This is raised as non conformity</td>
</tr>
<tr>
<td>1.b</td>
<td>A time-bound plan for achieving certification of all relevant entities; PTPN III has a time-bound plan to achieve RSPO certification for all relevant entities. However, one of the company’s development areas (Muara Upu site) located at South</td>
</tr>
</tbody>
</table>
### Partial Certification Requirements

| 1.c.i. There are no significant land conflicts. | Tapanuli is still not included by the time-bound plan. NPP assessment for this area was carried out by Certification Body (Sucofindo) in 2012 years. |
| 1.c.ii. No replacement of primary forest or any area containing HCV since November 2005. | There are some land conflicts/ potential land conflicts ongoing in other PTPN III’s management units, such as Silau Dunia, and Si Sumut Estates. While the company has already made a conflict resolution mechanism, these conflicts remain unresolved as the mechanism is still not agreed by the land claimants. |
| 1.c.iii. No labour dispute that are not being resolved through an agreed process. | No labour issues were found during this surveillance audit. |
| 1.c.iv. No evidence of non-compliance with law in any of the non-certified holdings. | Some of PTPN III’s other management units have not complied with certain legal requirements. For example, in Silau Dunia Estate under another PTPN III management unit, an issue has been found with the area stated under the Right of Cultivation certificate (HGU). However, the company is taking action by inviting National Land Agency (BPN) to re-measure the land and resolve the issue. The process is still ongoing. |

### 1.12 Progress of associated smallholder or outgrowers towards RSPO compliance

During surveillance audit, it was found that the company has programme towards RSPO compliance for all independent outgrowers that supply FFB to Sei Mangke Mill, such as Memorandum of Understanding between PTPN III and RSPO with IDH Sustainable Trade Initiative (IDH) (No. 3.12/MoU/01/2012 and 002/MoU/RSPO-PTPN3-IDH/III/2012 and PAL.01.2012.01) regarding “Sustainable Palm Oil Production by Independent Smallholders” and time bound plan for certification independent smallholder (UD Bentasil and UD Lestari).

### 1.13 Approximate Tonnages Certified

The approximate tonnages certified, based production in 2012 for company owned estates only (refer to Table are as follows:

| Crude Palm Oil (CPO) | 60,573.59 |
| Palm Kernel (PK) | 11,592 |

### 1.14 Other Achievements and Certifications Held

Table 6: Details of other certifications or awards held by PTPN III

<table>
<thead>
<tr>
<th>Name of mill / estate</th>
<th>Certification Standard / Award achieved</th>
<th>Certification Body / Awarder</th>
<th>Date Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of mill / estate</td>
<td>Certification Standard / Award achieved</td>
<td>Certification Body / Awarder</td>
<td>Date Achieved</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>----------------------------------------</td>
<td>-----------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Sawit Sei Silau</td>
<td>9000/14000/SMK3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2.0 ASSESSMENT PROCESS

2.1 Certification Body

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

2.2 Qualifications of Lead Assessor and Assessment Team

The assessment team members of this surveillance audit that were part of the same assessment team for the certification audit are as follows:

2. Dian Susanty Soeminta (Auditor)

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Qualifications / Experience</th>
</tr>
</thead>
</table>
| Aswan Hasibuan | Lead Auditor | **Education:** Bachelor of Industrial Engineering, University of North Sumatera.  
| Daulatul Wahyu | Auditor | **Education:** Magister Manajemen Teknologi Manufacture Engineering, Pancasila University and Bachelor of Machinery Technique, Indonesia University.  
                  **Trainings attended:** ISPO Refreshment I Auditor ISPO TUV Rheinland Indonesia, 2014; Refreshment II Auditor RSPO, AEE TUV Rheinland Indonesia, 2015; IRCA-QMS 9001:2008 lead Auditor Training; IRCA-EMS ISO 14001 Lead Auditor Training;Chain of Custody LEI Lead Auditor Training; Timber Legality Verification Lead Auditor Training; Security Supply Chain Management ISO 28000 Lead Auditor Training; Maritim Security Training, OHSAS 18001 Lead Auditor Training; Inspector Training Pressure Safety Valve; Food Safety ISO 22000 Lead Auditor Training; Pelatihan ISO 17021, ISO 17020 and RSPO P & C Awareness training.  
                  **Working Experience:** Auditor for TUV Rheinland Indonesia; Auditor and Technical Manager for PT Mutu Hijau Indonesia for ISPO, ISO 9001, ISO 14001, and Timber legality verification; Freelance consultant (ISO 9000, ISO 14000, OHSAS 18001, CSMS & Improvement); |
2.3 Assessment Methodology & Agenda

The surveillance assessment was conducted between April 06 to 13, 2015 as per the assessment program below. The assessment was carried out in accordance with PT TUV Rheinland RSPO audit procedure as well as the RSPO Certification Systems document. During assessment, the qualified TUV Rheinland assessors used the RSPO standard as endorsed for the country in which the assessment took place and recorded their findings.

Due to the location and proximity of the estates, combined with common management systems, it was possible to carry out both field and document assessments of all estates and the mill within the time frame without compromising the integrity of the assessment in anyway.
All 7 estates, 1 mill and head Office were visited and the assessment team carried out field and document assessments of compliance to all the RSPO principles and criteria and RSPO Supply Chain Certification System. Common systems were identified and specific evidence was recorded for individual estates. Interviews were conducted at all estates and the mill.

The company proposed the correction and corrective action for all identified non-conformities raised to the certification body 15 days after the closing meeting. Verification of closure of major non-conformances was conducted 1 month after the closing meeting surveillance audit and implementation of corrective actions for minor non-conformities will be verified during the next surveillance audit. The certification assessment agenda is as explained below.

### 2.4 Surveillance Audit Agenda

<table>
<thead>
<tr>
<th>Date</th>
<th>Estate/Location</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>06 April 2015</td>
<td>Traveling to plantation site</td>
<td></td>
</tr>
<tr>
<td>07 April 2015</td>
<td>Aek Nabara Selatan Mill</td>
<td>Opening Meeting, Verification previous audit findings, Sub contractor interview, Best Manufacture Practice, Environmental Issue, Wage/salary, Housing, SCCS, Mill site visit: Mill compound and perimeter, Mill workshop, Sedimentation pond, Palm Oil Mill Effluent Treatment Ponds, Chemical store, Hazardous waste store</td>
</tr>
<tr>
<td>09 April 2015</td>
<td>Labuan HAji estate</td>
<td>Document review: Best practices – Land application records &amp; plan, EFB application records and plan, Integrated Pest Management detection and training records, chemical application records and material stock checks, Hazardous waste storage documents, Site visit: Interview with harvesters and sprayers – KLAJI estate, Chemical and fertilizer stores - KLAJI estates, Sprayers PPE store and shower room – KLAJI estate, Hazardous waste store – KLAJI estate</td>
</tr>
<tr>
<td>Date</td>
<td>Location</td>
<td>Activities</td>
</tr>
<tr>
<td>------------</td>
<td>---------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>09 April 2015</td>
<td>Mambang Muda Estate</td>
<td>Workers housing – Klaji estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Best Practice Management, Environmental issues, OSH issues</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Best Practice Management, Gender Issue, wage Issue</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Onsite verification for previous audit findings</td>
</tr>
<tr>
<td></td>
<td></td>
<td>OSH issues</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Waste Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Water management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Emplastment facility</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agrochemical storage</td>
</tr>
<tr>
<td>10 April 2015</td>
<td>Head Office Medan</td>
<td>Legal compliance, Timebound plan, Partial certification for uncertified mills and estates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Social impact assessment, External communication, Waste Management, Water management, Emplastment facility, Agrochemical storage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Site visit:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Interview with harvesters and sprayers – MS estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Chemical and fertilizer stores - MS estates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Sprayers PPE store and shower room – MS estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Hazardous waste store – MS estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Workers housing – MS estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Domestic waste management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- EFB application site – MS estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Land application site – MS estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Barn owl box – MS estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Verification to conservation block Riparian River</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Verification to block A11 &amp; F.12</td>
</tr>
<tr>
<td>10 April 2015</td>
<td>Rantau Parapat estate</td>
<td>Social impact assessment, External communication, Waste Management, Water management, Emplastment facility, Agrochemical storage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Site visit:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Interview with harvesters and sprayers – RPT estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Chemical and fertilizer stores - RPT estates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Sprayers PPE store and shower room – RPT estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Hazardous waste store – RPT estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Workers housing – RPT estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Domestic waste management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- EFB application site – RPT estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Land application site – RPT estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Barn owl box – RPT estate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Verification to conservation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Verification to block</td>
</tr>
<tr>
<td>11 April 2015</td>
<td>Bandar Selamat Estate</td>
<td>CSR, Legal Boundary:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Monitoring of boundary stone in all estate and check to BPN 615 and BPN 609</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Verification to erosion area or implementation platform in block G32, and B46</td>
</tr>
</tbody>
</table>
2.5 Date of Next Surveillance Visit

The next surveillance visit is planned for March 2016
3.0 ASSESSMENT FINDINGS

3.1 Summary of Findings

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

**Principle 1: Commitment to transparency**

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

**Findings:**

There is a mechanism has been establish by PTPN III corporate for incoming request of information and how to response that request as stated on such as Circulair Letter from PTPN3 Director No.3.00/SE/01/2012 related to Company data publication, Procedure No. PK-3.00-03 Revision 01 date issued 23/9/2013 (Stakeholder communication and Consultation) and IK-3.00-16/01 (Provision of Company Data External Data) to manage the Requests for information made by stakeholders at the mill and the estates were recorded in one document together with any other requests or letters received from stakeholders, as required by the company’s procedure. It was seen from the company’s log book (FM-3.00-03/01) Record of communication with stakeholder, there are some records of request of information with corresponding response from the company, such as:


2. Letter from Local District Goverments Technical High School (SMK PEMDA) dated 17 January 2015 regarding request of Internship programme to Aek Nabara Selatan estate and it was has been done completed.

3. Letter from Labuhan Batu District Police department No.B/217/I/2015/Reskrim date 15/1/2015 to Mambang Muda estate regarding request of document information and was response by letter No.KMMDA/3-11/MO/2015.

4. Letter from Merbau Selatan head of village No.140/58/MS/MS/II/2015 regarding border marking establishment between sub village in his Merbau Selatan area responsibility, this request was response and recorded by letter No.KMSTN/X/04/2015 date 23 February 2015.

These records of company’s responses for above incoming requests from stakeholder is well keep and easily traced as they were listed in the company’s log book (FM-3.00-03/01) Record of communication with stakeholder for each mill and available estate.

It is mentioned in IK-3.12-01/01 rev.06 standard operating procedure for document and data control dated 25-02-2014, that the company shall maintain all records of requests for information and responses made by the company for at least 5 years. Evidence so far shows that company maintains these records in accordance with this SOP

PTPN III corporate also has SMS centre 9600 which is open announced in the front of estate office or mill office. This SMS centre is centralised in Medan head office and checked daily by corporate public relationship. Incoming complaint or request of information from stakeholder through call centre will be forwarded to relevant sections to be followed up. During main assessment this sms centre still new, no incoming request of information received yet.

**Compliance status:** Full Compliance

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

**Findings:**

There is a circular letter from PTPN III Director No. No.3.00/SE/01/2012 dated 24 January 2012 regarding
a list of document can be made available to general public, the documents listed on the attachment of circular letter can be obtained upon request. The memorandum states whether the documents are publicly available or not. Documents made available to the public are:

- Documents related to environment and social impact assessment (AMDAL/UKL-UPL and environmental management and monitoring reports (Laporan RKL-RPL).
- Documentation of social activities and community programs.
- Land title use rights (HGU).
- Occupational health and safety plans
- HCV documentation
- Details of complaints and grievances
- Negotiation procedures
- Continual improvement plans
- Public summary of certification assessment report;
- Human Rights Policy

Mechanism for incoming request of information and how to respond that request already stated on IK-3.00-16/01 (Stakeholder communication and Information) and IK-3.00-16/01 (Provision of Data for Interests of Stakeholders). Requests for information made by stakeholders at the mill and the estates were recorded in one document together with any other requests or letters received from stakeholders, as required by the company’s procedure. As seen from the company’s log book. Retention period for records keeping relating to incoming request of information is mentioned in IK-3.12-01/01 rev.06 standard operating procedure for document and data control i.e. at least 5 years.

Compliance status: Full Compliance

**Criterion 1.3: Growers and millers commit to ethical conduct in all business operations and transactions**

**Findings:**

An Ethical conduct was well socialised among the all level of the operation include contracted third parties. Formal memorandum letter from PTPN III Marketing and Development Plan Director No. 3.12/3.00/MO/209/2015 dated 25 March 2015 was issued related Good Corporate Governance Practices handbook distribution to all level of company operation and contracted third parties. This handbook consist some of ethical business conduct and integrity in all company operation and transaction.

Records of signed Code of Conduct Statement letter of compliance by employee and third parties were kept and maintained in the estate manager office such as:

1. Signed Code of Conduct Statement letter of compliance by employee ,SP. Bandar Selamat estate manager on 26 March 2015 and signed attendance list for this commitment socialisation among the employee and involved third parties in estate area.
2. Signed Code of Conduct Statement letter of compliance by employee (SP) employee number NRK 92.00 P23620 dated 2 January 2014 for Merbau Selatan Estate and signed attendance list for this commitment socialisation among the employee and involved third parties in estate area.
3. Signed Code of Conduct Statement letter of compliance by employee (SP) employee number NRK 98.00 P27686 dated 25 March 2015 for Membang Muda Estate and signed attendance list for this commitment socialisation among the employee and involved third parties in estate area.
5. Signed attendance list of socialisation for letter from corruption eradication commission (KPK) No.B.2974/01-13/07/2014 related appeal does not accept gratuities in the business operation and transaction.

Company should ensuring employee awareness and understanding regarding code of conduct through regular socialization especially in Mambang Muda estate.

**Compliance status: Compliance with observation**
### Principle 2: Compliance with applicable laws and regulations

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

**Findings:**

The company provides a mechanism for evaluation of implementation and compliance to applicable legal requirements in a standard operation procedure i.e. PK-3.11-01, rev 0, dated 25 February 2014. There are also procedures which define the mechanism of evaluation of compliance to regulations related to the company's plantation, legislation related to the environment, legislation relating to labour, and regulations related to health and safety. The SOP states that the identification and evaluation is to be carried out 2 (two) times a year and conducted by the each section, and estate and will be compiled by Legal officer and supported by the Head of Operations / field and other departments within the company organisation. Most estate maintains and updates their list of all applicable legal requirements relating to environmental, occupational safety and health, the company plantations, and employment as well as records of internal compliance checks to legal requirements.

The company maintains a list of all applicable legal requirements relating to environmental, occupational safety and health, the company plantations, and employment as well as records of internal compliance checks to legal requirements as they are summarised in the FM-3.11-01/03. List of applicable legal, regulation and other requirements was recorded in the FM-3.11-01/01

Some evidence of compliance with relevant legal requirements as seen on latest legal requirements register i.e. "Report of legal and other requirement " for year 2014 in Aek Nabara Selatan Mill and Estate, Mambang Muda, Labuhan Haji, Bandar Selamat, Rantau Prapat, Sungai Dadap and Merbau Selatan. There is sufficient evidence of compliance with relevant legal requirements, as found on documents:

- Daftar Peraturan/Perundangan (list of legal and other requirements)
- Hasil Evaluasi Peraturan/Perundangan (Result of evaluation of legal and other requirements)
- Rekapitulasi Kepatuhan Terhadap Peraturan/Perundangan (Recapitulation of compliance to legal and other requirements)

The latest update of the above documents for Aek Nabara Selatan Mill & Estate, Labuhan Haji Estate, Rantau Prapat Estate, and Bandar Selamat Estate was performed on January 2015.

Based on the above documents, most of applicable legal and other requirement has been identified and fulfil by the organization. The identification evaluation results has cover almost all of legal and other requirements, including the missing found during previous audit and new legal and other requirements such as: Regulation of the Indonesian Government No. 101 Year of 2014 concerning of Management of Hazardous Waste.

Evidence of efforts made to comply with changes in the regulations was checked through the latest legal register updated on March 2014 & confirmed that latest applicable legal requirements as described above have been updated. The latest legal register is also sighted to be available at the respective mill and estate offices.

**Compliance status:** Full-Compliance

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

**Findings:**

Based on document verification during this surveillance audit, there is Decree of Ministry of Forestry No. 201/Menhut-II/2006, dated June 05, 2006, concerning of Revision of Decree of Ministry of Forestry No. 44/Menhut-II/2005, dated February 16, 2005 and Revision of Designated Forest Area (Peruntukan Kawasan Hutan) in Zone of North Sumatera Province. The decision of Poin B.3 said:

"The valid license of forest area usage or license of forest utilization that located at forest area that changed designation into for non forest area or located at forest area that changed function according to Decree of Ministry of Forestry No. SK.44/Menhut-II/2005, dated February 16, 2005 are still remain valid until the
To ensure that the legal boundaries clearly demarcated and visibly maintained, the auditor were observed the presence of legal boundaries of Aek Nabara Selatan Estate, Labuhan Haji Estate, Rantau Prapat Estate, and Bandar Selamat Estate. According to fields visit results, the legal boundaries are made of concrete with BPN Identity Number.

Some sample were observed, i.e:
- Aek Nabara Selatan Estate: HGU BPN No. 217 and HGU BPN No. 125
- Labuhan Haji Estate: HGU BPN No. 129, 130 and 131
- Rantau Prapat Estate: HGU BPN No. 18
- Bandar Selamat Estate: HGU BPN No. 203 & 364

There is sufficient evidence that the legal boundaries are clear demarcated and visibly maintained.

**Compliance status:** Full-Compliance

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

**Findings:**

No specific traditional tenure rights have been found in all PTPN III’s estates as the plantation has already existed before the surrounding community’s settlement.

According to information stated in Social Impact Assessment (SIA) conducted with the local community’s participation, following two types of non-tenure traditional activities has been identified as relevant to the local community’s in the seven estates:
- traditional logging for subsistence purposes; and
- Cattle grazing.

In addition to these activities, there are also sites sacred to local community such as cemeteries and water sources. These cemeteries hold remains of those whose families no longer inhabit the estate area. The community uses the water sources during dry season when wells or rivers run dry. The estate management is aware of the presence of such areas/sites, thus supports their maintenance and activities using them, despite the areas’ land status belonging to PTPN III.

Available situation map of Marbau Selatan Estate according to SK HGU No. 118 / HGU / BPN / 2005 December 23, 2005. Land Use Right (HGU) No. 09 covering an area of 1613.02 Ha January 22, 2008 (valid until 12/22/2040), Land Use Right (HGU) No. 10 covering an area of 1580.65 ha January 22, 2008 (valid until 12/22/2040). However map the area 99.88 hectares (the addition of expansion), which is still in the process of publishing in the Land Agency Office. Constatering Report (Panitia B) on 19 November 2014.

**Copies of negotiated agreements detailing the process of free, prior and informed consent (FPIC)**

a. Minutes of meeting between claim areas Resolution Team (PTPN III) by Farmers Group Suka Damai June 14, 2009 with the conclusion that the board of Farmers Group Suka Damai ready to surrender the claim area of 99.88 hectares in AFD I with an agreement to receive compensation money.

b. Minutes of compensation dated March 11, 2010 and on behalf (SP) Group including 55 members and on behalf Suwandi Bin Paimin including 23 members.

c. Examples of individual compensation payments on behalf (SP)

Several records have been found on agreements negotiated between the traditional landowners and estate management supplemented with appropriately scaled maps. For example, (i) negotiation on grazing location map in Mambang Muda Estate being agreement made by and between the villagers and the estate manager on 4 October 2011; and (ii) agreement between Bandar Selamat Estate Manager and heads of village surrounding the company’s location, Sungsong, Police Officer, and youth leader made on 10 January 2011. There is a map of traditional activities in each agreement, informing location of the cattle grazing area agreed by the community inhabiting the concession.

Copies of negotiated agreements detailing process of making such consent are available in the estate offices, such as Aek Nabara Selatan, Bandar Selamat and Mambang Muda estate offices.

Copy of specific situation map and land area (Peta Bidang Tanah atau Situasi Khusus) for area 158.22 should available in Merbau Selatan estate.

**Compliance status:** Compliance with Observation
Principle 3: Commitment to long-term economic and financial viability

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

Findings:
PTPN III’s current documented plan to which the company’s working plan refers is the Long-Term Plan (RJP) document. Information provided in the RJP document focuses more on production, planting and expenditure (cost) plans associated with the both estates and mill’s production operation in a 5-year working period including their. The RJP document also includes brief information on the company’s working plan related to social aspects, legal compliance, and environmental issues under its responsibility. The RJP document has been include the company’s other activities such as long-term Corporate Social Responsibility (CSR) for the company’s stakeholders. The RJP includes working plan documents serving as guidance to all PTPN III estates and mills activities. At time of the assessment, the company has established an Rencana Jangka Panjang called RJP (Long Term Working Plan) for 2015-2019 period, including an RJP for Merbau Selatan Estate. This document includes a 5-year period profit/loss analysis. The RJP will serve as guidance to the estate management plan, which must be followed by all estates in their operation planning, as well as to achieve financial viability.

A consistence evaluation for production realisation were done annually for PANAS and each estate such as Membang Muda Estate, Labuhan Haji and Aek Nabara estate as it was found for 2013 and 2014, the production realisation for this estate were 21,043 Kgs/Ha for 2013 and 21,920 Kgs/Ha for 2014.

Compliance status: Full-Compliance

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

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

Findings:
PTPN III’s estates are provided with work instructions for all estate activities including land clearing, mature and non-mature planting management, manuring, transportation, pest management, soil conservation, hazardous chemical use, etc. Evidence has been found as to the implementation of the work instructions, e.g. sighted onsite at Bandar Selamat, Merbau Selatan and Aek Nabara Selatan Estates, where horseshoe method or terracing and adequate ground cover at sloped planted areas are implemented. They are done based on the company’s Work Instruction for Land Preparation and Management of Plantings, Sloped Land and Lowland Areas (Work Instruction No. IK-3.01-14/06). Census records are maintained as per the company’s Work Instruction No. IK-3.01-17/14 for Oil Palm Pest Management. At Merbau Selatan Estate, a map of plant routine maintenance program has been sighted in the FM.3.01-18/01-01, which was prepared in accordance with the company’s Work Instruction No. IK-3.01-03/04 for Maintenance of mature palm oil plant. The mill also has documented SOPs available for the mill processes.

Bandar Selamat Estate carries out operation checks through internal audits at least once a year by Internal Monitoring Division. The last internal audit report is dated 23,24 February 2015 and verification of NCR’s raised were completely closed on 26 March 2015. The 2015 internal audit covered assessment of estate FFB production and productivity, fertiliser application, payment of premium for harvesting foreman, inventory records, chemical distribution, finance, etc.

All estates maintain operational results records. For example, Bandar Selamat Estate whose planting activity monthly report for July 2014 was sighted. The report covers actual FFB transported, FFB production, actual fertiliser application, chemical use record, pest census record, etc.

Compliance status: Full compliance

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

Findings:
The organization has established set of standard operating procedure (SOP) that use as guidance of good agriculture practices (GAP). The SOP are designed for manage soil fertility to a level that ensures optimal and sustained yield. Some of SOP, are:
- Planning of Plant Division, Document No. PK-3.01-01, Rev.0, dated 25-02-2014;
- Planting and Replanting Preparation/New Planting, Document No. PK-3.01-02;
- Maintenance of Plant, Document No.: PK-3.01-03;
- Checking of Plant Division, Document No.: PK-3.01-04;
- Harvesting, Document No.: PK-3.01-05;
- Transportation & Product Delivery, Document No.: PK-3.01-06;

Some documents and records were reviewed, and found, there is sufficient evidence that the organization keep and maintain the records of fertilizer inputs. The documents and records were reviewed, such as:
1. Aek Nabara Estate:
   1. Report of Fertilizer Consumption for Palm Oil at Afdeling I, March 2015;
   2. Report of Fertilizer Consumption for Palm Oil at Afdeling II, Marc 2015;
2. Rantau Prapat Estate:
   4. Records of fertilizer usage are presented in the document Report of Plantation Division (Laporan Bidang Tanaman). The report is made periodically every month. Sample report of March 2015, there is information Fertilizer Plan and Socialization until March 2015; Until March 2015, realization of fertilizing has 10.979 kg of Dolomite, applied into 59.21 hectare of areal and 6.870 kg of Suplement, applied into 410.30 Hectare of areal.
3. Bandar Selamat Estate:
   5. Document of Realization of Fertilizer Consumption for Palm Oil. Sample fertilizer usage of year 2014:
      - Dolomite = 1.703 ton;  PHE = 29,6 ton;  Urea = 0,09 ton; TSP = 0,08 ton; MOP = 0,24 ton; Borate = 0; Humega Liquid = 0,87 ton; and Estragen = 0,003 ton

There is sufficient evidence that the organization has performed periodic tissue and soil sampling to monitor changes in nutrient status. The last records of periodic tissue and soil analysis as below:
1. Aek Nabara Estate:
   a. Soil Sampling, Certificate of Analysis No. 376/0.1/Sert/IV/2014, dated February 20, 2014, date of test Feb 20 till April 15, 2014; Analysis has performed by Indonesian Oil Palm Research Institute.
   b. Tissue sampling, Certificate of Analysis No. 1466/0.1/Sert/XII/2014, dated October 06, 2014, dated of test: October 06 till December 12, 2014; Analysis has performed by Indonesian Oil Palm Research Institute.
2. Labuhan Haji Estate:
   a. Tissue sampling, Certificate of Analysis No.: 979/0.1/Sert/IX/2014; dated August 18, 2014; date of test August 18 until Sept 04, 2014. Analysis has performed by Indonesian Oil Palm Research Institute.
   b. Soil Sampling, Certificate of Analysis No.: 377/0.1/Sert/IV/2014; dated February 12, 2014; date of test February 20 until April 15, 2014. Analysis has performed by Indonesian Oil Palm Research Institute.
3. Rantau Prapat Estate:
   a. Tissue sampling, Certificate of Analysis No.: /Ref.: 005/A.D/Lab-TM/VII/2014; Analysis has performed by Indonesian Oil Palm Research Institute.
4. Bandar Selamat Estate:
   a. Soil Sampling, Certificate of Analysis No.: 978/0.1/Sert/IX/2014; dated August 18, 2014; date of test August 18 until Sept 04, 2014. Analysis has performed by Indonesian Oil Palm Research Institute.
   b. Soil Sampling, Certificate of Analysis No.: 385/0.1/Sert/IV/2014; dated February 20, 2014; date of test February 20 until April 15, 2014. Analysis has performed by Indonesian Oil Palm Research Institute.
The organization has implemented a nutrient recycling strategy, including use of Empty Fruit Bunches (EFB), Palm Oil Mill Effluent (POME), and palm residues after replanting. The documents and records were reviewed such as:

1. Aek Nabara Mill / Estate:
   6. Report of progress EFB Transport, March 2015: Aek Nabara Selatan Estate, until March 24, was applied 1,061,650 kg of EFB into 803,45 Hectare of area Afdeling I; until February 23, was applied 280,140 kg of EFB into 781,52 Hectare of area Afdeling II; Until March 12, 2015, was applied 1,335,940 kg of EFB into 840,36 hectare of area Afdeling III.
   7. Data of POME implementation for LA:
      - January 2015: 346 hour of working pump, FFB Processed 18,860,000 kg; POME applied 13,840 M3
      - February 2015: 294 hour of working pump, FFB Processed 19,247,000 kg, POME applied 11,760 M3
      - December 2014: 373 hour of working pump, FFB Processed 25,659,130 kg, POME applied 14,920 M3

There is no application of EFB and POME at Labuhan Haji Estate, Rantau Prapat Estate, and Bandar Selamat Estate:

Compliance status: Full Compliance

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

Findings:
There is no Map of Marginal Soils as there no marginal soils are found at Aek Nabara Selatan Mill & Estate, Labuhan Haji Estate, Rantau Prapat Estate and Bandar Selamat Estate. The estates' soil generally consists of podzolic soils, i.e. Typic Paleudult (yellowish brown podzolic) at Aek Nabara Selatan Estate, which is not classified as a marginal soil, although it is prone to erosion at sloped areas.

Aek Nabara Selatan Estates area located at 41 meter above sea level and consists of flat to undulating parts, with configuration as below:
- \((0 - 8)\)\(^0\): Mineral Soil consist of 3,878,63 ha (53,04%); and there is no peat soil;
- \((8 - 15)\)\(^0\): 2,131,54 ha (29,15%);
- \((15 – 25)\)\(^0\): 983,10 ha (13,43%);
- \((25 – 45)\)\(^0\): 320,90 ha (4,38 %); and
- > \((45)\)\(^0\): -- (0 %)

The organization has established a work instruction for Land Preparation and Management of Plantings and Sloped Land and Lowland Areas (Work Instruction No. IK-3.01-14/06). The work instruction, its practices description includes planting of leguminous cover crops once drainage is constructed and mechanical land management depending on the slope degree (i.e., 'benteng' (bunding) at sloped areas of less than 3°, 'tapak kuda' (horseshoe) method at sloped areas of 3°-28°, and terracing or contouring at others of above 28°).

Aek Nabara Selatan Mill & Estate, Labuhan Haji Estate, Rantau Prapat Estate, and Bandar Selamat Estate has show their road maintenance programme. The documents were reviewed, i.e:

2. Labuhan Haji Estate
   - Working Map of Routine Maintenance of Plant; Object Maintenance of Main Road
   - Realization Map of Routine Maintenance of Plant; Object: Maintenance of Main Road
   - Working Map of Routine Maintenance of Plant; Object Maintenance of Production Road.
   Records as sample was taken at Afdeling IV for Triwulan I year of 2015
3. Rantau Prapat Estate
   Sample: Plan and Realization of Maintenance, at March 2015. Road maintenance was planning for
11.700 metre. Until March 2015, realization of road maintenance has reached 44.000 metre.

4. Bandar Selamat Estate, realization of road maintenance as follows:
   - Production road: March 2015: 34.800 meter; February 2015: 38.700 meter; and January 2015: 60.250 meter
   - Main road: January = 1.400 meter; February: 3.118 meter; and March = 3.718 meter
   - Control road: January = 8.950 metre; February = 18.850 metre; and March = 18.700 meter

There is no peat soils are present in Aek Nabara Selatan Mill & Estate, Labuhan Haji Estate, Rantau Prapat Estate, and Bandar Selamat Estate, thus peat water management plan is not required.

**Compliance status:** Full Compliance

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

**Findings:**
Aek Nabara Selatan Estate, Labuhan Haji Estate, Rantau Prapat Estate, and Bandar Selamat Estate has installed signboards near river stating that Chemical Application is Prohibited. The organizations also applied Red Cross Sign at Palm Oil Tree near the River as border sign of chemical application.

The mill carries out land application of Palm Oil Mill Effluent (POME), and the quality control conducts monthly sampling of effluent Biochemical Oxygen Demand (BOD) for discharge points as well as monitoring wells. POME analysis is conducted by the accredited external laboratory (Sucofindo). The available analysis results are dated, among others, 05 March 2015, 27 January 2015, 29 December 2014, 19 December 2014, 31 October 2014, 25 September 2014, 5 September 2014, 06 August 2014, 11 August 2014, and 19 June 2014. It is potential for company improvement to provide clear identification for all ponds such as name, pond number, and coordinate for sampling point on each sample pond.

All months results show that the BOD levels of the samples are below the legal requirement that applies to land application (5,000 ppm) as per Environment Ministry State Minister Regulation No. 28/2003 on Technical Guidelines for Assessment of Wastewater Use from palm Oil Industry to Soil (land application).

The results are: BOD of 290.6 mg/l on 5 March 2015; BOD of 3.720 on 27 January 2015; BOD of 2960 on 29 December 2014; BOD of 2.370 on 19 December 2014, BOD of 4.148 on 31 October 2014, and BOD of 4.354 on 25 September 2014.

The mill (PKS Aek Nabara Selatan) also runs water sampling and analysis of the monsoon drain water against parameters for clean water under Health Ministry Regulation No. 416/MENKES/PER/IX/1990. The last analysis result available is dated 12 June 2014, where it is found that the clean water quality still complies with limit of 5 according to relevant regulation.

There is sufficient evidence that the Aek Nabara Selatan Mill monitoring mill water use per tonne of FFB. There is daily records of water usage for processing FFB per tonne. It has set standard of using (1.5 - 2.0) tonnes of water for processing FFB per tonne. The data show that water use per tonne of FFB in Aek Nabara Selatan Mill was 1.89 tonnes for January – December 2014 period.

**Compliance status:** Compliance with observation

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

**Findings:**
PT Perkebunan Nusantara III, including Aek Nabara Selatan Mill & Estate, Labuhan Haji Estate, Rantau Prapat Estate, and Bandar Selamat Estate, has established Work Instruction for Oil Palm Pest Management technique, incorporating cultural, biological, mechanical, and physical methods to minimize the use of chemicals. The works instruction are:
a. Control of Palm Oil Disease (Pengendalian Penyakit Tanaman Kelapa Sawit, IK-3.01-03/12), and
b. Control of Palm Oil Pest (Pengendalian Hama Kelapa Sawit, IK-3.01-03/11)

The organization has established IPM Team at each afdeling respectively. For example, there is Decree of Manager of Aek Nabara Selatan Estate, No.: KANAS/SKPTS/07/2015, date January 05, 2015, concerning Assignment of Personnel of IPM Team year of 2015. There is sufficient evidence that the IPM programme and implementation are monitored. There are sufficient evidence such as:
- Socialization of IPM, date June 10, 2014 at afdeling III, Labuhan Haji Estate.
- Documents Plan/Realization Map of Attacked Area.
- IPM Programme, including biological for year 2015, i.e: nursery, planting, maintenance, and re-planting of Air Mata Pengantin (anig leptosus) and Bunga Pukul Delapan (turnera subulata)

Implement IPM programme by biological system, i.e: plant turnera subulata, Turnera ulmifolia, and antig leptosus), at near main road; and also keep Sycanus dichotonus live. Sycanus dichotonus is know as active predator of ulat api and ulat kantong.

**Compliance status: Full Compliance**

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

**Findings:**

There is sufficient evidence that all pesticides/chemicals used by Aek Nabara Estate, Labuhan Haji Estate, Rantau Prapat Estate, and Bandar Selamat Estdated are registered and permitted. This is evidenced by:

- Recommendation Letter No.: 1214/IV-DTK/2015, date March 31, 2015, concerning of Pesticides Usage, from District Labor Office of Asahan District Government, for Bandar Selamat Estate;
- Recommendation Letter No.: 560/66/DSTKT - 4/2015, date February 16, 2015, concerning Recommendation for Storage/Usage of Pesticides, from District Social, Labor, and Transmigration Office of Labuhan Batu District Government, for Rantau Prapat Estate. Type of registered and permitted are Pelita 480 AS; Sida Up 490 SL; deci 2,5 gr/Ltr; Anvil 50 SC/Daconil 75 WP; NOBB; Perokum RMB; Ratgone; VK-Plus; Flo-Tek; and Ethrel gea.
- Labuhan Haji Estate has proposed a letter of application for licence extension, No.: KLAJI/X/2A.A/2015, date February 27, 2015, to Head of Social and Labor Office of Labuhan Batu Utara district. The letter was received on March 07, 2015. Type of pesticides/chemicals: Herbisida (Ally 20 WDG dn Gliposate / Sida Up 490 SL); Insectisida (Decis 2.5 EC dan Marshal 5-G); Fungisida (Bayleton 250 EC dan Decomil 75 WP) dan rodentisida (Rat Gone). The letter applied due to Recommendation Letter No.: 560/206/DSTK/2014, date March 06, 2014, concerning recommendation for Usage of Pesticides/Chemicals has been expired since February 28, 2015.

The organization keep and maintain records of pesticides use (including active ingredients used and their LD50, area treated, amount of active ingredients applied per ha and number of applications). Herewith some document were reviewed:

- **Aek Nabara Selatan Estate:**
  1. Report of Chemical Usage for March 2015, Afdeling I: Sida. Up 480SL : 10 cc/ha (applied for 267,65 ha of areal); Afdeling II: Sida Up: 0,010 ltr/ha (applied for 319,8 ha of areal); Afdeling III: Gilposate: 3,7 cc/ha (applied for 269,10 ha of areal)
  2. Toxicity recapitulation of Herbisida, Sida Up 490 SL, at Afdeling VI:
     - January 2015: applied areal 248,2 ha; used around 101,6 liter; active ingridient 36,881 gram/liter; Dose per ha: 149 gram/liter; LD 50 Oral Rate: 5,6 Mg/ha and LD 50 Human: 392 gram/person
- **Labuhan Haji Estate,** recapitulation of pesticides usage year of 2014 as below:
  1. Herbicide, Glyfosat 480 AS amount 736,18 liter and Ally 20 WDG 16,21 liter
  2. Insecticide, Deci 2.5 EC 41,91 liter
3. Herbicide (Gempur 480 AS; Sida Up 490 SL; Garlon 480 EC dan Ally 20 WDG)
4. Insecticide (Decis 2.5 EC; Marshall 5G; Orthene; Matador)
5. Fungicide (Bayleton 250 EC; Anvil 50 EC; No BB; Dithane M45; BBerosal 50 WP)
6. Rodenticide (Klerat RMB; Ratgone; Petrokum; Brodifikum)
7. Document LD 50; Chemical Usage year 2014, including data of month, applied area (ha), amount of chemical used (liter), amount active ingredient/ha, LD 50 Rat (gram), LD BB 65 Kg (gram) and remark. Conclusion, there is no toxic material (chemicals). The chemical consist of Sida Up and Ally 20 DWG
- Rantau Prapat Estate:
  1. Recapitulation of toxicity measurement of Herbicide, year of 2015; Afdeling IV, chemical SIDA UP 490 SL (Glifosat), active ingredient: Isopropil amina glifosat 363 (gr/litr)
  2. Herbicide:
     - Sida Up 490 SL, balance year of 2014 amount 5.326,15 liter; March 2015 consumption amount 617.83 liter;
     - Glifosat 480 AS/490 SL (Basmilang): balance year of 2014 amount 240,00 liter; March consumption amount 240,00 liter;
  3. Insecticide
     - Anvil: balance year of 2014, amount 77,96 liter; March consumption 4,70 liter
     - Ratgone: balance 2014 310 kg;
     - Berosal 60 WP: balance 2014, 45,56 kg; March usage 2015, amount 0,60 kg
- Bandar Selamat Estate
  2. Recapitulation of herbicide toxicity calculation; Sida Up (Glifosat 363 grm/liter) --> LD 50 Per people Oral (BW = 70 kgs) grams per people 350,00 result during 2014 No Toxic Available (per afdeling data)

The organization has demonstrated that all pesticides handled, used and/or applied by persons who have completed the necessary training. Some document were reviewed, i.e:
- Training Need Identification to improved human resources, year 2015 at Bandar Selamat Estate. The results, i.e: Training of Handling and Usage of Hazardous Materials. The training will be attended by 1 person of warehouse personnel, 6 (six) persons of maintenance foreman (Mandor), and 20 maintenance employee who related to hazardous substance.
- Letter of Manager of Labuhan Haji Estate, No: KLAAJ/DLAB 3./ /2015, March 18, 2015, concerning Training of Chemical Usage. The letter said that; request of training for all pesticides / chemical-applying worker (according to Decree of ministry of labor: 187/Men/1999.
- Socialization of hazardous material usage, and training of fertilizing / Maintenance Palm Oil Plant, date March 11, 2014 at TPH Afdeling I Labuhan Haji Estate

There is evidence that the organization has defined a mechanism to ensure that all chemical-applying worker not consist of pregnant women and not pregnant nor breastfeed their babies, even for the company's sub-contracted workers. There is applied mechanism to ensure that all sub-contractor worker is obey to company's policy. An sample, there is a Work Order Letter No.: KRPPT/SPK/TAN/22/2014, date December 31, 2014 to CV Adit Sejahtera. Based on the letter, the third party (CV Adit Sejahtera) should be do not employ pregnant women and not pregnant nor breastfeed their babies, menstruating women, and employ children.

In other hand, the organization has conducted socialization of chemical technical spraying to subcontractor's personnel, i.e: date March 11, 2015 at afdeling III. The socialization include about personnel protective equipment (PPE).

During this surveillance audit at Aek Nabara Selatan Mill & Estate, Labuhan Haji Estate, Rantau Prapat Estate and Bandar Selamat Estate, there is no chemical-spraying activities.
There is evidence that the organization has performed specific annual medical surveillance for pesticide operators, for example:

- There is Report of Measurement/Examination Report Working Environment dan Medical Check PTPN III (Persero) Year of 2014, Document No.: 26/DHU/BK3-MDN/XII/2014, issued by Kemenakertrans Sekretariat Balai Keselamatan dan Kesehatan Kerja Medan; The medical check up was include:
  1. Audiology
  2. Spirometry
  3. Cholinesterase (consist of 12 mans and 2 women)
  4. Pb on Blood
  5. Working Load

Based on the medical check-up result, show that all personnel still normal.

Labuhan Haji estate manager issued letter no. KLAJI/X.136A/2015 dated March 18, 2015 regarding medical checkup for all subcontractor, especially for sprayer.

- There is evidence that annual surveillance for pesticides operators are performed and associated records are maintained. Sample, Certificate of examination results of blood, date June 02, 2014, issued by Prodia, on behalf of:
  1. Idris Affandi (CV Adit Sejahtera) --> Afdeling I
  2. Triandoko (CV Merah Putih) --> Afdeling II
  3. Suryanto (CV Putra Natama) --> Afdeling III
  4. Diky (CV Rudin Sejahtera) --> Afdeling IV
  5. Robby Hamzah (CV Juangga Jaya) --> Afdeling V
  6. Deniatmaja Hutagaol (CV Karya Nusantara) --> Afdeling VI

The name listed above is recorded as sub-contractor worker and work as chemis worker at Rantauprapat estate.

However No evidence of medical examination for fertilizer warehouse officer who has been working almost five years in Rantau Prapat estate.

Compliance status: Non Conformance.

NCR No. 2015-02 of 04 (MAJOR).

No evidence of medical examination for fertilizer warehouse officer who has been working almost five years in Rantau Prapat estate.

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

Findings:

Aek Nabara Selatan Mill has a OHS Policy that has been signed by Aek Nabara Selatan Mill (PANAS) Manager (Mr. Yudi Darma Putra Hasibuan) and Chairman of the Labor Union (Mr. Andi Johan), date January 05, 2015.

There is sufficient evidence that the policy has been socialized to all worker at Aek Nabara Selatan Mill, i.e: Attendance List, date Februari 07, 2014 at Office & Processes. Some of supporting document also available such as: Internal Memo from PANAS Manajer, date February 06, 2014 concerning socialization of Vision, Mision and Policy of Sustainable Palm Oil, and OHS Policy. The MEMO is addressed to Masinis Kepala, Asst Teknik, Asst Laboratorium, and Assistant Pengolahan dan ATU & Personalia

There is OHS Management System documentation, as below:

- Emergency Response Team
- Official News of Bakortiba Training, year of 2014
- Official News of Natural Disasters Training, November 19, 2014
- Official News of Anti Riot Drill, November 19, 2014
- Evaluation of Emergency Response Drill
There is sufficient evidence that all workers involved in the operation has adequately trained in safe working practices, such as:

- The occupational safety and healthy engineering of Technical Training - The field of Energy and Production Equipment - Held in Medan on April 1-4, 2013 -- The holders (Jalerman Sipayung) qualifies the requirements as Operator of OSH Diesel.
- The occupational safety and health (OSH) of First Aid at Workplace - Held in Education Center of PTPN III Sei Karang on November 27 - 29, 2012 -- The holders (Erguna P. Sinurat) qualifies as First Aid at Workplace Officer
- The Supervision Development of Occupational Safety and Health Notrm - Conducted by CV Global Safety Indonesia in Sei Karang Training Center - on May 27 until June 05, 2013 -- The holders (Ebenezer Sipayung) of the certificate has fulfilled as Occupational Safety and Health Expert.
- Water Treatment Training - Conducted by PTPN III - held on March 19, 2015

Based on field visit to Aek Nabara Selatan Mill, found that all worker provided adequate and appropriate protective equipment to cover all potentially hazardous operations, such as machine operations.

The organization has assigned responsible person/persons to implement and control OHS system, named P2K3. There is evidence that P2K3 has performed regular meetings between the responsible person/s and workers once time every month. Meeting results reported to authority office. Report of January, February, and March 2015 were reviewed.

All workers has provided with medical care, and covered by accident insurance that is Jamsostek or BPJS. Sample of Jamsostek Membership Card on behalf Agus Suhaimi (31/08/72 1097 -- 97B00322184)

The organization maintain records of occupational injury periodically per month. The occupational injury recorded in Form Rekapitulasi Laporan Kecelakaan Kerja (FM-3.12-01/11-03). There is no accident since January 2014 until this 1st surveillance audit. Lost Time Accident (LTA)) Metric available at Form Laporan Penyeleidikan Masalah K3 (FM-3.12-11/02).

There are some potential for improvement, i.e.
- Safety Induction should be provided to visitor or guess in Aek nabara Selatan Mill and all supply base estates. Aek Nabara Selatan estate, Labuhan Haji, Rantau Prapat and Bandar Selamat estate.
- OSH program for year 2015 should consider and cover : 1). Identification and evaluation result for legal and other requirement including hazard and risk analysis.
- Company should repair hydrant hoses at Aek Nabara Selatan mill because some leakage found.
- Ensuring pressure for each fire extinguisher in normal condition.
- water tap air at eye wash station both in estate and mill should be maintain properly to make well flow.

**Compliance status:** Compliance with observation.

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

**Findings:**

As sighted in the memorandum of Human Resources and General director No.KBDSL/MO/46/2014 related on the job-training program for estate employees in Bandar Selamat. The training program consist of Chemical handling training, Integrated pest management and early warning system, Electrical overhead power line harvesting activities and HCV training were well filed including their signed attendance list, training materials and completed with the training evaluation. Estate has a documented 2015 training plan, including training plan for OSH hazard and risk identification, workplace safety inspections, first aid training, hazardous waste management, and emergency response training. The estate has documented worker identification that requires training. For example in January to June 2015, Merbau Selatan Estate has also identified the training need for PTPN3 system management (SMPN3) training for 15 employees, Harvesting training for harvester total 89 harvester and maintained training participant record. Membang Muda, Aek Nabara Selatan Estate and Aek Nabara Mill training programme in 2015 has also been observed, including
harvesting, fire emergency and pest management trainings.

The company’s estates maintain records of trainings delivered by contractors to their workers. For example, in Bandar Selamat Estate harvesting training was delivered for Nurmansyah as harvester employee register number 16.17611 on 27 April 2014. Signed attendance 16 participants list for ISPO self assessment training including the training evaluation, Report of SMPN3 training result batch II in Sei Karang Training center for employee named Supardi Husen including the post training evaluation result for him was well documented in the estate office was sighted. The estate also carries out evaluation of workers understanding on the trainings provided.

Aek Nabara Selatan Estate holds records of competency certificates for employee such as General OHS specialist certificate for Tondi Herdian Lubis, Basic welder operator for Hermanto, Electrical OHS specialist for Suyanto, Vibro roller operator certificate for Hery Triono and several available contractors, i.e. contractors for building construction and road maintenance. Selection of contractors providing spraying workers is done by PTPN III head office. Certificates of competency from North Sumatera Chamber of Commerce & Industry for two contractors providing spraying workers to Bandar Selamat and Membang Muda Estate have been sighted and referred to as evidence that selected contractors are eligible for executing this work.

Compliance status: Full Compliance.

<table>
<thead>
<tr>
<th>Principle 5: Environmental responsibility and conservation of natural resources and biodiversity</th>
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<tbody>
<tr>
<td><strong>Criterion 5.1:</strong> 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.</td>
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Findings:

All estates have Environmental Impact Assessment (AMDAL) documents. For example those sighted in Rantau Prapat, Merbau Selatan and Bandar Selamat Estates. Their revised versions of Environmental Management/Monitoring Plan (RPL/RKL) prepared by the Research Institute of North Sumatera University (USU) have been approved by the Environmental Department Head. The original AMDAL documents of both estates are Environmental Evaluation Assessment (SEL) and original RPL/RKL documents prepared in 1993. The RPL/RKL documents have been revised in 2009 for all estates due to changes in plantation operation, e.g. change in the estates’ HGU concession resulted in changes in estate capacity and design.

All estates have prepared RPL/RKL implementation report once semi-annually to comply with legal requirements. For example, Merbau Estate report in July 2011 includes reports on air quality, emissions from generator, groundwater and soil quality, and noise. In Bandar Selamat Estate, such report includes result of analysis of the same parameters, as well as of odour levels, and amount of hazardous waste produced. This is reported semi-annually, while some parameters to be reported annually have been sighted in the estate’s December 2014 report, e.g. analysis of employment opportunities, local community perception and CSR activities. The analysis results indicate no excess towards legally permitted standards in both estates.

Compliance status: Full Compliance.

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

Findings:

There is sufficient evidence that the organization implement appropriate programme and action to maintain the identified HCV. Some documents and records were review, as below:

Procedure of Managing & Monitring of HCV (PK-03.01-08)
- Planning of HCV monitoring (the forms of areal monitoring of reservoir, Rawa and resapan water are available). Sample: record of areal monitoring lake, reservoir, rawa dan resapan air, date March 30, 2015, at Afdeling III (Aek Nabara Selatan Estate)
- Programme and Realization of Managing Conservasi Area (River Riparian) - Afdeling VII, year 2015.
- Action Plan Managing Conservasi Area (River Riparian), Afdeling VII (Aek Nabara Selatan Estate) –
year 2015.
- Planting Mahogany tree at Block X-25, date March 23, 2015,
- Socialization of River Riparian date January 22, 2015; Prohibition to harvest trees at HCV areal and do not allow to plant one season tree at HCV areal; Prohibition to poison at river; Prohibition to applied chemical at River Riparian; attendance list;
- Nursery Program and Maintenance conservation tree at Afdeling III, year 2015.
- Rencana pemantauan Area HCV Tahun 2014
- Socialization to community around estate and employee.
- Installing signed board of prohibition to hunting (birds, etc)
- Report of Conservation Plant Identification, Semester II, 2015 (that is planting jabon, Meranti, Durian, Duku, Mangga, Rambutan dll).

However, there was no evidence found of socialization regarding no pruning and burning is done in the HCV area such as buffer dam “O” Aek Nabara Selatan estate. This is raised as non conformity.

There is Letter of Decision from Rantau Prapat Estate Manager Nomor: KRPPT/SKPTS/0/2015, date January 30, 2015, concerning of Establishment Monitoring Team of HCV Areal at Rantau Prapat Estate. The team has been established at each afdeling. The personnel who involved in the HCV Team has training, i.e: Mohd Irwan Rambe, SP, MSi (has responsibility for A Region). The training was conducted on Sept 17-20, 2012,

Compliance status: Non Conformance.

NCR 2015-03 of 04.
There was no evidence found of socialization regarding no pruning and burning is done in the HCV area such as buffer dam “O” Aek Nabara Selatan estate.

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

**Findings:**

All estates and mills have identified all sources of wastes from estate and mill activities including spraying, manuring, storehouse, pest management, etc. in their 2014 Environmental Aspects and Impacts Identification. In several locations such as Division 2 office of Merbau Selatan Estate, evidence has been sighted of separation between organic and non-organic wastes. Merbau Selatan Estate has record dated 8 March 2014 on waste sold to a contractor including used fertiliser bags, rice bags, used rubber tapping cups, metal, chemical containers, vehicle spare parts and used polybags.

The company revised Working Instruction No. IK-3.03-01/02 (5th revision) on Waste Management dated 1 December 2011 and Circular Letter No. 3.03/SE/02/2012 dated 12 January 2012 instructing that previous pesticide packaging as normal waste become hazardous waste categorised and disposed to licenced temporary storage. Bandar Selamat Estate has been licenced by Asahan District Head by virtue of Decree No. 660.1/386/LH/2010 dated 15 July 2010 for running temporary storage for used diesel, battery, and oil filter. Aek Nabara Selatan Mill has been licenced by Labuhan Batu District Head by virtue of Decree No. 503.660/205/BLH-LB/WAS/2011 dated August 2011 for used oil, battery, agrochemical container, TL lamp, and oil filter. Mambang Muda Estate has been licenced by North Labuhan Batu District Head by virtue of Decree No. 660/213/LH/2011 for running temporary storage facility. Mambang Muda Estate is allowed to keep hazardous waste in temporary storage facility only for 90 days and 180 days. However, Bandar Selamat Estate is not licenced for agrochemical packaging waste. Therefore, the company should make request to the local government and revise the existing licence in order to include agrochemical packaging.

During the surveillance audit it was found that the estate has disposed or sent hazardous waste (including agrochemicals and pesticide containers) to authorised/licenced collector or hazardous waste processor.

Company can demonstrate appropriate domestic waste management as seen from housing located in Division 1 of Rantau Prapat Estate and other estate whose domestic waste is disposed of through open sloped area behind the houses. This is company’s improvement compare with previous audit condition.

Aek Nabara Selatan Mill is appropriately licenced to temporarily store hazardous waste (Head of Labuhan Batu District Decree No. 503.660/205/BLH-LB/WAS/2011 dated 21 August 2011), where several types of hazardous waste (such as used oil and used batteries) were collected by licenced third party (CV Amindy

QMF: RSPO-007b-13(Rev.0)
Barokah holding licence from Ministry of Environmental No. 33/2011).

Merbau Selatan Estate holds a valid licence to temporarily store hazardous waste. This licence has been renewed dated 28 October 2014, valid for 3 years and allows storing hazardous waste for maximum 180 days. Hazardous waste at the storage facility includes used oil, vehicle spare parts, used printer cartridges, and used light bulbs, while inventory of all types of chemicals is maintained. Prior to the storage licence, hazardous waste was sent to Rantau Prapat Estate or collected by a contractor, i.e. 21 litres of used oil sent on 1 February 2011, and 83 litres of used oil and 6 used batteries collected by the contractor.

Aek Nabara Selatan Mill has records of waste monitoring/analysis, such as monthly report for hazardous waste and waste balance (include manifest), solid waste and solid waste (monitoring of POME to land application areas).

**Compliance status : Compliance with observations**

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

**Findings:**
An established program to reducing fossil fuel use and renewable energy has well implemented and evaluated as were found during the audit such as in Aek Nabara Selatan Mill uses oil palm shell and fibre as a source of renewable energy to fuel its boiler. The mill maintains records of calculations of renewable energy produced from shell and fibre. Monitoring report mentions that total energy used from shell and fibre in 2014 and achieving 89.56% saving value for total Rp.310,400,702,- which is in Aek Nabara Selatan Mill 1 kg of fibre generates 2,305.87 kcal, while calorific value from 1 kg of shell 3,475.36 kcal as based on efficiency analysis study.

All estates maintain reports of monthly diesel use. Aek Nabara Mill also maintains records of fossil fuel use for analysis. From the records, average fossil fuel use in 2014 is 51.427 litre. The fossil fuel used here is diesel which is used for starting up the mill’s machinery for maintenance activities. The mill maintains calculation of estimated cost of the fossil fuel purchase and estimated price of the renewable energy consumed. The mill’s data also shows that the renewable energy use is estimated to constitute approximately 74.25% of the mill’s total energy use, being part of efforts to maximise use of renewable energy as opposed to the fossil one.

Electrical power used during 2013 was 89,624 KwH and for 2014 was 83,606 KwH as the total decreased was 6,018 KwH or 6.7%.

**Compliance status: Full Compliance**

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

**Findings:**
The company has no zero burning policy, it is stated in the company’s Work Instruction No. IK-3.01-14.01 on Land Preparation for Planting that fire is not to be used during replanting. Evidence is found indicating implementation of this work instruction. For example, in Bandar Selamat Estate, contract was sighted engaging contractor appointed for land preparation for planting in 2008 where activities listed in the contract does not include burning activities. There is no more inconsistence in implementation of the zero burning policy. The company provide the assessment result for use of fire for land clearing as explained in the Letter No. 522.525/525/622/BUN/2011 dated 28 April 2011 where the document explains that fire has been used to prevent ganoderma attack from getting wider than normal condition. The company decided to remove the ganoderma seeds and to isolate the fungi spread, and asked permission to the local government.

Company decide no more fire will be used in the next replanting programme, save for urgent condition, such as to prevent pest attack. Following replanting process procedure including guidance in case of use of fire for emergency condition. The management representative improving communication between the company and sub-contractors regarding how to implement relevant working instruction.

Based on interviews with several workers in Rantau Prapat and Merbau Selatan Estates as well as visit to all estates’ housing, they burn domestic wastes. While evidence of waste burning has not been sighted in
Bandar Selamat Estate, interviewed workers stated that they sometimes carried out waste burning.

The company has an emergency response procedure documented under Work Instruction No. IK-3.12-01/10 rev.01 (dated 7 January 2005), including identification of any potential emergency situations (fire, accidents, flood, explosion, and chemical leakage) and flowchart for handling fire-emergencies. Training on emergency response procedure against fire was delivered regularly.

Fire-extinguishing facility and fire-fighting equipment have been sighted in Aek Nabara Selatan Estate, e.g. at Division 6 office, workshop, main office, temporary chemical storage facility, etc.

Fire prevention facility and infrastructure are available in Aek Nabara Selatan Mill, such as fire extinguisher (41 units), hydrant (8 units), hoe (10 units), spade (10 units), plastic bucket (5 units), sandbox (1 unit), drum sides (6 units), crowbars (3 units), manila rope (1 unit), etc.

**Compliance status: Non-Compliance**

**NCR No. 2011-16 of 22**

No proper documented assessment was carried out for KANAS Estate's use of fire for 2011 land clearing.

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

**Findings:**

All estates and mill have identified all sources of waste from their activities, including spraying, manuring, warehouse, pest management etc. when making Identification of Environmental Aspects and Impacts 2015. Plans have been established to mitigate several pollution-creating activities, especially those regulated under AMDAL or RKL and RPL documents. However there have been no records found in their biannual card of periodic vehicle inspection from available estates vehicle as to reducing of Greenhouse Gas emission. This has been raised as non-compliance.

Vehicles tire pressure inspection, reducing use of paper, no use of plastic bag, organic fertilizer use, smart driving programme, routine replacement of vehicle oil filter maintenance, efficiency of fuel use for genset and tractors were included in the mitigation program to reducing green house gas emission, were implemented, monitored and reported annually as they sighted during the audit executed. POME is managed and treated at the mill’s effluent treatment plant which consists of fat pit, mixing pond, anaerobic ponds, aerobic ponds, and facultative ponds. The mill’s procedure for POME management and treatment follows SOP No. IK-3.03-15/02 rev. 00 (dated 25 February 2015) on Use of POME for Application to Oil Palm Estates’, stating that daily reports of land application data must be prepared, including debit, pH, location of the land application and pumped POME pond, and that sampling to gain information on quality of the soil to where the application is carried out must be conducted annually. Furthermore, POME samples from the sampling (monitoring well) must be analysed biannually. The mill maintains daily records of pH, BOD, debit and temperature of POME samples.

**Compliance status: Non-Compliance**

**NCR No. 2015-04 of 04 (MAJOR)**

No evidence of testing exhaust emissions from vehicles owned by the company has been conducted because it was not informed of the test results in periodic testing card.

**Principle 6: Responsible consideration of employees and of individuals and communities affected by growers and mills.**

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

**Findings:**

All units have SIA documents conducted based on several recordings meeting and consultations with the parties affected e.g. communities and workers. All records meeting accompanied by the questionnaire, attendance list and photos of activities then realized in the social management and monitoring plan.

Available memorandum of Head of Technology No. 3:03 / NO / 181/2015 dated March 12, 2015.
regarding plans to conduct field trips related to the revision of the environmental document (DELH) between South Aek Nabara Estate and South Aek Nabara Mill. And data collection activities Socio-economic and cultural conducted on 18-25 March 2015. Currently still in the preparation of documents.

All units do not have a timetable related to the implementation of social management and monitoring plan however they have been doing regular monitoring covered in the RKL / RPL on public perception and employment opportunities and contribute to the development of surrounding communities. Document review of the social management and monitoring plan is not available in all units because currently has not require significant changes. There are reports of social (impacts) management and monitoring plan included in the RKL / RPL on public perception and employment opportunities also contribute to the development of surrounding communities and then realized in the construction of public facilities. (2nd semester 2014).

**Compliance status**: Compliance with observation

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

**Findings:**
The company has open and transparent methods for communication and consultation between growers and/or millers, the local community and other affected or relevant stakeholders. The company has a documented SOP No. PK-3.00-13/01 for Communication and Consultation with Stakeholders, issued on 23 September 2014.

Based on interviews with village heads, already conduct socialization of procedure to the public.

In each unit there is a Head Estate/Mill Administration and Personnel (APK) which is responsible for managing and facilitating the communication and harmonious relationships with stakeholders.

**Available Directors Decrees:**

1. No. 3:08 / SKPTS / R / 85/2013 concerning the appointment of Ebenezer Sipayung at South Aek Nabara Mill.
2. No. 3.08/SKPTS/SR/100/2014 concerning the appointment of Tondi Hendriyan Lubis at South Aek Nabara Estate.
3. SK No. 3.08/SKPTS/SR/85/2013 concerning the appointment of Julipar at South Merbau Estate.
4. SK No. 3.08/SKPTS/SR/173/2014 concerning the appointment of Sony Ville at Bandar Selamat Estate.

All estates and Mill have lists of relevant stakeholders which are divided into 2 categories, i.e. internal and external stakeholders. The former consists of employees, management, board of directors and shareholders, while the latter of suppliers, customers, competitors, local community, government, journalist, investors, NGO and other relevant parties. (Code of Conduct 3rd edition, December 2012)

**Compliance status**: Full Compliance.

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

**Findings:**
The Company has a mechanism to receive and classify information required from and for stakeholders to know and understand the policy, situation, development of the company and anticipate negative issues. The company has Working Procedures Publication No. PK.3.00-06 Rev. 01 dated 15-09-2014. (one of them using online sms 9600)

The company has an open system for communication and consultation with local community represented by Work Instruction No. IK-3.09-03/0 (6th revision) dated 15 February 2010. This SOP development process was initiated by the company, but it remains non-published to stakeholders. PTPN III corporate also has call centre 9600 as an open system to receive complaints and grievances from its stakeholders, which is openly announced in the front of estate or mill offices. The call centre is centralised in Medan head office and checked daily by corporate public relationship. Any incoming complaint or request of information from stakeholders through call centre will be forwarded to relevant sections for follow-up. During 1st surveillance audit this call centre was still newly established; no incoming request of information received yet. This makes it difficult to ensure effectiveness of the mechanism. There currently have been no incoming complaints regarding the company’s operation.
Criterion 6.4: Any negotiations concerning compensation for loss of legal or customary rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.

Findings:

The company has a mechanism to identify and calculate the compensation, Working Procedure Conflict Resolution No. PK.3-11.11.12 Rev. 0 dated 02/25/2015.

Any risk / conflict can be resolved properly and avoid minimize losses. In the procedure described above regarding the calculation of the parties who are entitled to receive compensation.

No estates have established mechanism for identification, calculation and compensation of loss of legal or traditional rights of land, which is acceptable to all parties. However, the company has initiated establishing procedure for land release through Work Instruction No. IK-3.09-03/01 (4th revision), issued on 15 February 2010.

To date there have been no cases of dispute with any parties that require compensation from each estate manager.

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

Findings:

Directors Decree No. 3:08 / SKPTS / R / 08/2015 on Employee Salary Increase PTPN III in accordance with the North Sumatra Governor's Decree No. 188.44 / 972 / KPTS / 2014 dated November 7, 2014 on Minimum Wage North Sumatra 2015 IDR. 1.625,000. Staff and workers receive salary payment receipts (monthly pay slips) in a timely manner. Management staffs are paid through bank transfer, while workers are paid in cash, Example : Firmasnyah (Mill worker), category 1A/0, basic salary and allowances (IDR 1.625,000).

And for contractors workers, mill has documented a working agreement with CV. Pratama I, dated 01 April – 30 June 2015 No. PANAS/SPK/07/2015, for cleaning of the mill yard and moving nut, manpower needed 20 workers for 4 working hours/day or IDR 46,420.

The company has documented working agreements called Joint Employment Contract ('Perjanjian Kerja Bersama' or PKB) 2014-2015 that regulate the rights and obligations of employees/workers signed by the Director and Chairman of the Worker Union, approved by North Sumatera Social, Manpower and Transmigration Office, effective from January 1, 2014 for a period of 2 (two) years, with a renewal period of 1 (one) year.

The Company already provide proper facilities to all workers, i.e workers housing, sports facilities etc.

Water supply for worker obtained from wellbore/electric water pump in each worker house (include in electricity allowance).

Sample : South Aek Nabara Estate and Mill facilities

<table>
<thead>
<tr>
<th>Estate</th>
<th>Facilities</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Housing type G1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Permanent Housing type G2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Permanent Housing type G4</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Permanent Housing type G6</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>
Permanent Housing type G10  4
Semi Permanent Housing type G6  1
Semi Permanen Longhouse type G2  5
First Aid Room  1
Musholla  1
Foot Ball Field  1
Volley Ball Field  1
School Bus  1

The Company already provide proper facilities to all workers, i.e workers housing, sports facilities etc. Water supply for worker obtained from wellbore/electric water pump in each worker house (include in electricity allowance).

The Company has worker Cooperative its provide household goods for workers and their families, and company allow the workers to sell household goods at worker housing. (Field Observation at workers housing South Aek Nabara Estate and Mill, Merbau Estate, Membang Muda Estate, Bandar Selamat Estate)

Compliance status: Full Compliance

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

**Findings:**

The company has a documented policy on freedom of association for workers that is available in several locations signed by PTPN III Director. Statement of freedom of association for workers is also made in Article 5 of the company’s Joint Employment Contract (PKB) for period of 2014-2015. The policy was informed to all employees and workers through internal memorandum. There is a worker union in PTPN III, i.e. Plantation Labour Union (SPBUN).

Documented minutes of meeting with the labour union is available at SPBUN estate office. SPBUN holds meetings as required, especially to deal with labour issues. There is also Bipartite Cooperation Organisation (LKS Bipartit) between SPBUN and PTPN III Head Office Management

Compliance status: Full Compliance

**Criterion 6.7: Children are not employed or exploited. Work by children is acceptable on family farms, under adult supervision, and when not interfering with education programmes. Children are not exposed to hazardous working conditions.**
### Findings:
There are no workers under 18 years old in Mill and Esate especially permanent workers, all of them mostly are adult person and had been working for 5 to 25 years (field Observation). Mill worker – contract based (SP) age 23 at years old at present, and working from January to March 2015 (interview with worker). And implementation in job vacancy information one of requirement is candidate must be minimum age 18 years old.

**Compliance status:** Full Compliance.

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

### Findings:
The companies reward employees as assets of the company with dignity regardless of race, color, religion, origin, physical barriers, gender, and age are continuously improved capacity through education and training consistently. This statement contained in the Code of Conduct PTPN III, Business Ethics and commitment to Stakeholders

The company has implemented a policy of equal employment opportunities to gain employment and minimum age requirements worker policy
For example:
Jobs Information (workers) that require candidates are domiciled / living the operational area (Estate), senior high school graduate, physically healthy. However for the staff, recruitment information and promotion held in the central office Medan.
Proof of implementation At present, Acting Manager for South Merbau Estate (Junaidi Wongso) is form worker level and high school graduate. However his career path is obtained based on the personal performance appraisal

**Compliance status:** Full Compliance

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

### Findings:
The Company has policy to protect the reproductive rights of all, especially for female worker in the company’s Joint Employment Contract (PKB) Article 26, permission for 1.5 month before child birth and 1.5 after child birth and article 27 permission absent from work due to menstruation period.
Evidence of implementation Policy such as permission form absence from work (menstruation period), on behalf of (SP) dated 06-07 September 2014.
Evidence of policy socialization by worker ownership of Joint Employment Contract (buku saku PKB)

Concerning the Handling Whistle-blower mechanism, stated in the Code of Conduct PTPN III, Chapter IV Work Ethics.
1. Presented in writing and can be reported by email, stating the complaint box complete personal identity.
2. The identity of the complainant is guaranteed confidentiality by the company.
3. The information reported must be supported by evidence sufficient and reliable as the initial evidence for further investigation.
All workers should sign the Statement of Obedience to implement Code Of Conduct in every year (Evidence of policy Socialization)

**Compliance status:** Full Compliance

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

### Findings:
The company allows public access to current and past FFB prices. They are clearly made public through notification boards in front of Aek Nabara Selatan Mill’s security office and near weight bridge which
display current FFB price. The company has procedures to purchasing of Fresh Fruit bunches from Third Party No. PK-3.03-12 Rev 0, as technical guidance pricing on quality classification results of sorting and extraction of palm oil and palm kernel.

Mill has Memorandum of District Manager Labuhan III No. DLAB 3 / HEAT / MO / 496/2015 dated April 6, the lowest extraction(20:00) Rp. 1535 - highest extraction (23.50) IDR. 1,770 and Memorandum No. DLAB3 / HEAT / MO / 504/2015 April 7, 2015 the actual price of the lowest extraction (20:00) IDR. 1,510 - highest extraction (23.50) IDR1,745

Mill has contract with several FFB suppliers such as with UD Usaha Bersama (under Contract No. DLAB3/SPJ/05/ dated 21 February 2015) Several evidences have been found indicating that all parties understand contracts they have entered into and that the contracts are fair, legal and transparent

Mill has contract with several FFB suppliers such as with UD Usaha Bersama (under Contract No. DLAB3/SPJ/05/ dated 21 February 2015) Several evidences have been found indicating that all parties understand contracts they have entered into and that the contracts are fair, legal and transparent

Evidence of cash expenditure on UD Joint Venture for payment via bank dated 03.09.2015 with a total weight of 53 520 kg net FFB with a price IDR 1.780 = Rp. 95.2656 million

Evidence of contract workers are comply to legal aspect:
Agreement No. PANAS/BA.STP/06/III/2015 March 31 2015 between Mills management and CV. Pratama, CV Pratama provide worker (as mills maintenance/nut translocate) at mill, with daily rate Rp. 38.500/day (08-12 AM/ 4 hour). Contract period April 1 – June 30 2015, all job activities appropriate with provisions in contract (interview with worker- Amran sinurat).

Contract agreement for workers shown that there are no human trafficking and contract substitution in job specification

**Compliance status: Full Compliance**

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

**Findings:**

The company actively contributes to local community development programmes where each estate has allocation for such activities. For example, the company makes contributions to local development under following evidences:

- the company has already met its tax liability, i.e. November 2011 surface water retribution period was paid on 5 December 2011; its income tax and Value Added Tax (VAT) compliance to Article 21 and 23 of Tax Law;
- it carries out Community Development (CD) and Corporate Social Responsibility (CSR) activities in 2010-2011 period; and
- there are a number of documented CSR programme activities, such as road maintenance, donations to local community (upon request), participation in construction of school in Aek Kanopan of Mambang Muda Estate.

According to discussion with leaders of the community neighbouring the company’s seven estates, the company also provides other services such as water supply, contribution to mosques, temples, school etc. The estates also contribute in kind (e.g. transport etc.) to the local community’s activities.

**Compliance status: Full Compliance**

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

**Findings:**

Evindence of contract workers are comply to legal aspect:
Agreement No. PANAS/BA.STP/06/III/2015 March 31 2015 between Mills management and CV. Pratama, CV Pratama provide worker (as mills maintenance/nut translocate) at mill, with daily rate Rp. 38.500/day (08-12 AM/ 4 hour). Contract period April 1 – June 30 2015, all job activities appropriate with provisions in contract (interview with worker- Amran sinurat).

Contract agreement for workers shown that there are no human trafficking and contract substitution in job specification.
Compliance status: Full Compliance

**Criterion 6.13: Growers and millers respect to human rights**

The Company has a Code of Conduct document, it’s contents of policies related to Human rights seperti pada bab III Etika Bisnis "Company maintaining the freedom to workers for speech and delivering aspiration to the management related to policy and implementation with ethical manner and according to regulation", also in chapters of Joint Employment Contract (PKB) cover the rights of workers chapter 22 Official holiday, capter 26 Bith permission, chapter 27 permission absent from work due to menstruation period. (Policy Related to indicator 1.2.1 major)

Compliance status: Compliance With Observation

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

Findings:
This principle is not applicable to this assessment as all estate areas have been planted with oil palm since 1970’s. There are no new plantings. PTPN III is only involved in replanting programme after felling of old palms and has no plan for expansion.

Compliance status: Full Compliance.

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

Findings:
2015 Environment aspect and impact report internal memo has been released in Bandar Selamat estate related to monitoring and evaluation of environmental performances this is include the program of monitoring action plan (Environmental Monitoring/Management Plan - RKL/RPL) and prepare biannual reports to the local environmental department, which include parameter analysis result such as air and water quality, ambient noise, and generator emissions.

In addition, Aek Nabara Selatan Estate has a documented environmental management programme for second semester of year 2014 as observed. However, the environmental management programme covers cleaning of spill at hazardous wastes temporary storage facility, including implementation progress report. In addition, the estate also plans to improve domestic waste management. It should also consider other aspects where environmental performance can be improved. Aek Nabara Selatan Estate also has a documented environmental management programme for year 2015, which is includes the programme to maintain and sipped the die conservation plants implemented. Evidence has been sighted as to implementation of this programme in the estate’s expenditure records for sipping of 2,993 Pule trees, 3,417 Gaharu trees, 4,610 Meranti trees, 2,775 Mahogany trees, 357 Durian trees, and 3785 Jabon trees as part of greening programme existing, and to fulfil environmental requirements.

Based on chemical usage records in all estates, there is several evidence of implementation of chemicals use-reducing practice. For example, zero use of paraquat or minimised use of chemicals for pest management due to little or even no pest attacks found in the estate.

The action plan for continual improvement has conducted through management review meeting mechanism and established quality objective, and internal audit.

All units have SIA documents conducted based on several recordings meeting and consultations with the parties affected e.g communities and workers. All records meeting accompanied by the questionnaire, attendance list and photos of activities then realized in the social management and monitoring plan.

Compliance status: Full-Compliance
3.2 Status of Previously Identified Non-conformities

The total of 22 non-conformities were identified during the main certification assessment. These consist of 12 major and 10 minor non-compliances. The company has taken corrective action against these as well, and for those which could not be verified as closed during this surveillance assessment, it was found that there was sufficient evidence for closure of non-conformities except NCR No. 2011-22 of 22 (this is raised again as non-conformities). The following is a description of the evidence of action taken to close the non-conformities raised during the previous assessment, as well as auditor's conclusions on the status of the non-conformities:

**Criterion 1.2. (Major indicator 1): Information and responses must include any relevant or required documentation, in accordance with applicable national laws, such as:**

- **Legal:** Land titles/user rights (Location Permit, Plantation Business Licence (IUP), Rights of Cultivation (HGU) or other documents relating to HGU application under relevant procedures)
- **Environmental:** Environmental and Social Impact Assessment (AMDAL /Environmental Management Effort Report (UKL)- Environmental Monitoring Effort Report (UPL)) and Environmental Management and Monitoring Plan Reports (RKL-RPL reports)
- **Social:** Documentation of social activities and community programmes.
- **Health and Safety Plan**

**Non-Compliance No. 2011-1 of 22 (Major Non-Compliance):**

PTPN III Director Circular Letter No. 3.00/SE/01/2009 on Publishable Documents has been issued on 5 January 2009. However the some legal documents such as licences documents including HGU certificate, documentation OHS programme, documentation of continuous improvement programmes as required by RSPO P & C are not included in list of published documents in the letter.

**Evidence of Correction and Corrective Action taken:**

There is a revised version of PTPN III Director Circular Letter No. 3.00/SE/01/2012 dated 24 January 2012 on documents publicly accessible (upon request), containing list of documents such as company profile, annual report, finance report from public accountant, the Right of Cultivation (HGU) certificate, Good Corporate Governance (GCG) guidance, evaluation of GCG performance, awards certificate, Environmental Impact Assessment (AMDAL), Environmental Management/ Monitoring Plan (RKL/RPL), CSR document, licences (e.g. for land application), OSH policy and its implementation, company’s legal documents, hazardous waste storage permit, Wastewater Treatment Plant (WWTP) permit, continues improvement programme, etc. There are 21 types of documents publicly available as required by RSPO. Incoming request of information will be recorded to Log Book (‘Catatan Hasil Komunikasi Stakeholder’). No incoming request of information has been found since January 2012. Those available are several incoming letter on request for donation. The company has made procedure for information request through Working Instruction No. IK-3.00-13/01 (3rd revision) dated 15 February 2010 and revised Working Instruction No. IK-3.00-16/01 for data provision for stakeholders’ interest. Information will be granted upon request.

From re-verification audit and information update in September 2013, it is known that the circular has been distributed to all estate managers (the estate managers has further distributed it to all division heads) and has not been changed/revised and all estate storing.

**Auditor Conclusions:** Closed.

**Criterion 2.1.1. (Minor indicator 1): A documented system, which includes written information on legal requirements that the palm oil company should comply with.**

**NCR No. 2011-02 of 22 (Minor Non-Compliance):**

Mambang Muda Estate has no list of applicable regulations which have been issued since year 2010 to the time of audit.

**Evidence of Correction and Corrective Action taken:**

It was sight Mambang Muda Estate completes and documents all applicable documents which have
been issued since 2010 to date. List of applicable legal requirements and other regulations will be updated according to existing Standard Operational Procedure No. IK-3.11-01/01 (2nd revision) on Procedure for Identification and Evaluation (including compilation of legal requirement) issued on 2 June 2009.

Updating applicable legal and other requirement list has been evaluated biannually along with internal audit programme to ensure that all relevant and applicable legal and other regulations have been appropriately included in the list.

Auditor Conclusions: Closed

**Criterion 2.1.2 (Major indicator 2) Evidence of efforts made to comply with changes in the regulations.**

**NCR No. 2011-03 of 22 (Major Non-Compliance)**

No evidence found indicating compliance evaluation against several 2009 and 2010 regulations such as:
- Law 22 of 2009 on Traffic and Road Transport, taking effect as of 22 June 2009;
- Government Regulation No. 15/2010 on the Spatial Planning Implementation; and

Evidence of Correction and Corrective Action taken:

The list of laws and regulations in all estates and mills has been revised due to the company’s re-evaluation of all applicable regulations. There have been several evidences of applicable regulation evaluation such as the following example that has been evaluated at the verification audit time such as:

- Relating to Law 22 of 2009, vehicle check of FFB-transporting truck no. BK 8795 dated February 2012 in Mambang Muda Estate. The truck was already equipped with safety belt, spare tire, first aid kit, safety triangle, etc. and complied with applicable law and regulation.
- Evaluation result has been found for Law 15 of 2010 on Spatial Planning and Government Regulation No. 10/2010 on Forest Area Land Use Change.

During the re-verification audit or up-date, data and information covering list of 2012/2013 laws and regulations were already available in all estates and mills and evidence of evaluation result available on each visited estates.

Auditor Conclusions: Closed

**Criterion 2.1. (Major indicator 2): Evidence of efforts made to comply with changes in the regulations.**

**NCR No. 2011-04 of 22 (Major)**

Plantation Business Registration Decree No. HK.350/525/Dj.Bun.5/VII/2001 dated 5 July 2001 for Bandar Selamat Estate still states that the company’s plantation commodity is only rubber, instead of oil palm plantation.

Evidence of Correction and Corrective Action taken:

Head of Licence and Investment Managing Board of Asahan District has issued Letter No. 3.11/X/04/2012 dated 6 February 2012 on IUP renewal for Bandar Selamat Estate to include oil palm to its plantation commodities. During verification audit in year 2012, the company was still waiting for response of Asahan District Head to revise the licence, because according to explanation from legal staff, such revising process takes more than 3 months.

During the re-verification audit in year 2013, it was found that the IUP renewal or permit for plantation commodity conversion has been issued by virtue of Asahan District Head Decree No. 503/IPJT/BPPPM/10789/V/2013 dated 16 May 2013 on Revision of Plantation Permit Type. The permit now states Bandar Selamat Estate’s plantation type is oil palm, hence relevant to its actual practice.
Auditor Conclusions: Closed

<table>
<thead>
<tr>
<th>Criterion 2.1 (Major indicator 2): Evidence of efforts made to comply with changes in the regulations.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NCR No. 2011-05 of 22 (Major Non-Compliance)</strong></td>
</tr>
<tr>
<td>No evidence has been found indicating that the company has adjusted its minimum wage rate policy to its sub-contractor's workers in order to have them comply with applicable District Minimum Wage Rate (UMK), being an effort to comply with changes in wage regulation.</td>
</tr>
<tr>
<td><strong>Evidence of Correction and Corrective Action taken:</strong></td>
</tr>
<tr>
<td>A joint statement letter has been issued dated February 2012 by five sub-contractor workers in Labuhan Haji Estate on the amount of wage received by sub-contractor workers. The letter was signed by the workers, the sub-contractor company and Labuan Haji Estate. During re-verification audit or data and information update, it was found that the company had submitted letters to sub-contractor company relating to the minimum wage rate. The company received letter from sub-contractor company regarding commitment to comply the minimum wage rate. Wherefore agreement applies between the workers and the sub-contractor company on wage per activity.</td>
</tr>
<tr>
<td>Auditor Conclusions: Closed</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Criterion 2.2. (Major indicator 1): Documents showing ownership or lease of the land in accordance with relevant laws.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NCR No. 2011-06 of 22 (Major Non-Compliance)</strong></td>
</tr>
<tr>
<td>No record is available on process of land ownership transfer for 2,200 ha of forest area in Labuhan Haji Estate which is indicated as forest area according to Labuhan Batu District's current spatial layout plan map.</td>
</tr>
<tr>
<td><strong>Evidence of Correction and Corrective Action taken:</strong></td>
</tr>
<tr>
<td>HGU Certificate No. 117/HGU/BPN/2005 is available to cover PTPN III's operation area of 3,248.07 ha in Kuala Hulu Sub-District of Labuhan Batu District, North Sumatera province, which is valid for 35 years. HGU Certificate No. 14 covers Labuhan Haji [plantation villages] being valid as of 23 December 2012 to 22 December 2040. The letter has undergone renewal 3 times. There is a letter from Labuhan Batu Utara Regent No. 522/3194/HUTBUN/2011 dated 7 December 2011 to North Sumatera Governor on proposal for revision of Ministry of Forestry Decree No. 44/Menhut-II/2005 to change Forest Production (HP) area status into Area for Other Use (APL). According to interview with Labuhan Batu Forestry Office officer, a part of Labuhan Haji Estate belongs to HP Area. To ensure the exact location of this part, the company should make a map overlaying Labuhan Batu spatial layout plan map and Labuhan Haji Estate operation area map. Article 3 of Ministry of Forestry Regulation No.P.05/Menhut-II/2009 provides that status of land covered by HGU certificate is non-forest area and it belongs to APL zone, despite of the status on the spatial plan map being marked as HP.</td>
</tr>
<tr>
<td>Auditor Conclusions: Closed</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Criterion 3.1. (Major indicator 1) A documented working plan of the company for a minimum of 3 years period.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NCR No. 2011-07 of 22 (Major non-compliance)</strong></td>
</tr>
<tr>
<td>Bandar Selamat Estate has yet to make profit/loss analysis as planned to achieve 2009-2013 financial viability.</td>
</tr>
</tbody>
</table>
Evidence of Correction and Corrective Action taken:
The company made Long Term Management Plan namely RJP document for period of 2011 and 2015 for both Bandar Selamat and other estates, including profit/loss analysis and during the surveillance audit there was revised management plan for year 2014 to 2019 for the whole company’s operation activities.

Auditor Conclusions: Closed

<table>
<thead>
<tr>
<th>Criterion 4.6. (Minor indicator 2): Records of the results of health check-up for those who apply agrochemicals.</th>
</tr>
</thead>
</table>

NCR No. 2011-08 of 22 (Minor Non-Compliance)
No records are available covering result of health check-up for agrochemical-applying workers such as spraying worker, even for sub-contractor workers.

Evidence of Correction and Corrective Action taken:
The company require all sub-contractors to provide medical health check-up, especially for spraying worker or other agrochemical works. All record related to medical check-up is maintained properly for administration staffs. All subcontractors have to provide proper protective equipment on the site.
The company identifies all workers related to matters of agrochemical application. Implementation requirement about good health as the main factor for recruitment process. And has been stated on the company's agreement.
There is evidence that annual surveillance for pesticides operators are performed and associated records are maintained. Sample, Certificate of examination results of blood, date June 02, 2014, issued by Prodia, on behalf of:
1. Spreyer CV Adit Sejahtera –> Afdeling I
2. Sparyer CV Merah Putih –> Afdeling II
3. Sparyer CV Putra Natama –> Afdeling III
4. Sparyer CV Rudin Sejahtera –> Afdeling IV
5. Spayer CV Juangga Jaya –> Afdeling V
6. Spayer CV Karya Nusantara –> Afdeling VI
The name listed above are recorded as sub-contractor worker and work as chemis worker at Rantauprapat estate.

Auditor Conclusions: Closed

<table>
<thead>
<tr>
<th>Criterion 4.6. (Minor indicator 3): Records showing that no work with pesticides for pregnant and breastfeeding women.</th>
</tr>
</thead>
</table>

NCR No. 2011-09 of 22 (Minor Non-Compliance)
No mechanism has been established to ensure that no pesticide works for pregnant and breastfeeding women. This must apply even to sub-contractor workers.

Evidence of Correction and Corrective Action taken:
It was sight during surveillance audit revised estate - sub-contractors working agreements by adding terms of prohibition of assigning pregnant or breastfeeding female workers. List female spraying workers and provide them with training on spraying process and knowledge on the agrochemical risks to pregnant or breastfeeding women.
There is a list of workers who to work in the estate to ensure that no pregnant or breastfeeding women are included in the sprayer group. The company make a medical surveillance plan for all woman working with chemical to ensure there is no regnant and breastfeeding woman still there.

Auditor Conclusions: Closed

<table>
<thead>
<tr>
<th>Criterion 4.6. (Major indicator 4): Waste material from agrochemicals including pesticides containers are properly disposed in accordance with laws and regulations.</th>
</tr>
</thead>
</table>
NCR No. 2011-10 of 22 (Major Non-Compliance)
Waste materials from agrochemical, including pesticides containers, are not disposed or sent to authorised collector or to hazardous waste processor. Currently the company treats agrochemical containers as normal solid waste.

Evidence of Correction and Corrective Action taken:
The company revised Working Instruction No. IK-3.03-01/02 (5th revision) on Waste Management dated 1 December 2011 and Circular Letter No. 3.03/SE/02/2012 dated 12 January 2012 instructing that previous pesticide packaging as normal waste become hazardous waste categorised and disposed to licenced temporary storage. Bandar Selamat Estate has been licenced by Asahan District Head by virtue of Decree No. 660.1/386/LH/2010 dated 15 July 2010 for running temporary storage for used diesel, battery, and oil filter. Aek Nabara Selatan Mill has been licenced by Labuhan Batu District Head by virtue of Decree No. 503.660/205/BLH-LB/WAS/2011 dated August 2011 for used diesel oil, battery, agrochemical container, TL lamp, and oil filter. Mambang Muda Estate has been licenced by North Labuhan Batu District Head by virtue of Decree No. 660/213/LH/2011 for running temporary storage facility. Mambang Muda Estate is allowed to keep hazardous waste in temporary storage facility only for 90 days and 180 days. However, Bandar Selamat Estate is not licenced for agrochemical packaging waste. Therefore, the company should make request to the local government and revise the existing licence in order to include agrochemical packaging.

During the re-verification audit for updating data and information, it was found that the estate has disposed or sent hazardous waste (including agrochemicals and pesticide containers) to authorised/licenced collector or hazardous waste processor.

Auditor Conclusions: Closed

Criterion 4.7.2 (Minor indicator 1): Provision for accident insurance for workers.

NCR No. 2011-11 of 22 (Minor Non-Compliance)
No information available indicating that sub-contractors provide accident insurance to their workers.

Evidence of Correction and Corrective Action taken:
It was sight on the revised working agreement company require to contractor to provide accident insurance for their worker. All workers has provided with medical care, and covered by accident insurance that is Jamsostek or BPJS. Sample of Jamsostek Membership Card on behalf worker no. 31/08/72 1097 -- 97B00322184.

Auditor Conclusions: Closed

Criterion 4.7. (Minor indicator 6): Evidence of OHS and first aid equipment are available at worksites

NCR No. 2011-12 of 22 (Minor non-compliance)
No first aid kit is available in places required onsite, such as at FFB transporters and ‘Field Supervisor’.

Evidence of Correction and Corrective Action taken:
It was sight Company has been provide first aid kit in all required places onsite and working areas such as estate office, afdeling office, FFB transporter and field executor/supervisor.

Auditor Conclusions: Closed

Criterion 5.2. (Minor indicator 2): Companies are to appoint dedicated and trained officers to monitor any plans and activities as above.

NCR No. 2011-13 of 22 (Minor Non-Compliance)
Those assigned to perform HCV monitoring have not been provided with appropriate training for his job.
Evidence of Correction and Corrective Action taken:
The company has been providing HCV officers in all estates with HCV training in regard to recommendation from HCV consultant. Training for HCV officer has been done and records of trainingsuch as certificate are available on the estate office.

Auditor Conclusions: Closed.

| Criterion 5.2. (Major indicator 2): If rare, threatened or endangered species, or high conservation value habitats are present, appropriate measures to preserve them are to be taken. |
| NCR No. 2011-14 of 22 (Major Non-Compliance) |
| No appropriate action plan has been established to protect area with slope of 40% in Afdeling IV of Bandar Selamat Estate. |
| Evidence of Correction and Corrective Action taken: |
| Action plan document is available to protect the >40% areas with slope as they are exposed with high risk erosion in Afdeling IV of Bandar Selamat Estate. According to visit to Afdeling IV, they already carry out management plan as required by terracing and making pits to trap runoff water and hold the sediments carried. Application of cover crop in open area has been seen onsite, as required on SOP No. IK-3.01-14/06, to guide the soil erosion mitigation practice |
| During surveillance audit data and information update, it was found that the estate (Afdeling IV – Bandar Selamat Estate) has developed terracing in planted areas. |
| Auditor Conclusions: Closed |

| Criterion 5.2. (Major indicator 2): If, rare, threatened or endangered species, or high conservation value habitats are present, appropriate measures to preserve them are to be taken. |
| NCR No. 2011-15 of 22 (Major Non-Compliance) |
| No evidence has been found indicating HCV management plan implementation such as HCV 4.2-identified river riparian area in KANAS Estate. The company’s current activities are performed only in water reservoir area, namely the ‘O’ area. |
| Evidence of Correction and Corrective Action taken: |
| Observed in Afdeling VI Aek Nabara Selatan is the buffer area marked with red painted oil palms, width of which is double of the river’s. Some parts of riparian area have been planted with hibiscus tree species. The company issued circular letter for prohibition of land clearing in river riparian areas. Enrichment planting in Aek Nabara Selatan Estate’s HCV 4.2-identified river riparian area with hibiscus tree species. The buffer area is marked with at least 5 rows of red painted palms. Re-train the appointed HCV officers in order to improve their knowledge on implementation of HCV management and monitoring. |
| Auditor Conclusions: Closed |

| Criterion 5.5. (Major indicator 1); Documented assessment where fire has been used for preparing land for replanting. |
| NCR No. 2011- 16 of 22 (Major Non-Compliance) |
| No proper documented assessment was carried out for KANAS Estate’s use of fire for 2011 land clearing. |
Evidence of Correction and Corrective Action taken:
The company provide the assessment result for use of fire for land clearing as explained in the Letter No. 522.525/525/622/BUN/2011 dated 28 April 2011 where the document explains that fire has been used to prevent ganoderma attack from getting wider than normal condition. The company decided to remove the ganoderma seeds and to isolate the fungi spread, and asked permission to the local government.
Company decide no more fire will be used in the next replanting programme, save for urgent condition, such as to prevent pest attack. Following replanting process procedure including guidance in case of use of fire for emergency condition. The management representative improving communication between the company and sub-contractors regarding how to implement relevant working instruction.

Auditor Conclusions: Closed

Criterion 5.6. (Major indicator 2) Evidence of identification of pollution and emissions sources at mills.

Non-Compliance 17 of 22 (Major Non-Compliance)
No records are available covering monitoring of pollution and emission from vehicles, POME and other sources.

Evidence of Correction and Corrective Action taken:
Verified onsite. There is list of emission and pollution source in Aek Nabara Selatan Mill as mentioned in document No. FM-3.12-01-06/02. Emission monitoring is already conducted only to generator, boiler, and manager vehicles. The company is still searching for vendor to measure FFB truck emission. The monitoring result is recorded biannually, together with RKL/RPL report (e.g. Emission Monitoring Report for Boiler No. 1 and 2 by Environmental Agency (BLH) No. 25/BLH.SU-UPT.LL/XI/2011 dated 8 November 2011).
Manager vehicle emission monitoring is conducted biannually as well. A document of ‘Green House Gas Emission Reduction Programme’ is available covering project of feasibility study for methane gas captured from effluent pond. The document mentions several actions in the programme as follow:
- use of methane gas for electrical planning in 2012-2015; and
- conduct enrichment planting over POME surrounding area biannually.

Auditor Conclusions: Closed

Criterion 6.1. (Major indicator 1): Documented environmental and social impact assessment, including details of positive and negative social effects that may be caused by plantations and mills, and documented participation of affected parties and local communities.

NCR No. 2011-18 of 22 (Major Non-Compliance)
Social Impact Assessment (SIA) does not cover social impact to the company’s and sub-contractor employees. Furthermore, no evidence has been found indicating that the company’s employees participated during the assessment process. The assessment only focuses on the surrounding community.

Evidence of Correction and Corrective Action taken:
The company provided revised version of the SIA document that already includes information on social impacts to its employees/workers and their families.

Auditor Conclusions: Closed

Criterion 6.1. (Minor indicator 1): Regular monitoring and management of social impact, with the participation of local communities.

NCR No. 2011-19 of 22 (Minor Non-Compliance)
No evidence has been found indicating that social impact monitoring plan has been established.
through participatory process engaging the company’s stakeholders.

Evidence of Correction and Corrective Action taken:
It was sight, the social impact management and monitoring plan has already been established engaging the local community participation.

Auditor Conclusions: Closed.

Criterion 6.3 (Minor indicator 2): Procedures for the identification and calculation of fair compensation for the loss of legal or customary right of the land, with the involvement of local community representatives and relevant agencies and made publicly available.

NCR No. 2011-20 of 22 (Minor Non-Compliance)
No procedures have been established engaging the local community and relevant institutions to identify and calculate compensation for loss of legal and traditional rights.

Evidence of Correction and Corrective Action taken:
The company has makes procedure to identify any claims regarding compensation for loss of legal and traditional rights. The procedure information will be distributed and communicated with relevant stakeholders in any case relating to payment of compensation. Company has no plan for next 10 years to expand company’s area. The company holds legal right to manage the land since a long time ago. There are no traditional rights in company’s concession as the area has already been planted since a long time ago.

Auditor Conclusions: Closed.

Criterion 8.1. (Major indicator 1) A monitoring action plan based on the social environmental impact assessment, and regular evaluations of plantation and mill operations. As a minimum, these must include, but not necessarily be limited to:
• Reduction in use of certain chemicals (criterion 4.6).
• Environmental impacts (criterion 5.1).
• Waste reduction (criterion 5.3).
• Pollution and emissions (criterion 5.6).
• Social impacts (6.1).

NCR No. 2011 – 21 of 22 (Major Non-Compliance)
Action plan and monitoring documents for certain chemical use reduction (criterion 4.6), environmental impact (criterion 5.1), waste reduction (criterion 5.3), pollution and emission (criterion 5.6), and social impact (6.1) are not appropriately provided.

Evidence of Correction and Corrective Action taken:
Mambang Muda Estate has made action plan for agrochemical use reduction as seen in the plans/records made to reduce agrochemical use, environmental impact, waste, pollution and emission. Agrochemical used by the company is categorised as type 1A or 1B under WHO or those listed by Stockholm or Rotterdam conventions (such as Ally 20 WDG, Decis, Bayleton 250 EC, and Gempur 480 SL). Based on 2013 record of agrochemical use, it is known that the dose applied (actual) has been reduced from the planned one for activities of spraying and wiping. Mambang Muda Estate has run test to identify emissions and pollution level, as well as quality of river water and the community’s well water.

Labuhan Haji Estate has made management plan for social impact to the local community, such as those to public and social facilities, employment and business opportunities, and worker wage. Evidences are available indicating information dissemination activities carried out to sub-contractor companies and their workers on minimum wage rate.

Aek Nabara Selatan Mill has reduced GHG impact through several activities such as periodic boiler emission and pollution test, minimisation of use of generator, wheel loader, development of methane capture, as well as trees planted.

Auditor Conclusions: Closed
4.2.4 RSPO Certification System

NCR No. 22 of 22 (Major Non-Compliance)
PTPN III did not provide result of the self-assessment for all units entering estate and mill at the time bound, except those in Silau Dunia, Gunung Monako and Pulau Mandi Estates.

Corrections:
Self-assessment for other estates under PTPN III programme was performed together with corporate internal audit programme.

Corrective Action:
Corporate management representatives conduct annual self-assessment programme where result from the internal audit programme is taken for company’s consideration as to target to meet RSPO requirement.

Evidence of Correction and Corrective Action taken:
During 1st surveillance audit self-assessment results are available covering the company’s other estates such as Tanah Raja Estate, etc. Annual self-assessment programme has been made for year 2013, however there is no records for period 2014. This is raised again as non conformities NCR No. 2015-01 of 04.

Auditor Conclusions: Open

3.3 Identified non-compliances, corrective actions taken and auditors conclusions

During this surveillance assessment, a total of 5 nonconformance’s were identified. These consisted of 1 non conformities regarding RSPO certification system part 4.2.4; 3 nonconformities regarding RSPO P & C (2 major and 1 minor non conformities) and 1 non conformities regarding RSPO Supply Chain (categorized as major). For the major non-conformances, the company has taken the necessary corrective action to close these non-conformances within 60 days of completion of the assessment, and this was verified by the audit team through checks of documents submitted by the company. For the minor non-conformances, the company has taken corrective action against these as well, and for those which could not be verified as closed through document checks, the closure of these minor non-conformities will be assessed during the next surveillance audit. A summary of all identified non-conformances, corrective actions taken and auditor conclusions is as below:

RSPO Certification System 4.2.4 ;

NCR No. 2015-01 of 04 (MAJOR)
PT Perkebunan Nusantara III (Persero) as holding company and RSPO membership holder has no submit evidence of partial certification year 2015.

Corrections:
To make RSPO requirements internal audit report for all uncertified unit according to time bond plan to certification year 2015 and submit the report to certification body.

Corrective Action:
To keep maintain and records every year all internal audit records according RSPO requirement.

Auditor Conclusions: closed
Date of closure: 24 April 2015
Company provide self-assessment report for all uncertified companies and revised the time bond plan according to the readiness to comply with RSPO requirements.

Criteria 4.6.11. Specific annual medical surveillance for pesticide operators, and documented action to treat related health conditions, shall be demonstrated.

NCR No. 2015-02 of 04 (MAJOR)
No evidence of medical examination for fertilizer warehouse officer who has been working almost five years in Rantau Prapat estate.

Corrections:
To conduct medical surveillance for fertilizer warehouse officer especially for cholinesterase parameter to complete and records all medical check result accordingly.

Corrective Action:
To make schedule of medical surveillance for all chemical warehouse officer annually. Company make cooperation with company’s assignend hospital.

Date of closure: 24 April 2015
Verification Audit Result:
Company provide evidence i.e. medical surveillance result for chemical warehouse officer from external Laboratory (Prodia) dated April 2015, the result stated in good condition.

Auditor Conclusions: Closed.

Criteria 5.2.4. Where a management plan has been created there shall be ongoing monitoring:
• The status of HCV and RTE species that are affected by plantation or mill operations shall be documented and reported;
• Outcomes of monitoring shall be fed back into the management plan

NCR No. 2015-03 of 04 (MINOR)
There was no evidence found of socialization regarding no pruning and burning is done in the HCV area such as buffer dam “O” Aek Nabara Selatan estate..

Corrections:
To make socialization and communication to all worker regarding restriction of working on HCV area such as pruning and burning on HCV area especially in Waduk O River.

Corrective Action:
To ensure there is no land burning and land clearing in HCV area through HCV program.

Date of closure: 24 April 2015
Auditor Conclusions: Evidence of immediate action taken was accepted. Effectiveness of implementation to verified at next audit.

Criteria 5.6.2. Significant pollutants and greenhouse gas (GHG) emissions shall be identified, and plans to reduce or minimise them implemented

NCR No. 2015-04 of 04 (MAJOR)
No evidence of testing exhaust emissions from vehicles owned by the company has been conducted.
because it was not informed of the test results in periodic testing card.

Corrections:
To conduct monitoring of emission and put the result into regular monitoring card especially for company’s operational vehicles.

Corrective Action:
To maintain all monitoring records properly as required.

Date of closure: 24 April 2015

Verification Audit Result:
Company provide emission monitoring result from several vehicle local Transportation authority e.g. Vehicle no. BK9692 dated April 23, 2015; including photograph during emission testing.

Auditor Conclusions: Closed

3.4 Description of Supply Chain Management System
The company implements SCC-RSPO with ‘Mass Balance’ model according to nature of mill’s FFB supply condition. Following is description of the company’s supply chain management system according to RSPO SCCS requirements, including compliance status of the company and their outsourced third parties with RSPO SCCS requirements. At the audit time the company had an SCC system, but only several NCs have been identified complying with RSPO SCCS 2013 standard. This has been raised as several non-compliances as describe below.

SCCS Section 3.2 Certification Requirements

Findings:
Aek Nabara Selatan Mill is one of mills owned by PTPN III. It is located in Aek Nabara Selatan Village of Bilah Hulu Sub-District, Labuhan Batu District, North Sumatera. PTPN III is already an RSPO member (Reg. No. 1-0030-06-000-00). No outsourced activities by independent third parties in Aek Nabara Selatan Mill, so the company is not imposed for obligation to ensure sub-contractors’ compliance with RSPO Supply Chain Certification System. Aek Nabara Selatan Mill is yet to be registered under UTZ Certified system and not claims yet too where the company will be registration to UTZ Certified and claims after get certificate or surveillance audit.

Compliance status: Full Compliance
### E.3 Documented procedures

Findings:
The site shall have written procedures and/or work instructions to ensure the implementation of all the elements specified in these requirements. Based on Director decree letter PTPN III has revised the director decree on supply chain model from Segregation (SG) to Mass Balance (MB) in Aek Nabara Selatan Mill by virtue of Director Decree No. 3.03/SKPTS/01/2012 dated 2 January 2012.


The company has established and maintained SCCS procedure dated 6 June 2011. The SCCS procedures covers the following:
- Work Instruction No. IK-3.03-12/01 on FFB Purchase and Processing from External Parties; February 2012
- Work Instruction No. IK-3.03-01/16 on FFB Reception at Mill (3rd revision) dated 6 May 2011;
- Work Instruction No. IK-3.03-01/19 on Palm Oil Process (3rd revision) dated 6 May 2011;
- Work Instruction No. IK-3.03-01/20 on Control of Palm Oil Quality and Process (2nd revision) dated 15 February 2010;
- Work Instruction No. IK-3.03-01/22 on CPO and PK Analyst dated 15 February 2010;
- Work Instruction No. IK-3.03-01/24 on Palm Oil Product Storage (3rd revision) dated 6 May 2011;
- Work Instruction No. IK-3.03-07/02 on Sales of Certified Palm Oil to Belawan Installation, PT Sarana Agro Nusantara, PT IKN and other parties;
- Work Instruction No. IK-3.01-18/01 on Planning and Controlling of Production Process and Replanting;
- Work Instruction No. IK-3.03-04/01 on FFB Grading (6th revision) dated 6 May 2011;
- Work Instruction on Weighbridge; and
- Work Instruction No. IK-3.03-15/01 on Supply Chain Certification System (rev.01) dated February 2012.

Following are forms to record SCCS system implementation:
- FM-3.03-01/16-01 (FFB Receipt/PB-28);
- FM-3.03-01/16-02 (Weighbridge Recapitulation);
- FM-3.03-04/01-01 (Weekly Report for FFB Grading);
- FM-3.03-04/01-02 (Monthly Report for Grading Report);
- FM-3.03-04/01-03 (Weekly Report for Receipt of FFB Pending Yesterday’s Process);
- FM-3.03-04/01-04 (Monthly Report for Receipt of FFB Pending Yesterday’s Process);
- FM-3.03-05/01-03 (Check Sheet of Monitoring during Processing);
- FM-3.03-05/01-01 (Check Sheet of FFB Quality and Grading in Mill);
- FM-3.03-05/01-02 (Check Sheet of before starting operational in Mill);
- FM-3.03-05/01-06 (Daily Production Report);
- FM-3.03-05/01-04 (E-mail/Facsimile for Daily Production Report);
- FM-3.03-05/01-07 (Result of the CPO Quality Analyst, and Oil losses
- FM-3.03-05/01-08 Result of the PK Quality Analyst, and Kernel Losses
- FM-3.03-05/01-10 (Calculation of Oil Storage Tank Volume); and
- FM-3.03-07/02-01 (FFB Receipt Slip).

Mills and estates have appointed personnel with responsibility for and authority of implementing SCCS Requirements. They are Manager, Vice Manager and Assistant (based on Director Decree No. 3.12/SKPTS/16/2011 dated 3 June 2011).

**Compliance status:** Full Compliance

### E.4. Purchasing and goods in

Findings:
Procedures for certified FFB and goods-in is covered under the company’s Work Instruction No. IK-3.03-12/01 on FFB Purchase and Palm Oil Process (3rd revision) ruling definition of certified FFB and verification of FFB sources. A person has been appointed to be responsible for checking and ensuring FFB quality and quantity as per purchase documents.
When receiving RSPO certified palm, task of a processing assistant is to verify the claimed category of the material under mass balance system, supplier’s supply chain certification number, and products quality and quantity (coordination with laboratory assistant). The company will identify certified FFB from non-certified ones according to the following methods:

<table>
<thead>
<tr>
<th>Category</th>
<th>Certified FFB</th>
<th>Non-certified FFB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport document</td>
<td>Stamped as ‘CSPO’</td>
<td>Not stamped</td>
</tr>
<tr>
<td>Name board</td>
<td>Stated as CSPO</td>
<td>Not stated as CSPO</td>
</tr>
<tr>
<td>Transport form No. PB-25.01</td>
<td>CSPO Stamped</td>
<td>Not stamped</td>
</tr>
<tr>
<td>Transport truck</td>
<td>Marked with ‘CSPO’ sign</td>
<td>No CSPO signs on trucks</td>
</tr>
</tbody>
</table>

It was sight during surveillance audit, working Instruction No. IK-3.05-04/06 (2nd revision) has been revised into Working Instruction No. IK-3.03-15/01 (Rev.00) dated 1 February 2012. The new working instruction covers declassification mechanism of RSPO material when a supplier’s supply chain certification is found to be invalid. However PT Perkebunan Nusantara III has no mechanism to put certification status for certified product since incoming order in Marketing Office KPB (Kantor Pemasaran Bersama) to marketing Department in Head Office Office, Production Department and respective mill to ensure product traceability and recording all relevant document.

Compliance status: Non-Compliance

NCR SCCS 2015-01 of 01.

PT Perkebunan Nusantara III has no mechanism to put certification status for certified product since incoming order in Marketing Office KPB (Kantor Pemasaran Bersama) to marketing Department in Head Office Office, Production Department and respective mill to ensure product traceability and recording all relevant document.

**E.5. Record keeping**

Findings:

PTPN III has established a mechanism for control and maintenance of data and document used in the mass balance (MB) system implementation. It was sight during surveillance audit revision of the retention period was not executed because code of classification No.TP.4-Proceesing palm oil has explained that the retention period is five years for SCCS-related records/reports such as FFB receipt note at mill, processing records/documents, weighbridge slip, etc. Document storage and maintenance is responsibility of respective departments. The company has divided the records to keep into three categories of document, i.e. (i) active documents (must be kept for at least one year); (ii) inactive documents (must be kept for at least 1-5 years); and (iii) permanent documents (must be stored for period of 5-30 years). All records pertaining to SCCS implementation are categorised as permanent documents.

The company retains records and balances of certified palm oil received and deliveries on a monthly basis in ‘CPO Stock’ (‘CPO and PK Balance’) form and ‘CPO Production’ (‘CPO and PK Production’) form. All volumes of delivered palm oil are deducted from material accounting system according to actual daily conversion ratio and delivery product from the positive stock.

In FFB delivery note (PB-25), information is available mentioning name of estate, division and field/block, so FFB certified can be traced back entirely to the delivering estate. Whereas, information on number of delivery order and contract in product delivery note can be used to trace back to the mill for RSPO-certified palm oil.

PTPN III’s sales and goods-out mechanism is set up in their procedure under Work Instruction No. IK-3.03-07/02 for RSPO certified palm oil sale to Belawan Installation (storage tank in Belawan port owned by the company), PT Sarana Agro Nusantara (a CPO and PK trader and PTPN III’s sister company), PT IKN (a rubber trading company being also PTPN III’s sister company) and other parties. The company’s supply chain procedure is also implemented for rubber product trading. Records of all sold RSPO-certified materials are documented in material despatch forms, material quality notifications and palm oil receipts.

The company has ensured all invoices (Oil Palm Despatch Receipt, PB-33.01) issued for certified palm oil has included information on buyer’s name and address, issuance date, description of products including the supply chain model, product quantity and reference to transport documents. This will be implemented after company get certificate.
3.5 Status of previously identified non-conformities

NCR SCCS-01 of 03:
There is a difference between SCCS model in the director decision letter (SG) and the implementation in mill (MB).

Evidence of Correction and Corrective Action taken:
PTPN III has revised the director decree on supply chain model from Segregation (SG) to Mass Balance (MB) in Aek Nabara Selatan Mill by virtue of Director Decree No. 3.03/SKPTS/01/2012 dated 2 January 2012.

Auditor Conclusions: Closed

NCR SCCS-02 of 03:
Evidence is lacked confirming that Aek Nabara Selatan Mill has established and prepared procedure covering mechanism for RSPO material declassification when a supplier supply chain certification is found to be invalid, e.g. Identity Preserved -> Segregated -> Mass Balance -> Non-RSPO Certified Palm Oil.

Evidence of Correction and Corrective Action taken:
It was sight during surveillance audit, working Instruction No. IK-3.05-04/06 (2nd revision) has been revised into Working Instruction No. IK-3.03-15/01 (Rev.00) dated 1 February 2012. The new working instruction covers declassification mechanism of RSPO material when a supplier’s supply chain certification is found to be invalid.

Auditor Conclusions: Closed

NCR SCCS-03 of 03:
The retention period for all SCCS implementation records and reports will be less than five years.

Evidence of Correction and Corrective Action taken:
It was sight during surveillance audit revision of the retention period was not executed because code of classification No.TP.4-Proceeesing palm oil has explained that the retention period is five years for SCCS-related records/reports such as FFB receipt note at mill, processing records/documents, weighbridge slip, etc.

Auditor Conclusions: Closed

3.6. Identified Non-Compliance against RSPO SCCS Requirement, Corrective Actions Taken and Auditors Conclusions

E.3.1.a
NCR No. SCCS 2015-01 of 01 (MAJOR)

Findings:
PT Perkebunan Nusantara III has no mechanism to put certification status for certified product since incoming order in Marketing Office KPB (Kantor Pemasaran Bersama) to marketing Departement in Head Office Office, Production Departement and respective mill to ensure product traceability and recording all relevant document.

Corrections:
To make rules on product certification status in the sales process since incoming order from KPB to Section Marketing, Issuing delivery order from section 3:03 to the mill and keep records in accordance with the certification status.

Corrective Action:
To implement all procedure related to RSPO certification and SCCS requirement consistently since incoming material, production, delivery, stock and sales.

Date of Closure : 24 April 2015
Verification result :
Company provided revised SOP traceability for certified product. The procedure has been inform about mechanism for incoming order for certified product from KPB and order processing on head office then to the respective mill.
Auditor Conclusions: Closed

3.7. Noteworthy Positive Components

Criterion 1.1 (Major indicator 1): Oil palm growers and millers provide adequate information to other stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages & forms to allow for effective participation in decision making.

Findings: PTPN III has call centre 9600 to receive information, complaint or any kind of communication from stakeholders. Medan Head Office collects any incoming information, complaint or any kind of communication and forwards them to relevant section for follow-up.

Criterion 8. (Major indicator 1): Growers and millers regularly monitor and review their activities and develop and implement action plans that allow demonstrable continuous improvement in key operations.

Findings:
Since the company has cooperation with Indonesia Oil Palm Research Centre (PPKS Indonesia), average yield production in majority of the company’s estates has increased and it tries to keep improving more until the yield reaches 35 tonne/ha for year 2020 as campaigned by Indonesian Government, i.e. 35:26 in 2020. The company’s current yield production average is 24 tonne/ha.

3.8 Conclusions and Recommendation for RSPO P & C and Supply Chain Certification
The audit team has confirmed through the audit process that PT Perkebunan Nusantara III Aek Nabara Selatan Palm Oil Mill has established and maintains an effective system to ensure compliance with the RSPO P & C and Supply Chain Certification System requirements year 2013. It is also confirmed that the company’s annual volume of CPO and PK sold for the period of year 2014 has not exceeded the certified annual tonnages as claimed in the organization’s RSPO certificate no. 824 502 14024 because no CSPO and CSPK claimed product sold as until 1st surveillance audit.
TUV Rheinland recommends that Aek Nabara Selatan Palm Oil Mill and estates be continuing approved for certification of compliance to the RSPO P & C and Supply Chain Certification System requirements.

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

#### A) Issues Raised during Stakeholder Consultation

<table>
<thead>
<tr>
<th>No.</th>
<th>Issues Raised</th>
<th>Management Response</th>
<th>Audit Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Land application must be controlled and monitored, especially during rainy season. There was water pollution from land application in Parbaungan River around 1 km from Aek Nabara Mill. CSR programme should be distributed in balance. The local government is not informed of the company’s community development programme. The company must periodically report their hazardous waste management.</td>
<td>No problem in implementation of land application. The company monitors the implementation of and impact from land application as required by the Government. The company conducts water analysis and the result was no pollution found in Parbaungan River. The company observes that Parbaungan River is still used for daily activities. The company provided information regarding waste management to the local communities. Its proposed clean water through meeting on 25 June has been provided. It proposed road maintenance for Bawan Tuo road under Management approval.</td>
<td>During audit, no evidence found of water pollution in Parbaungan River. The company conducts water monitoring every month and reports to the local government, and the result is still below standard applied by Government regulation.</td>
</tr>
<tr>
<td>2.</td>
<td>Flooding in Aek Paling Village during big rain season, as the company has no maintenance programme for water drainage. We have already complained to the company, but the answer was always ‘waiting decision from director’.</td>
<td>According to research result from North Sumatera University, such flood was not caused by PTPN III activity, but from poor water drainage in the village.</td>
<td>There are programmes to maintain quality of river riparian area and other watershed areas to prevent flood as included in the HCV management and monitoring plan. However, implementing the recommendations contained in the HCV assessment report alone is considered insufficient.</td>
</tr>
<tr>
<td>3.</td>
<td>What is benefit of RSPO certification and what is the company’s effort to comply with RSPO requirement?</td>
<td>No further comment</td>
<td>No need for further verification. Further explanation on RSPO requirements.</td>
</tr>
<tr>
<td>4.</td>
<td>Suggested to perform reforestation to minimise global warming with hardwood species such as Mango tree, Ficus tree etc. the company should allocate 1,000 ha from every estate.</td>
<td>PTPN III has programme for enrichment planting, especially in river riparian and blank area in line with company’s HCV management programme</td>
<td>The company has programme for planting with hardwood species along the River. Management response can be accepted, Programme implementation will be verified during audit.</td>
</tr>
<tr>
<td>No.</td>
<td>Issues Raised</td>
<td>Management Response</td>
<td>Audit Verification</td>
</tr>
<tr>
<td>-----</td>
<td>--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>5.</td>
<td>The company’s profit should be provided to all workers and employees, community and the local government.</td>
<td>The company will consider this suggestion.</td>
<td>Management response can be accepted, Programme implementation will be verified during audit.</td>
</tr>
<tr>
<td>6.</td>
<td>PTPN III provided a lot of donation to the local community, the company is feasible to get RSPO certificate.</td>
<td>No further Comment</td>
<td>No need for further verification. Further explanation on RSPO requirements.</td>
</tr>
<tr>
<td>7.</td>
<td>The company give donation to communities in Labuhan Haji and Mambang Muda such as Cooperation, Grazing location, bridge construction, water drainage maintenance etc.</td>
<td>No further Comment. The company has policy regarding transparency as already distributed through circular letter.</td>
<td>No need for further verification.</td>
</tr>
<tr>
<td>8.</td>
<td>Bandar Selamat Estate management is aware of the local community, especially to provide permission for grazing activities. Estate security is part of village head’s responsibility. The company should provide allowance for head of village.</td>
<td>No further comment</td>
<td>No need for further verification.</td>
</tr>
<tr>
<td>9.</td>
<td>Village location in Sei Dadap Estate, the company provided donation such as village infrastructure (both physical and non-physical).</td>
<td>No further comment</td>
<td>No need for further verification.</td>
</tr>
<tr>
<td>10.</td>
<td>The company has good relationship with its suppliers. FFB supplier should make long-term contract.</td>
<td>No further comment</td>
<td>No need for further verification.</td>
</tr>
<tr>
<td>11.</td>
<td>The company provided wages to their staff and allowance for their families including scholarship for their children, medical and hospital for family.</td>
<td>No further comment</td>
<td>No need for further verification.</td>
</tr>
<tr>
<td>12.</td>
<td>Transparency for recruitment process should be improved. Minimum wage for daily worker is still low compared to other PTPN III is still below the government regulation.</td>
<td>The company has procedure for recruitment process. For management level, the company open the information in the website, while for workers it announces the vacancy in Head of Village office.</td>
<td>It was already explained in Section 3.1, CR 6.8 regarding findings on job vacancies. Issue related to minimum wage was confirmed and raised as NCR No. 2011-05 of 22 under Section 3.2</td>
</tr>
<tr>
<td>13.</td>
<td>We asked for mosque construction but still not provided. The company’s staffs get free land and village got donation from PTPN III.</td>
<td>The company provides donation according to priority of which proposal firstly coming to estate manager. There is a review process from head office that took longer than expectation.</td>
<td>It was already explained in Section 3.1, CR 6.11, on the company’s contribution to the local community, including job vacancies.</td>
</tr>
</tbody>
</table>
B) Issues Raised during Stakeholder Interviews On-site

<table>
<thead>
<tr>
<th>No.</th>
<th>Issues Raised</th>
<th>Audit Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Minimum wages still below Government's standard rate.</td>
<td>Minimum wages for contractor workers are below government standard rate. This was raised as NCR No. 2011-05 of 22 under Section 3.2 above.</td>
</tr>
</tbody>
</table>

4.0 CERTIFIED ORGANISATION'S ACKNOWLEDGEMENT OF INTERNAL RESPONSIBILITY

4.1 Date of Next Surveillance Visit

The next surveillance visit is planned for May 2016
4.2 Acknowledgements of Internal Responsibility and Formal Sign-Off by Client

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

Signed on behalf of PT Perkebunan Nusantara III

[Signature]

Tio Handoko
Head of Management System
Date: 06 August 2015

Signed on behalf of TÜV Rheinland Indonesia

[Signature]

Aswan Hasibuan
Lead Auditor
Date: 06 August 2015
APPENDICES

Appendix 1: Details of Certificate

Certificate

Standard:

Certificate Reg. No.: 824 502 14024

Certificate Holder:
PT TUV Rheinland Indonesia certifies:
PT Perkebunan Nusantara III (Persero)
Aek Nabara Selatan Palm Oil Mill,
Bilih Hulu Subdistricts,
Labuhan Batu District, North Sumatera, Indonesia;
and its company owned estates according to the annex

RSPO number:

Scope:
Palm Oil Production and Plantation Management System
An audit was performed, Report No. 18502897. Proof has been furnished that the requirements according to RSPO Principles & Criteria for Sustainable Palm Oil Production; Generic Standard year 2013 are fulfilled.
The due date for all future surveillance audits is 23.03 (dd.mm).

Validity:
The certificate is valid from 23 May 2014 until 22 May 2019.
The certificate shall remain valid in period stipulated above provided that the certificate holder mentioned here continues to comply with the RSPO P&C requirements. Status of compliance of the certificate holder shall be based on the annual inspections conducted by PT TUV Rheinland Indonesia.

RSPO registered parents company:
PT Perkebunan Nusantara III
(RSPO Member No.: 1-0030-06-000-00)

PT TUV Rheinland Indonesia was accredited to provide RSPO Principles & Criteria (P&C) and RSPO Supply Chain Certification Systems on June 6, 2014 (RSPO-ACC-013).

Date of first certificate: May 23, 2014

Indonesia, 17-08-2015
PT TUV Rheinland Indonesia
Director

Note: Certificate no18502897 001 dated 23rd May 2014 previously issued by TUV Rheinland Malaysia Sdn. Bhd. is no longer valid.
The certificate remains property of PT TUV Rheinland Indonesia and can be withdrawn in case of termination as mentioned in the contract or in case of changes or deviations of the above-mentioned data. The licensees is obliged to inform PT TUV Rheinland Indonesia immediately of any changes in the above-mentioned data. Only an original and signed certificate is valid.

www.tuv.com
## Annex to certificate

**Standard:**

**Certificate Regist. No.:** 024 502 14024

**Location:**
PT Perkebunan Nusantara III (Persero)
Address: Aek Nabara Selatan Palm Oil Mill, Bila Hulu Subdistricts, Labuhan Batu District, North Sumatera, Indonesia

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

<table>
<thead>
<tr>
<th>Name of mill / estate</th>
<th>Location</th>
<th>GPS locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aek Nabara Selatan Mill</td>
<td>Bila Hulu Sub District, Labuhan Batu District</td>
<td>02°03'42&quot;  99°57'20&quot;</td>
</tr>
<tr>
<td>Aek Nabara Selatan</td>
<td>Aek Nabara Village, Bila Hulu Sub District, Labuhan Batu District</td>
<td>02°03'29&quot;  99°57'19&quot;</td>
</tr>
<tr>
<td>Mambang Muda</td>
<td>Perkebunan Mambang Muda Village, Kualuh Hulu Sub District, North Labuhan Batu District</td>
<td>02°33'02&quot;  99°49'20&quot;</td>
</tr>
<tr>
<td>Rantau Prapat</td>
<td>Jl. Lintas Sumatera Utara Rantau Prapat, Bila Barat Sub-District, Labuhan Batu District</td>
<td>02°03'32&quot;  99°48'04&quot;</td>
</tr>
<tr>
<td>Merbau Selatan</td>
<td>Merbau Selatan Estate Village Merbau Sub-District, North Labuhan Batu District</td>
<td>02°12'30&quot;  99°49'54&quot;</td>
</tr>
<tr>
<td>Labuhan Haji</td>
<td>Labuhan Haji Village, Kualuh Hulu Sub District, North Labuhan Batu District</td>
<td>02°32'10&quot;  99°42'20&quot;</td>
</tr>
<tr>
<td>Bandar Selamat</td>
<td>Perkebunan Bandar Selamat Village, Aek Songsong Sub District, Asahan District</td>
<td>02°12'00&quot;  99°33'00&quot;</td>
</tr>
</tbody>
</table>

CPO Tonnage Total Production*: 60,194.39 tonnes
PK Tonnage Total Production*: 10,382.34 tonnes
Company Estates FFB Tonnages*: 248,612.60 tonnes
FFB Tonnages from other sources*: 16,918.53 tonnes
CPO Tonnage claimed for certification: 60,573.59 tonnes
PK Tonnage claimed for certification: 11,592.00 tonnes

* For year 2014

Scope of SCCS & supply chain model assessed:
- [X] FFB receipt, produce and delivery of CPO & PK with implementation of the following SCCS:
  - Identity Preserved
  - Mass Balance

Issued by PT TUV Rheinland Indonesia

PT TUV Rheinland Indonesia
Director

www.tuv.com

QMF: RSPO-007b-13(Rev.0)
Appendix 2: List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMDAL</td>
<td>Analisis Dampak Lingkungan &amp; Sosial (Social &amp; Environmental Impacts Assessment)</td>
</tr>
<tr>
<td>ASL</td>
<td>Above Sea Level</td>
</tr>
<tr>
<td>APL</td>
<td>Other land Use (Area penggunaan lain)</td>
</tr>
<tr>
<td>BOD</td>
<td>Biochemical Oxygen Demand</td>
</tr>
<tr>
<td>CD</td>
<td>Community Development</td>
</tr>
<tr>
<td>CPO</td>
<td>Crude Palm Oil</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>DAS</td>
<td>Daerah Aliran Sungai (Watershed)</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
</tr>
<tr>
<td>ERTs</td>
<td>Endangered, Rare &amp; Threatened species</td>
</tr>
<tr>
<td>ESH</td>
<td>Environmental Safety &amp; Health</td>
</tr>
<tr>
<td>FFB</td>
<td>Fresh Fruit Bunches</td>
</tr>
<tr>
<td>EFB</td>
<td>Empty Fruit Bunches</td>
</tr>
<tr>
<td>HCV</td>
<td>High Conservation Value</td>
</tr>
<tr>
<td>HCVA</td>
<td>High Conservation Value Area</td>
</tr>
<tr>
<td>HP</td>
<td>Production Forest (Hutan Produksi)</td>
</tr>
<tr>
<td>IPM</td>
<td>Integrated Pest Management</td>
</tr>
<tr>
<td>LTA</td>
<td>Lost Time Accident</td>
</tr>
<tr>
<td>MSDS</td>
<td>Material Safety Data Sheets</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Government Organisation</td>
</tr>
<tr>
<td>NPP</td>
<td>New Planting Procedure</td>
</tr>
<tr>
<td>OSH</td>
<td>Occupational Safety &amp; Health</td>
</tr>
<tr>
<td>PKO</td>
<td>Palm Kernel Oil</td>
</tr>
<tr>
<td>POME</td>
<td>Palm Oil Mill Effluent</td>
</tr>
<tr>
<td>PPE</td>
<td>Personal Protective Equipment</td>
</tr>
<tr>
<td>PPKS</td>
<td>Pusat Penelitian Kelapa Sawit Indonesia (Indonesian Palm Oil Research Institute - IOPRI)</td>
</tr>
<tr>
<td>PTPN</td>
<td>PT Perkebunan Nusantara</td>
</tr>
<tr>
<td>PPN</td>
<td>Value added tax (pajak pertambahan nilai)</td>
</tr>
<tr>
<td>PKB</td>
<td>Working Agreement (Perjanjian Kerja Bersama)</td>
</tr>
<tr>
<td>RJP</td>
<td>Rencana Jangka Panjang (Long-Term Plan)</td>
</tr>
<tr>
<td>RKL</td>
<td>Rencana Pengelolaan Lingkungan (Environmental Management Plan)</td>
</tr>
<tr>
<td>RKAP</td>
<td>Rencana Kerja Anggaran dan Pendapatan (Revenue, Budget and Cost Plan)</td>
</tr>
<tr>
<td>RPL</td>
<td>Rencana Pemantauan Lingkungan (Environmental Monitoring Plan)</td>
</tr>
<tr>
<td>SCCS</td>
<td>Supply Chain Certification System</td>
</tr>
<tr>
<td>SEL</td>
<td>Studi Evaluasi Lingkungan (Environmental Evaluation Assessment)</td>
</tr>
<tr>
<td>SIA</td>
<td>Social Impact Assessment</td>
</tr>
<tr>
<td>SOP</td>
<td>Standard Operating Procedure</td>
</tr>
<tr>
<td>SPBUN</td>
<td>Estate Union worker (Serikat Pekerja Perkebunan)</td>
</tr>
<tr>
<td>UKL</td>
<td>Upaya Pengelolaan Lingkungan (Environmental Management Efforts)</td>
</tr>
<tr>
<td>UPL</td>
<td>Upaya Pengelolaan Lingkungan (Environmental Management Efforts)</td>
</tr>
</tbody>
</table>

Appendix 3: List of Stakeholders Interviewed and Contacted

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Stakeholder</th>
<th>Institution / Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>M. Sitompul</td>
<td>Environmental Officer Labuhan Batu</td>
</tr>
<tr>
<td>2.</td>
<td>Syahril Tambunan</td>
<td>Head of Aek Paling Village</td>
</tr>
<tr>
<td>3.</td>
<td>M. Mukti Tanjung</td>
<td>Youth leader North Labuhan Batu</td>
</tr>
<tr>
<td>4.</td>
<td>Edwin</td>
<td>Police Officer Simpang Ampat</td>
</tr>
</tbody>
</table>
### Stakeholders Interviewed On-Site

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Stakeholder</th>
<th>Institution / Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.</td>
<td>Village Head</td>
<td>Pulau Mandi Village</td>
</tr>
<tr>
<td>6.</td>
<td>Rianto</td>
<td>Aek Songsongan Village</td>
</tr>
<tr>
<td>7.</td>
<td>Sudirman</td>
<td>Head of Village Tanjung Alam</td>
</tr>
<tr>
<td>8.</td>
<td>Zuwendi</td>
<td>Supplier Aek Nabara Selatan Mill</td>
</tr>
<tr>
<td>9.</td>
<td>Darif Simangunsong</td>
<td>Labor Union Labuhan Haji Estate</td>
</tr>
<tr>
<td>10.</td>
<td>Aburahman</td>
<td>Janji Village</td>
</tr>
<tr>
<td>11.</td>
<td>A. Pane</td>
<td>Industrial Officer Labuhan Batu District</td>
</tr>
<tr>
<td>12.</td>
<td>Abdul Latif</td>
<td>Sei Dadap village</td>
</tr>
<tr>
<td>13.</td>
<td>Village Head</td>
<td>Pulau Mandi Village</td>
</tr>
<tr>
<td>14.</td>
<td>Rianto</td>
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<tr>
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</tr>
<tr>
<td>18.</td>
<td>A. Pane</td>
<td>Industrial Officer Labuhan Batu District</td>
</tr>
<tr>
<td>19.</td>
<td>Abdul Latif</td>
<td>Sei Dadap village</td>
</tr>
</tbody>
</table>

### Observations and Opportunities for Improvement

<table>
<thead>
<tr>
<th>No.</th>
<th>Observations / Opportunities for Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>There is measures taken for protecting species and their habitats has been recommended by HCV consultant, however the implementation is not consistent with the recommendation itself</td>
</tr>
<tr>
<td>2</td>
<td>Vehicles were not identified as source of GHG emissions</td>
</tr>
</tbody>
</table>