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Palm Oil Innovation Group (POIG)

Verification Report for:

Musim Mas Group

in

Indonesia

Report Finalized	:	3 November 2017
Verification Dates	:	13 – 17 December 2016; 16 – 24 February 2017
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List of Acronyms

AGB:	Above Ground Biomass
CPO:	Crude Palm Oil
CSA:	Carbon Stock Assessment
EPA:	Environmental Protection Agency
EU:	European Union
FFB:	Fresh Fruit Bunch
FPIC:	Free, Prior and Informed Consent
FSC:	Forest Stewardship Council
GHG:	Green House Gas
GHS:	Globally Harmonized System
GMO:	Genetically Modified Organism
GPS:	Global Positioning System
GRI:	Global Reporting Initiative
HCS:	High Carbon Stock
HCV:	High Conservation Value
ILO:	International Labor Organization
IPM:	Integrated Pest Management
ISCC:	International Sustainability and Carbon Certification
ISPO:	Indonesian Sustainable Palm Oil
LUCA:	Land Use Change Analysis
NPP:	New Planting Procedures
RSPO:	Roundtable on Sustainable Palm Oil
RTE:	Rare, Threatened or Endangered species
SAN:	Sustainable Agriculture Network
SEIA:	Social and Environmental Impact Assessment (AMDAL)
SIA:	Social Impact Assessment

1. SCOPE OF THE VERIFICATION

1.1 Normative References

The Palm Oil Mill and the supply base was audited against the following documents:

- Palm Oil Innovation Group Charter Verification Indicators – March 2016.¹

1.2 Company and Contact Details

Company name:	Musim Mas Group
Business address:	K. L Yos Sudarso Km 7,8 Tanjung Mulia - Medan 20241, Indonesia
Contact person:	Petra Meekers
Telephone:	62 61 6615511 / 62 811 520 3868
E-mail:	petra.meekers@musimmas.com
Web site:	http://www.musimmas.com/
Other certifications held (ISO...)	RSPO, ISCC

1.3 General Description

The scope of this verification is ten Palm Oil mills and their respective supply bases under the management of Musim Mas Group (hereinafter called “the company”) in Indonesia. All of these mills and their supply bases are RSPO certified as can be viewed in RSPO website. The types of supply bases for the mills include the company’s own plantations, schemed smallholders, and Village Oil Palm Development Smallholdings.

The mills and the company’s own plantations or estates are located on land under Business Land Lease Title (*Hak Guna Usaha* – HGU) within limited time periods and can be extended two times after its time periods end. Based on current applicable law (UU No.18/2004) the initial time periods is 35 years while the second and third time periods are 25 year respectively. Each estate may have its own representative legal entity that might also be different from the mill’s legal entity.

Schemed smallholders also called “kebun plasma” is a palm oil plantation located on community land owned by an individual under individual land-right (*Surat Hak Milik* – SHM), each with areas of 2 ha or below. Schemed smallholders are grouped under an organization commonly in the form of a cooperative. The plantation establishment from land clearing, planting and maintenance during immaturity is conducted by the company. The required cost for the establishment is covered by the bank loan where the company and the cooperative actively facilitate the process. Once the plantation is producing, its maintenance, including harvesting and transportation, will be carried out by the company. All FFB produced will be purchased by the company. The money benefitted from FFB sales will be deducted to pay the bank loan, maintenance cost and cooperative cost before it is distributed to its members or the individual owner of the plantation.

Village Oil Palm Development Smallholding in the Musim Mas context is also called “kas desa” and is a palm oil plantation located on community land owned by a village under communal land-right. Its

¹ <http://www.poig.org>

plantation establishment from land clearing, planting and maintenance during immaturity is also conducted by the company. The required cost for the establishment is covered by the company as part of corporate social responsibility program. Once the plantation is producing, its maintenance including FFB harvesting and transportation, will be carried out by the company. All FFB produced will be purchased by the company. The money benefitted from FFB sales will be deducted to pay maintenance cost before it is received by the village.

1.3.1 Detail of the Scope

Palm Oil Mill	Address	Location		Supply Base
		Longitude	Latitude	
Agrowiratama	Jorong Aie Aji, Nagari Sungai Aua, Kecamatan Sungai Aua, Kabupaten Pasaman Barat, Propinsi Sumatera Barat, Indonesia.	99° 37' 35.72" E	0° 11' 56.25" S	Estate Sei Aur
				Koperasi Sawit Bersama I & II
				Koperasi Sawit Bosa Sungai Aua Manjung Bilang
				Koperasi Sawit Datuk Bosa Sikilang
Berkat Sawit Sejati	Desa Tampang Baru, Kecamatan Bayung Lencir, Kabupaten Musi Banyuasin, Propinsi Sumatera Selatan, Indonesia.	103° 42' 41.9" E	2° 19' 9.4" S	Sei Tungkal Estate
				Sei Berau Estate
				Kas Desa Pangkalan Tungkal
Guntung Idamannusa	Desa Tanjung Simpang, Kecamatan Pelangiran, Kabupaten Indragiri Hilir, Propinsi Riau, Indonesia.	E 103° 17' 12.19"	N 0° 9' 32"	Estate I
				Estate II
				Estate III
Maju Aneka Sawit	Desa Tanah Putih, Kecamatan Telawang, Kabupaten Kotawaringin Timur, Propinsi Kalimantan Tengah, Indonesia	112° 38' 51.4" E	2° 28' 41.4" S	Tanah Mas Estate
				Alam Sahara Estate
				Kas Desa Tanah Putih
				Kas Desa Penyang
PT Musim Mas - Batang Kulim	Desa Batang Kulim, Kecamatan Pangkalan Kuras, Kabupaten Pelalawan, Propinsi Riau, Indonesia.	102° 01' 51.016" E	0° 04' 37.355" N	Estate I
				Estate II
				Estate VI
				KKPA Merbau Sakti
				Kas Desa – Betung I
				Kas Desa – Tanjung Beringin
				Kas Desa - Talau
Kas Desa – B1				
PT. Musim Mas - Pangkalan Lesung	Kelurahan Pangkalan Lesung, Kecamatan Pangkalan Lesung, Kabupaten Pelalawan, Propinsi Riau, Indonesia	102° 04' 30" E	0° 03' 00" S	Estate III
				Estate IV
				Estate V
				KKPA Rawa Tengkuluk
				Kas Desa – Pangkalan Lesung
Siringo Ringo	Jl. Siringo Ringo, Desa Bandar Kumbul, Kecamatan Bilah Barat, Kabupaten Labuhan Batu, Rantau Prapat, Propinsi Sumatera Utara, Indonesia	E 99° 45' 57.9"	N 02° 05' 47.8"	Estate Siringo -Ringo
Unggul Lestari	Desa Tumbang Sepayang,	112° 35'	01° 35'	Estate I - PT.UL

	Kecamatan Antang Kalang, Kabupaten Kotawaringin Timur, Propinsi Kalimantan Tengah, Indonesia.	55.79" E	45.04" S	Estate II - PT.UL Estate I – PT MPG Alam Sahara Estate Kas Desa Sebaby Kas Desa Kenyala Kas Desa Tanah Putih Kas Desa Penyang
Sukajadi Sawit Mekar 1	Desa Sebaby, Kecamatan Telawang, Kabupaten Kotawaringin Timur, Propinsi Kalimantan Tengah, Indonesia	E 112°32' 23"	S 2° 22' 52"	Sebaby Estate Seranau Estate
Sukajadi Sawit Mekar 2	Desa Sebaby, Kecamatan Telawang, Kabupaten Kotawaringin Timur, Propinsi Kalimantan Tengah, Indonesia	E 112° 36' 9.4"	S 2° 22' 12.9"	Bukit Linang Estate Bukit Limas Estate Sari Mas I Estate Bakung Mas Estate

2. VERIFICATION PROCESS

2.1 Inspection Body – Rainforest Alliance

The Rainforest Alliance founded its previous SmartWood program in 1989 to certify responsible forestry practices and has grown to provide a variety of auditing services. Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. All related personnel responsible for evaluation design, evaluation, and certification/ verification/ validation decisions are under the purview of the RA-Cert Division, hereafter referred to as Rainforest Alliance or RA.

2.2 Verification Team

Name	Qualification
Iwan Kurniawan	Iwan graduated from the Bogor Agricultural University in 1999. He received SAN auditor training in Rainforest Alliance Certification in early 2010 and has been conducting audits since then for tea, coffee, cocoa, coconut, clove, and chili pepper farms in Indonesia. Iwan has also been engaged on Palm Oil evaluations using the SAN standard and POIG in Indonesia, Solomon Island, and Papua New Guinea since 2014.
Yudi Iskandarsyah	Yudi earned his forestry degree from Bogor Agricultural University in 1997 and his Masters degree in environmental management from Yale University in 2003. He has experience as an auditor in forestry, forest products industry and palm oil plantation in environmental and social aspects.
Taryanto Wijaya	Specialist in social issues analysis and handling, and has experience in auditing sustainable forest management with LEI, IFCC, FSC standards, auditing sustainable palm oil and peer reviewer in the RSPO assessment for Asia and Africa, and also a Corporate Policy Evaluator.

Lita Natasastra	Lita earned her Bachelor of Science degree from University of New South Wales, Australia and Master of Accounting degree from University of Tarumanagara. She has experience in auditing and business process development. She is the Assurance Manager for Rainforest Alliance and responsible for all assurance programs in Asia Pacific.
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The assessor(s) and all people indicated by RA that may witness this verification have committed themselves in writing to keep confidential the data and results of the verification.

2.3 Selection of Sites

The company has multiple operations or mills in different geographical areas, and each mill in a single site has multiple supply bases.

For this verification, we considered examination of operations on four separate mills, the square root of the number of total operations (n=10 mills). The four mills were selected based on the following consideration:

- Geographical distribution: the selected mills will represent the condition both in Sumatera Island and Kalimantan Island.
- Types of the supply bases: all available supply base types for the mill that are estate, schemed smallholders, and Village Oil Palm Development Smallholding will be covered by all selected mills.
- Risk of non-compliance with environmental and social issues: the selection is prioritizing the mills that have supply bases located in areas where issues on deforestation, peat destruction, fires, conflict with wildlife, land tenure, and social conflict have frequently arisen.
- Stakeholders input: prior to an actual field visit, the Rainforest Alliance, as the inspection body releases public announcements to its stakeholders both national and international, seeking for input regarding the selection of sample.

Following the consideration, the four selected mills for this verification are: 1. Sukajadi Sawit Mekar 1, 2. Sukajadi Sawit Mekar 2, 3. Agrowiratama, and 4. PT. Musim Mas – Batang Kulim.

2.3.1 Detail of Sample

Name	Area of Oil Palm (Ha)		Tons FFB	Planting Years	Cycle
	Total	Planted			
Sukajadi Sawit Mekar 1²	10,402.76	9,259.91	180,665		
Sebabi Estate	5,652.94	5,074.17		2001-2008	1
Seranau Estate	4,749.82	4,185.74		2002-2008	1
Sukajadi Sawit Mekar 2³	19,654.69	14,439.40	231,923		
Bukit Linang Estate	4,971.76	3,436.80		2004-2007	1
Bukit Limas Estate	4,427.82	3,643.40		2005-2008	1
Sari Mas I Estate	2,591.32	2,115.22		2005-2016	1
Bakung Mas Estate	7,663.79	5,243.98		2006-2016	1
Agrowiratama⁴	9,514.00	7,555.66	181,189		

² Area statement as per October 2016, production is from January 2016 – November 2016

³ Area statement as per October 2016, production is from January 2016 – November 2016

⁴ Area statement as per January 2017, production is from January 2016 – December 2016

Estate Sei Aur	7,990.00	6,031.66		1992-2015	1 and 2
Koperasi Sawit Bersama I & II	524.00	524.00		1996-2002	1
Koperasi Sawit Bosa Sungai Aua Manjunjung Bilang	500.00	500.00		2005	1
Koperasi Sawit Datuk Bosa Sikilang	500.00	500.00		2005	1
PT. Musim Mas – Batang Kulim⁵	15,192.17	12,216.00	277,402		
Estate I	5,723.94	4,563.99		1993-2016	1
Estate II	4,381.09	3,184.82		1991-2013	1
Estate VI	4,009.01	3,389.06		2002-2006	1
KKPA Merbau Sakti	1,066.13	1,066.13		2000-2016	1
Kas Desa – Betung I	5.00	5.00		2000	1
Kas Desa – Tanjung Beringin	5.00	5.00		2000	1
Kas Desa - Talau	1.00	1.00		2000	1
Kas Desa – B1	1.00	1.00		2000	1

2.4 Compliance Classification System

The POIG provides no guidance on the compliance classification system. The findings from the evaluation are classified as follow:

- **Fully Comply:** when the finding is in line with all of the indicator requirements and there is no gap observed.
- **Not fully comply:** when the finding is in line with the majority of the indicator requirements, or if most of the progress to reach full compliance with the indicator is observed
- **Not comply:** when the finding is not in line with the majority of the indicator requirements, or if progress to reach full compliance with the indicator is not observed.

Some of the indicators can also be not applicable when the condition of the verified company during the verification does not meet the applicability of the indicator.

In addition, part of POIG indicators are marked as major indicators. However, there is no further explanation on the purpose of this marking. There is no specific statement from POIG if these indicators must always be in full compliance for the POIG membership.

2.5 Verification Schedule

Activity	Location/Assessor	Date/Time
First public notification for the verification		30 Nov 2016
Field visit in Sukajadi Sawit Mekar 1 and Sukajadi Sawit Mekar 2		
Opening meeting	SSM 1 Training Center/Verification team	13 Des/08.30 – 09.30
SSM 1 document review	SSM 1 Training Center/Verification team	13 Des/09.30 – 12.30
SSM 1 mill visit	SSM 1 Mill/Iwan & Taryanto	13 Des/14.00 – 15.00
SSM 1 HCV and production areas visit	Estates/Yudi & Lita	13 Des/14.00 – 16.00
SSM 1 surrounding communities visit	Estates/Taryanto	13 Des/15.00 – 17.00
SSM 1 warehouse and waste management visit	SSM 1 Mill/Iwan	13 Des/15.00 – 16.00

⁵ Area statement as per January 2017, production is from January 2016 – December 2016
Evaluation of PT Musim Mas to the Palm Oil Innovation Group (POIG) indicators

SSM 1 document review	SSM 1 Training Center /Iwan, Yudi & Lita	13 Des/16.00 – 17.30
SSM 2 document review	SSM 1 Training Center/Verification team	14 Des/08.30 – 09.30
SSM 2 HCV and production areas visit	Estates/Yudi	14 Des/09.30 – 13.00
SSM 2 surrounding communities visit	Estates/Taryanto & Lita	14 Des/09.30 – 13.00
SSM 2 mill, warehouse, waste management, HCV and production areas visit	SSM 2 Mill/Iwan	14 Des/09.30 – 13.00
SSM 2 document review	SSM 1 Training Center /Iwan, Yudi & Lita	14 Des/14.00 – 17.30
SSM 2 surrounding communities visit	Estates/Taryanto	14 Des/14.00 – 17.30
SSM 1 and SSM 2 workers' session	SSM 1 meeting room/Iwan & Lita	14 Des/16.00 – 17.00
SSM 1 and SSM 2 stakeholder consultation	SSM 1 Training Center/Verification team	15 Des/10.00 – 12.30
SSM 1 and SSM 2 document review	SSM 1 Training Center/Verification team	15 Des/14.00 – 17.00
SSM 1 and SSM 2 production areas, housing, and nurseries.	Estates/Verification team	16 Des/08.00 – 11.00
SSM 1 and SSM 2 document review	SSM 1 Training Center/Verification team	16 Des/14.00 – 17.00
Closing meeting	SSM 1 Training Center/Verification team	17 Des/11.00 – 14.00
Second public notification for the verification		3 Feb 2017
Field visit in Agrowiratama		
Opening meeting	PT. Agrowiratama estate office/All assessors, company representatives	16 Feb/08.30 – 09.10
Document review	PT. Agrowiratama estate office/All assessors, human resources, supply chain staff, sustainability staff	16 Feb/09.10 – 12.00
Mill visit and interview	PT. Agrowiratama mill, warehouses, waste management/Iwan, mill staff, workers	16 Feb/13.30 – 15.00
Estate visit	Nurseries, housing/Iwan, sustainability staff	16 Feb/15.00 – 17.00
Estate visit	HCV and conservation areas, new planting, replanting areas /Yudi, field staff, workers	16 Feb/13.30 – 15.00
Smallholder farm visit	Conservation area, agriculture practices/ Yudi, sustainability staff	16 Feb/15.00 – 18.00
Smallholder and community session	Cooperative and members, community/Taryanto, sustainability staff	16 Feb/13.30 – 16.00

Worker session	PT. Agrowiratama estate offices/Taryanto, workers, workers' union	16 Feb/16.00 – 18.00
Stakeholders consultation	PT. Agrowiratama estate office/All assessors, stakeholders	17 Feb/09.30 – 11.30
Estate and smallholder visit	HCV areas visit/All assessors	17 Feb/14.00 – 18.00
Document review and report preparation	PT. Agrowiratama estate office/All assessors, human resources, supply chain staff, sustainability staff	18 Feb/08.30 – 10.00
Closing meeting	PT. Agrowiratama estate office /All assessors, company representatives	18 Feb/10.00 – 12.00
Field visit in PT. Musim Mas – Batang Kulim		
Opening meeting	SSM 1 Training Center/Verification team	13 Des/08.30 – 09.30
SSM 1 document review	SSM 1 Training Center/Verification team	13 Des/09.30 – 12.30
SSM 1 mill visit	SSM 1 Mill/Iwan & Taryanto	13 Des/14.00 – 15.00
SSM 1 HCV and production areas visit	Estates/Yudi & Lita	13 Des/14.00 – 16.00
SSM 1 surrounding communities visit	Estates/Taryanto	13 Des/15.00 – 17.00
SSM 1 warehouse and waste management visit	SSM 1 Mill/Iwan	13 Des/15.00 – 16.00
SSM 1 document review	SSM 1 Training Center /Iwan, Yudi & Lita	13 Des/16.00 – 17.30
SSM 2 document review	SSM 1 Training Center/Verification team	14 Des/08.30 – 09.30
SSM 2 HCV and production areas visit	Estates/Yudi	14 Des/09.30 – 13.00
SSM 2 surrounding communities visit	Estates/Taryanto & Lita	14 Des/09.30 – 13.00
SSM 2 mill, warehouse, waste management, HCV and production areas visit	SSM 2 Mill/Iwan	14 Des/09.30 – 13.00
SSM 2 document review	SSM 1 Training Center /Iwan, Yudi & Lita	14 Des/14.00 – 17.30
SSM 2 surrounding communities visit	Estates/Taryanto	14 Des/14.00 – 17.30
SSM 1 and SSM 2 workers' session	SSM 1 meeting room/Iwan & Lita	14 Des/16.00 – 17.00
SSM 1 and SSM 2 stakeholder consultation	SSM 1 Training Center/Verification team	15 Des/10.00 – 12.30
SSM 1 and SSM 2 document review	SSM 1 Training Center/Verification team	15 Des/14.00 – 17.00
SSM 1 and SSM 2 production areas, housing, and nurseries.	Estates/Verification team	16 Des/08.00 – 11.00
SSM 1 and SSM 2 document review	SSM 1 Training Center/Verification team	16 Des/14.00 – 17.00
Closing meeting	SSM 1 Training Center/Verification team	17 Des/11.00 – 14.00
First reporting		28 July 2017
Report review by POIG VWG		6 September 2017

Final report		Expected in the mid of October 2017
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3. VERIFICATION RESULT

3.1 Stakeholders Consultation

Stakeholders include workers and, during the course of the verification, both individual worker and groups of workers were interviewed in the workers' session. There is no violation against human rights and worker's right. Workers are aware of the prohibition of child employment, including to not allow their children or any relative who is not the employee of the company to be present in the working areas. The wage, working hours, overtime, and benefits are in compliance with the national law and regulation. Workers are aware of the available complaint and grievances procedures. So far, their concerns are represented well by the workers' unions.

In addition, a public stakeholders meeting was conducted and represented the stakeholders for each mill visited. All stakeholders in the company's stakeholders list were invited and the majority of them actively participated in this meeting. The participants were stakeholders from the communities, government, NGOs, and service providers. There is no negative issue observed based on this public stakeholders' meeting. Topics on communication, corporate social responsibility, and land acquisition, socialization on conservation, food security, and legality were raised and addressed during the public stakeholders meeting. All stakeholders agree that the company is open for communication and always responsive to any request, complaint, or comment from stakeholders. Annually, the company conducts stakeholder consultation to collect input from the stakeholders. Programs of corporate social responsibility are clarified to be implemented as requested or if not, the reason is always well communicated. It is also clarified that there is no significant conflict regarding land acquisition. Negotiations are conducted fairly between the company and the land owner.

The communities, government, and NGOs are aware of the company effort to designate and manage HCV areas. The identification of HCV areas has included the communities. Some people may reject the designation of HCV areas. However, the company and also the communities' representatives actively socialize this matter to gain acceptance from these people. There is no issue regarding food security and communities are still confident that at landscape level, land availability for agriculture is enough to secure their need. No complaint regarding legality is raised in the meeting. The company is also acknowledged to prohibit any form of corruption such as bribery.

3.2 Key Finding

Musim Mas Group has a strong commitment to implement best management practices associated with the Palm Oil Innovation Group (POIG) Charter. The commitment for no deforestation, peat protection, zero burning, reduction of GHG emission, RTE protection, implementing FPIC and effective conflict resolution, corporate social responsibility, respecting workers' right, supporting smallholder, ethical business practices, and maintaining product integrity and legality are clearly observed as well implemented on the ground.

Musim Mas is acknowledged to have made significant investment in all companies under its management. All mills and their supply bases are RSPO and ISCC certified. All mills are equipped with methane capture facilities and methane powered electricity generator supplying not only sufficient

electricity for the whole plantation operation, but also sent out to national power grid. The engagement of temporary workers is very little to almost none. All schemed smallholders are under full management of the company and provide good return to its smallholders. Lastly, significant amount of budget has been spent to run the company's corporate social responsibility program.

This verification identified several key findings as listed below:

- Improvement needed for HCS identification, peat conservation, monitoring on water consumption, and community participatory mapping. At the time of the verification, the HCS identification equal to HCS approach is not yet completed; identification of critical peatland ecosystems is not yet available; the water consumption is not yet addressed, and community participatory mapping to address food security issue is also not yet completed. This finding has led to non-conformities with indicators: 1.1.1, 1.1.2, 1.1.3, 1.1.4, 1.1.5, 1.2.3, 1.2.4, 1.7.1, 1.7.2, 2.2.2, 2.2.3 and 2.2.4.
- Publication of information related to POIG requirements. Despite having the majority of information available, the company has not yet made them available to the public. This finding related to non-conformities with indicators: 1.1.6, 1.2.7, 1.3.3, 1.5.3, 1.7.3, 2.6.2, 3.3.1, and 3.3.2
- Some practices need to be adjusted which include practices on the pesticides application, surface water analysis, water stewardship for water equity, and the development of policies. These are indicated as non-conformities with indicators: 1.4.1, 1.4.3, 1.5.2, 1.7.4, 3.1.2, 3.4.4, and 3.5.1.

To be noted, the above indicators with underline (e.g. 1.1.3) are designated as POIG major indicators. Overall, in areas where Musim Mas Group **has not yet met the POIG Charter**, it is in the progress towards compliance. The detail of the finding is presented in the next section.

3.3 Detail of the Finding

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
1. Environmental Responsibility		
<p>1.1 High Carbon Stock and High Conservation Values</p> <p>The link between oil palm expansion and deforestation will be broken through undertaking a High Carbon Stock (HCS) approach in addition to a High Conservation Value (HCV) assessment, and a process of obtaining Free, Prior and Informed Consent to use land. The approach combines biodiversity and carbon conservation, as well as social considerations (including community needs)</p>		
<p>1.1.1 Prior to establishing new plantations or expanding existing ones, in addition to or integrated with a HCV assessment, a HCS approach which combines biodiversity, carbon conservation and social considerations (including community needs) has been conducted.</p>	<p>The supply bases of three of four mills visited have been conducting new planting while HCS assessment is not yet completed. Three Carbon Stock Assessment (CSA) reports covering supply bases of visited four mills were reviewed during this verification. All of the CSA were completed in September 2015, two of them were completed by Aksenta and one was completed by the company's own resource. CSA is conducted to measure carbon stock in the area and use this measure to mitigate carbon loss due to Palm Oil development. There is a difference in objective between HCS approach and CSA. The HCS approach is developed based on 35tC/ha (or up to 40tC/ha) AGB as the threshold value to define forest, yet the CSA use 60-80 t C/H which is the estimate of carbon stock in one cycle of palm oil as the decision basis to mitigate carbon loss. In addition, the HCS forest patches analysis and moreover, the HCS Decision Tree</p>	<p>Not fully comply. Further assessments need to be conducted to complete the HCS approach which combines biodiversity, carbon conservation and social considerations (including community needs). In addition, the result of the assessments would need to be registered with the HCSA SG and submitted for peer review to be in compliance.</p>

⁶ Highlighted in red/underline are POIG major Indicators

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
	<p>is not covered in CSA. The result of CSA shows the carbon stock within a concession, this might be considered as an initial step of HCS approach but still it is not yet a full HCS assessment in line with the currently available HCS approach. Further assessments need to be conducted to complete the HCS approach which combines biodiversity, carbon conservation and social considerations (including community needs).</p>	
<p>1.1.2 HCS forest areas are identified and mapped.</p>	<p>HCS forest areas are neither identified nor mapped.</p>	<p>Not comply. Further assessments need to be conducted to complete the HCS approach which combines biodiversity, carbon conservation and social considerations (including community needs).</p>
<p>1.1.3 <u>After March 2014, no new plantings take place in HCS forest areas identified for conservation.</u></p>	<p>Last planting year in one of four mill's supply bases visited was in 2007. However, the supply bases of the other three mills visited have been conducting new planting after March 2014 while the CSA was started in May 2015.</p> <p>It is noted that there is no HCV areas converted for Palm Oil development since March 2014. Two HCV reports covering supply bases of these three mills were reviewed during this verification. One was completed in May 2008 (later on re-assessment for this HCV was completed in February 2015) and another one completed in September 2007 (later on re-assessment for this HCV was completed in May 2015), both of them were completed by Aksenta. The identified HCV areas were then compared to the supply bases' land clearing data to get the above conclusion.</p>	<p>Not fully comply. HCS forest areas prior to March 2014 have to be identified. The identification of historical HCS forest can be done by combining the result of the HCS approach based on current condition using LUCA. The company needs to provide land cover change analysis that demonstrates no new planting on HCS forest areas.</p>

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
	<p>In addition, two Land Use Change Analysis (LUCA) reports covering supply bases of these three mills were reviewed during this verification. One was completed in February 2015 and another one completed in May 2015, and both of them were completed by Aksenta. LUCA is basically looking back at the previous land use, up to the condition prior to November 1st 2005 using satellite imageries and comparing the result with land clearing data and legality data of operating areas. Based on LUCA, there is no forest converted for Palm Oil development since November 2005. The previous land uses prior to Palm Oil were mostly rubber garden, shrub land, grassland, and bare land.</p>	
<p>1.1.4 Community participatory mapping has identified and mapped garden and future farmlands that are fundamental to meeting their basic food needs over the license period of the plantation, and excluded them from being considered HCS forest.</p>	<p>Three HCV reports covering supply bases of four mills visited were reviewed during this verification. One report was completed in April 2008, one was in February 2015 (HCV re-assessment as an update of May 2008 HCV assessment) and other was in May 2015 (HCV re-assessment as an update of September 2007 HCV assessment), all were completed by Aksenta. The 2008 HCV assessment was conducted referring to HCV identification and management toolkits developed by Rainforest Alliance and ProForest 2003, while the 2015 HCV assessments were referring to HCV Resource Network guidelines 2013. HCV assessments with the above guidelines have included community participatory mapping that identified areas that are important for the community including garden and farmlands that are fundamental to meeting their basic food needs and included any available</p>	<p>Not fully comply. The company shall complete its community participatory mapping to address gardens and future farmlands in its concession and in the surrounding communities' areas. And to ensure that the identified HCS will not include those gardens and future farmlands identified in the community participatory mapping.</p>

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	<p>area as HCV 5. However, the community participatory mapping in these assessments has not addressed the future farmlands and limited only to the concession area.</p> <p>Overall, the company has not yet conducted community participatory mapping that identified and mapped garden and farmlands that are fundamental to meeting the community's basic food needs in the surrounding communities' areas, has not mapped future farmlands that are fundamental to meeting the community's basic food needs over the license period of the company, and has not completed the identification of HCS forest following or equivalent to HCS approach.</p>	
<p>1.1.5 HCS forest areas are actively conserved as part of a community participatory land use plan including FPIC, and an integrated conservation and land use plan (that includes HCV areas, riparian zones, and peatland areas).</p>	<p>The identification of HCS forest following or equivalent to HCS approach is not yet completed. The CSA is not covering HCS Decision Tree with the final output to integrate the HCS forests with other conservation and management areas.</p>	<p>Not fully comply. The HCS assessments need to be completed. A completed HCS approach will include an integrated conservation and land use plan.</p>
<p>1.1.6 A summary report of the HCS assessment including maps is made public.</p>	<p>The identification of HCS forest following or equivalent to HCS approach is not yet completed.</p>	<p>Not comply. Following the revised HCS assessment the company shall make the summary report available for public.</p>

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<p>1.2 Peatland</p> <ul style="list-style-type: none"> No peat clearance: All areas of undeveloped peatlands (peat of any depth) are protected and all drainage, fires or road building on peat soils is prohibited. Maintenance of peatlands: Water tables are managed in existing plantations on peat in order to minimize both the subsidence of the peat and the release of GHG emissions. Strategies are employed to progressively restore critical peatland ecosystems, with a preference for replanting on mineral soils, including via 'land swaps'. 		
<p>1.2.1 <u>Undeveloped areas of peatland (of any depth) are not developed or drained.</u></p>	<p>All companies under the management of Musim Mas Group have stopped planting on peat areas since the end of 2007 following their participation in ISCC.</p> <p>The soil maps were compared to land clearing data of all supply bases of the four mills visited during this verification. Planted peat land and undeveloped peatland areas were visited to verify the result of the maps comparison. It is concluded that there is no peatland converted after the above committed time.</p>	<p>Fully comply</p>
<p>1.2.2 Fires and road-building on peat soils are prohibited.</p>	<p>The company has a policy not to use fire (zero burning) in land clearing to develop plantation dated September 27th, 2007.</p> <p>Based on the interviews, the workers and surrounding communities are aware of the prohibition of using fire for land clearing. Based on the hotspot data derived from NOAA satellite, two hotspots were identified in 2015 in one estate supplying to one of the mill visited. However, it was clarified during the public stakeholders meeting that those were false hotspots. The fire respond team did ground checking to the</p>	<p>Fully comply</p>

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	<p>hotspot location and found no sign of fire. The record of this ground checking was presented during this verification.</p> <p>Fire respond team involves the company's workers, community, police, and army, and includes the following supporting facilities such as fire watch towers, blocking canals, and equipment required to handle fire which are available in all four mills visited.</p> <p>There is no fire observed during the field visit.</p> <p>Consistent with the company's commitment to stop planting on peat since 2007, as also clarified from the field visit, no road or other infrastructures is developed on peatland.</p>	
<p>1.2.3 Where there is existing planting on peat, critical peatland ecosystems are identified and assessed for restoration opportunities.</p>	<p>Critical peatland under development (planted) is defined in Indonesian government regulation PP No. 57 year 2016 on Peat Land Ecosystem Management and Conservation as peatland with water table more than 40 cm below ground surface or peatland with exposed pyrite (acidic) sediment or if there is significant reduction of conserved peatland in the areas identified. This definition, especially on water table limitation, cannot practically be accepted for Palm Oil or other similar plantation on peat. As observed, for best practices management, the water table in planted peatland is maintained at an average of 50 cm or 60 cm below ground surface.</p> <p>At the time of this verification, the company does not have specific assessment to identify critical peatland ecosystem.</p>	<p>Not fully comply. The water table in average is 50 cm below ground surface. During the dry season in certain area, the water table at the lowest can reach 80 cm while during the rainy season the water table at the highest can reach 30 cm. The condition can last for 2 to 3 days. The average of peat subsidence is between 5 and 6 cm per year in supply bases of four mills visited. The majority of peat maturity in planted peatland is Sapric. Hemic is found very little, below 1% of total peat in one estate supplying one mill visited. There is no exposed pyrite sediment found during the field visit. The majority of peat deep is less than 3 m. In general the productivity of existing planting on peat is equal to those on mineral soil.</p>

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		<p>The above information is based on review of: daily water table monitoring records for a month, each collected during rainy season and dry season in year 2015 and 2016; the six-monthly summary of subsidence monitoring reports for the year 2016; the result of soil analysis the year 2015 and 2016; the production data for the year 2016; soil maps; and two drainability assessment reports for supply bases of two mills where both of them completed in May 2012 by the company's own resource. Planted peat land areas were visited to verify the result of the documents review.</p> <p>In average, more than 30% (ranging from about 21% to 58%) of four mills' supply bases are located on peatland. It is expected for the company to have or develop specific assessment to fully describe the condition of planted peatland and identify critical peatland ecosystem. The company shall also consider seeking input from competent professional expert on peat and discussion with relevant government representative regarding regulation on critical peatland ecosystem. In addition, the company could collaborate with the POIG PWG to identify the critical peatland ecosystems and restoration opportunities.</p>
1.2.4 Based on the results of the assessment above (1.2.3),	Assessment conducted specifically on critical peatland ecosystem is not yet available. The availability of critical	Not comply. The company shall develop specific assessment to fully describe the condition of planted

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peatland restoration strategies that are time-bound and expert reviewed are developed and implemented, including those to replant on mineral soils using 'land swaps'.	peatland ecosystem cannot be concluded as for this verification most of the information was collected from different data from different division, and also due to the time limitation for taking a representative sample for direct visit considering the size of planted peatland area.	peatland and identify critical peatland ecosystem to be in compliance with this indicator.
1.2.5 For existing plantings on peat, records show that the water table is maintained (at an average of 50cm (between 40 - 60cm) below ground surface measured with groundwater piezometer readings, or an average of 60cm (between 50 - 70cm) below ground surface as measured in water collection drains) through a network of appropriate water control structures e.g. weirs, sandbags, etc. in fields, and water gates at the discharge points of main drains (RSPO Criteria 4.4 and 7.4).	Four samples of Daily water table monitoring records were taken for review. They were one month during rainy season and one month during dry season in 2 consecutive years of 2015 and 2016. The infrastructure maps that show water course, main drain, outlet, stop bands and weirs were also reviewed during this verification. Planted peat land areas were visited and interviews were conducted to personnel in charge to control weirs and conducted water table monitoring to verify the result of the document review. The company has made effort to manage water in its plantation in peatland through development of a network of water control structures. The company records showed that the water table is maintained at an average of 50 cm below ground surface (piezometer readings). The company regularly cleans up the waterways to ensure the water management works well.	Fully comply
1.2.6 Where drainability	Drainability assessment has been conducted prior to the	Fully comply

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<p>assessments have identified areas unsuitable for oil palm replanting, including the likely GHG emissions associated with continued cultivation, plans should be in place for appropriate rehabilitation or alternative use of such areas. If the assessment indicates high risk of GHG emissions, fires, flooding and/or saltwater intrusion, growers cease replanting and implement rehabilitation.</p>	<p>replanting activities. Two reports completed by the company's own resource in 2012 were reviewed during this verification. The model of subsidence and water table in comparison with the baseline in the reports show that the peatland is suitable for replanting. Based on the production data, the initial result from replanting also showed the increase of productivity compared to the condition before replanting due to better land preparation.</p>	
<p>1.2.7 A report will be made public that includes assessments and maps of all peatlands (of any depth) within the company land bank, critical peatland ecosystems, planted peatlands, and degraded or planted areas identified for peatland restoration.</p>	<p>The peat map is not yet made public.</p>	<p>Not comply</p>
<p>1.3 Greenhouse gas (GHG) accountability</p>		

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Companies shall publicly report on annual GHG emissions from all sources and on the progress towards reaching targeted reductions of non-land use GHG emissions (per ton of CPO).		
1.3.1 All sources of GHG emissions, including those related to land use and non-land use activities, are identified and monitored using the RSPO Palm GHG methodology or equivalent.	The GHG emission monitoring reports for the year 2006, 2010, 2011, 2012, 2013, 2014, 2015, and 2016 for all four mills visited were presented and reviewed during this verification. The planting data, the production data for the year 2015 and the year 2016, and LUCA report for supply bases of all four mills were also used to verify the monitoring reports. All sources of GHG emissions, including those resulted from land use changes are identified and monitored using the RSPO Palm GHG version 3. During the first visit in two mills, the GHG emissions were available for only the year 2015 and 2016 and did not include the emission from land use changes. However, on the second visit, the company has made immediate corrective action and presented GHG monitoring reports as above for these two mills.	Fully comply
1.3.2 Targeted reductions of non-land use related GHG emissions (per ton of CPO) and/or targeted adoption of technologies or techniques which reduce global emissions of CO ₂ eq are defined and documented.	Targeted reduction of GHG emission is available. The target is set up based on the GHG emission in 2006 where peat best management practices and the adoption of technologies were not yet implemented. As a sample for one of the mills, the pessimistic target is 19% reduction of 2006 GHG emission or 3.4 tCO ₂ e/tCPO. In addition, all four mills are equipped with methane capture facilities and methane powered electricity generator supplying not only sufficient electricity for the	Fully comply

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	<p>whole plantation operation but also sent out to national power grid. The adoption of this technology, between the year 2012 and 2013 has contributed to the high reduction of GHG emission as can be seen on the GHG emission monitoring report for the respective year.</p>	
<p>1.3.3 <u>Annual GHG emissions from all sources and progress towards the targets documented in 1.3.2 are publicly reported.</u></p>	<p>The GHG emission and its targets are not yet published.</p>	<p>Not comply</p>
<p>1.4 Pesticide use minimization</p> <p>Highly toxic, bio-accumulative and persistent pesticides shall not be used. These include chemicals on the FSC ‘Highly Hazardous’ list and SAN prohibited pesticide list. Producers shall preference practice natural weed and pest control and IPM, and strive to avoid the use of toxic pesticides, only using them as an absolute last resort. There shall be full transparency of any pesticide use.</p>		
<p>1.4.1 <u>Highly toxic, bio-accumulative and persistent pesticides (PBT) are prohibited. This includes chemicals listed by the following: a) World Health Organization Class 1A or 1B, Stockholm or Rotterdam Conventions, b) FSC ‘Highly Hazardous’ list, c) SAN prohibited pesticide list and d)</u></p>	<p>The agrochemical inventory records for the year 2016 and early 2017, and the pesticides application records of the year 2016 and early 2017 were reviewed during this verification. A visit to agrochemical storages also conducted in supply bases of all four mills visited. All companies belong to Musim Mas Group have stopped using Paraquat. However, the use of prohibited pesticides was still observed during this verification. Those are pesticides with active ingredient such as Acephate (EU), Benomyl (GHS), Warfarin (WHO Ib), Carbofuran (EPA and EU), Permethrin (EU), Fipronil (Sev), Amitraz (EU), Carbosulfan (EU) and Coumatetralyt (WHO Ib).</p>	<p>Not comply. The company should seek alternatives of the mentioned pesticides or seeking approval from POIG Organizing Committee.</p>

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Paraquat.		
1.4.2 The grower preferences natural weed and pest control and IPM.	The company's procedures for good agriculture practices, in majority developed in the year 2012, were reviewed during this verification. The documents explain the techniques used for the management of every pest. The procedures have justified methods of treatment including biological control and chemical control. Integrated pest management, as also verified during the field visit, includes the introduction of owls to control rats and planting beneficial plant like <i>Turnera subulata</i> and <i>Cassia tora</i> as the habitat for Palm Oil pests' natural enemies.	Fully comply
1.4.3 Emergency use of listed pesticides is permitted subject to POIG Organizing Committee approval.	The approval from POIG Organizing Committee is not yet available for the emergency use of prohibited pesticides. Based on the pesticide application record, the available prohibited pesticides are used for regular use.	Not comply. The company should seek for approval from POIG Organizing Committee for emergency use. While for regular use, the company should seek alternatives for the prohibited pesticides.
<p>1.5 Chemical fertilizer</p> <p>To reduce climate and environmental impacts producers shall strive to minimize chemical fertilizer use, and preferentially use 'precision agriculture', organic fertilizers, and where possible use waste as a source of phosphorus. Phosphorus and nitrogen levels in water courses are monitored and disclosed.</p>		
1.5.1 Use of chemical fertilizers is minimized through producers demonstrating preferential use of alternatives to manage soil fertility.	The result of soil and foliar analysis year 2015 and 2016, the fertilizers recommendation year 2016, and fertilizers application year 2016 records for supply bases of all mills visited were reviewed during this verification. The doses and types of fertilizers applied per planting block have followed the recommendations based on soil and leaves analysis in order to minimize wasted and ineffective application or	Fully comply.

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	<p>minimize the use of fertilizers when they are not necessary. The company also applies ashes from the boiler in peatland to maintain its pH level and applies dry decanter solid in place of potassium on sandy soil to increase moisture retention. Overall, the application of boiler ash and dry decanter solid has minimized the use of chemical fertilizers.</p>	
<p>1.5.2 Phosphorus and nitrogen levels in relevant watercourses are monitored and when the results of monitoring indicate an increased level of such elements in water due to fertilizer application, company will adjust fertilizer rates and procedures.</p>	<p>SEIA monitoring reports (or RKL – RPL) for the first and second semester of the year 2016, all completed by the company’s own resource, for supply bases of all four mills visited were reviewed during this verification. These reports include the result of surface water phosphorus and nitrogen levels analysis from an accredited laboratory. The surface water phosphorus and nitrogen levels are within normal range for all sampling. However, the location of sampling is not always consistently taken on surface water (water courses) prior entering and after coming out (inlet and outlet). From four mills visited during this verification, only supply bases of one mill have proper inlet and outlet sampling. Without the inlet and outlet water sampling, the influence of fertilizer application to surface water quality within the plantation areas cannot be measured properly.</p>	<p>Not fully comply. The company shall adjust the location of surface water sampling to present the inlet and outlet condition and implement measures if the increase of phosphorus and nitrogen levels observed.</p>
<p>1.5.3 Results of phosphorous and nitrogen monitoring in water courses are included in public reporting.</p>	<p>The available results of phosphorous and nitrogen monitoring are not yet published.</p>	<p>Not comply</p>

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<p>1.6 GMOs prohibition</p> <p>The cultivation of GMOs in the management area is prohibited.</p>		
<p>1.6.1 <u>The use of GMOs in the management area is prohibited.</u></p>	<p>There is no GMO developed or introduced by the company.</p>	<p>Fully comply</p>
<p>1.7 Water accountability</p> <p>The quality and quantity of water is maintained with responsible water management adopted including minimization and disclosure of water use, pollution elimination, equity with other users, and consideration of catchment level impacts of irrigation.</p>		
<p>1.7.1 Water use, consumption and pollution by plantation operations and mills are monitored.</p>	<p>Daily water monitoring records for early 2017 and the summary of water monitoring records for the year 2016 for all four mills visited and their supply bases were reviewed during this verification. A visit was also conducted to the mills, water treatment facilities, wastewater treatment facilities, nurseries, and housing compounds to verify the result of documents review. All four mills visited and their supply bases use withdrawn water from different sources. The main source of water is a river and a few are from ground water in the form of wells for smaller scale use. In most cases, water is collected in collecting tank near the point of use before being used or treated. For water from rivers, the water is collected in open pond prior to collecting tank. For some activities such as for watering in the nursery, the water is directly used after withdrawn. The volume of water withdrawn from the sources, volume of water transferred</p>	<p>Not fully comply. The company shall address and monitor its water consumption of its supply bases.</p>

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	<p>from the collecting pond to collecting tank, volume of water coming out from the tank for direct use and for treatment, volume of water used after the treatment, the volume of polluted water released from the mill for Palm Oil processing are all monitored. The majority of monitoring is based on the measure using a water meter and a few based on the conversion of the usage time such as for watering in the nursery in an estate supplying to one of the mill visited. The mill may have monitored its water use, consumption, and pollutant. However, at the supply bases the amount of water consumed or portion of water use that is not returned to the original water source after withdrawn, as indicated in this indicator, is not yet monitored. Samples of possible water consumption observed during this verification are such as water consumed due to evapotranspiration of the Palm Oil, and water evaporated due to the increase of the surface area of water in collecting pond.</p>	
<p>1.7.2 <u>The water management plan includes targets and measures to minimize and/or reduce water use, consumption, and pollution, including in both plantations and mills.</u></p>	<p>The company is able to show the water use against the target in their water use monitoring document. The company also in process to fully install water meters in its entire water infrastructure. However, the water consumption efficiency is not yet addressed and still mixed with overall water use.</p>	<p>Not fully comply. The company shall address and monitor its water consumption and include it as part of the water management plan.</p>
<p>1.7.3 Water use,</p>	<p>The information on water use, consumption and pollution</p>	<p>Not comply</p>

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consumption and pollution by plantations and mills are included in public reporting.	by plantations and mills are not yet included in public reporting.	
1.7.4 A water stewardship assessment is undertaken involving relevant stakeholders to address water equity issues.	<p>All of the mills visited have been rewarded “<i>Proper Biru</i>” from the government. Part of the qualifications for this award is the national laws and regulations’ full compliance for water management and for wastewater management. However, the process to gain this award has not yet included the involvement of all relevant stakeholders to address the water equity issue which is required by this indicator.</p> <p>It is noted that by comparing the result of the observation on water issues during this verification to the International Water Stewardship Standard (just a sample and not a requirement), the company has reached part of four expected outcomes such as: reporting all of its water use and kept it within the permit to reach good water governance; continually monitor water availability in surrounding communities as part of the social impact monitoring to reach sustainable water balance; maintaining a sufficient wastewater treatment facility to achieve good water quality status; and continually monitoring the HCV areas which include areas important for communities and ecosystem services to reach viable important water bodies.</p>	Not fully comply. The company shall assess relevant stakeholders related to water issues and conducting water stewardship assessment involving those stakeholders.
<p>1.8 Protect and conserve wildlife</p> <p>Following comprehensive biodiversity surveys to identify HCV 1-3, in addition to ensuring the protection and survival of all rare, threatened or</p>		

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endangered species within their concession land, concession holders also make a positive contribution to their survival in the wild in areas beyond the concession.		
1.8.1 Comprehensive biodiversity surveys to identify HCV 1-3 have been undertaken.	Three HCV reports covering supply bases of four mills visited were reviewed during this verification. One report was completed in April 2008, one was in February 2015 (HCV re-assessment as an update of May 2008 HCV assessment) and the other one was in May 2015 (HCV re-assessment as an update of September 2007 HCV assessment), all were completed by Aksenta. The 2008 HCV assessment was conducted referring to HCV identification and management toolkits developed by Rainforest Alliance and ProForest in 2003, while the 2015 HCV assessments were referring to HCV Resource Network guidelines 2013. All HCV assessments with the above guidelines have undertaken comprehensive biodiversity survey which includes desk study on the availability of flora and fauna within the area of assessment, field visit (by sampling) and interview with local community to inventory the available flora, fauna and their important habitats.	Fully comply
1.8.2 <u>Management plans for all rare, threatened or endangered species include actions for their protection, survival, and prevention of poaching, in the landscape outside the management</u>	The HCV management plans reports for the year 2016 covering supply bases of all four mills visited, completed by the company's own resource, were reviewed during this verification. A visit to HCV areas and interviews with workers and surrounding community were also conducted to verify the result of the documents review. HCV management plans contain action on RTE protection,	Fully comply

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area.	survival and the prevention of hunting within and outside the concession areas. On the wildlife hunting issue, the company has a target to eliminate hunting within the concession. Keeping wildlife in captivity by workers or their families is prohibited. Socialization on the same issue is also conducted for the surrounding communities. No wildlife in captivity was found during this verification.	
1.8.3 The RTE management plan takes into consideration traditional hunting by communities outside the management area and includes specific activities to contribute to the protection and survival of RTE species affected by hunting.	Hunting by workers or their families is prohibited. Socialization on the same issue is also conducted for the surrounding communities. There is no traditional hunting practiced by local communities in supply bases of all four mills visited except hunting for pest control (wild boar) which is monitored by local government.	Fully comply
2. Partnerships with Communities		
<p>2.1 Free, Prior and Informed Consent</p> <p>“Comprehensive FPIC is obtained for all oil palm development including in particular: full respect for their legal and customary rights to their territories, lands and resources via local communities own representative institutions, with all the relevant information and documents made available, with resourced access to independent advice, through a documented process, through a long-term two-way process of consultation and negotiation where the communities are informed and understand that saying no to development is an option, and not constrained by local legal frameworks. Newly acquired already planted plantation areas shall redress any lack of proper FPIC when the plantations were established. Lands will not be acquired through expropriations in the national interest (‘eminent domain’).”</p>		
2.1.1 Resourced access to	Procedures for FPIC for three mills dated November 21 st , 2015	Fully comply

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<p><u>independent expert advice is offered at each stage of an FPIC or conflict resolution process to affected communities.</u></p>	<p>(later on updated on January 4th, 2016) and one mill dated January 4th, 2016 were reviewed during this verification. All procedures include the offer of access to independent expert advice for the affected parties during the process. In addition, two of four mills visited on the second visit have the list of experts including independent legal and technical experts, local government representatives and community representative.</p> <p>Several documents on land compensation for supply bases of three mills, and several documents on schemed smallholders and Village Oil Palm Development Smallholdings development in supply bases of two mills, were reviewed during this verification to verify the implementation of the procedures. It is observed that in the process, as also clarified during the stakeholder consultations, the effected parties were able to contact and use the independent expert advice. So far the majority of independent experts used were the community and government representatives.</p>	
<p>2.1.2 Processes of consultation and negotiation, in accordance with internationally recognized FPIC standards, are not constrained by local legal frameworks.</p>	<p>Procedures for FPIC for three mills dated November 21st, 2015 (later on updated on January 4th, 2016) and one mill dated January 4th, 2016 were reviewed during this verification. All procedures are in line with FPIC standard and also accepted for RSPO certification. Several documents on land compensation for supply bases of three mills were reviewed during this verification to verify whether the constraint by local legal framework such as on land title legality occurred in the</p>	<p>Fully comply</p>

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	<p>process. The entire reviewed documents showed that the consultation and negotiation were conducted based on the procedures despite, in legal terms, the company has the full right over the concession.</p>	
<p>2.1.3 When acquiring land or replanting existing plantations, measures are taken to redress any issues arising from the lack of or inadequate FPIC processes carried out when those plantations were established. In such cases, participatory surveys will be conducted to identify HCV's 4, 5 and/or 6 that existed before the plantation was established.</p>	<p>The acquisition of land with existing plantations and also replanting was observed in one of the visited mills. There is no such case in the other visited three mills. The acquired existing plantations were developed between 1992 and 1998 where the concept of FPIC was not yet available. The HCV report covering this mill and its supply bases was completed in April 2008 by Aksenta and was reviewed during this verification. Based on this review and also from interviews with community representatives, there were no HCV 4, 5 and 6 areas converted into the existing plantations or the area being replanting. HCV 4, 5 and 6 areas exist along the rivers and up until now these areas still exist and have been managed as HCV areas.</p>	<p>Fully comply</p>
<p>2.1.4 Plantations have not been developed on land acquired through expropriations in the national interest (eminent domain) after March 2014.</p>	<p>All visited four mills and company's estates supplying to these mills are located on land which have legitimate land right in the form of HGU. All HGU are still valid by the time of this verification. Land use document for schemed smallholders are under SHM, while land used for Village Oil Palm Development Smallholding are under community use right. In Indonesian context, the above legalities for land right are evidence that the land is not acquired through expropriations in the national interest after March 2014.</p>	<p>Fully comply</p>

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<p>2.2 Food security</p> <p>As part of the Free Prior Informed Consent process, participatory Social Impact Assessments and participatory land use planning with indigenous and local communities, food security is maintained or strengthened in order to maintain their land use choice and future food security options. This will include not undermining local control of and diversity of food production systems. There is transparency of the land allocation process.</p>		
<p>2.2.1 Food security for workers, smallholders, and indigenous and local communities affected by existing plantations is assessed and included in a social management plan. The scope of the food security assessment includes the additional impacts that oil palm production operations may have, including on land, water, labour and infrastructure as well as substitutability between income generation for food purchase and subsistence food production of workers, smallholders and affected communities.</p>	<p>Three SIA reports cover four visited mills and their supply bases, one report completed in September 2007, the other one in April 2008, and another one in May 2008, all completed by Aksenta, were reviewed during this verification. Following these SIA, the social impact management plans were developed and monitored annually by the company's own resources. Monitoring reports of the year 2015 and the year 2016 for all four mills and their supply bases were also reviewed during this assessment. Food security (<i>ketahanan pangan in Indonesian term</i>) for workers, smallholders, and local communities were assessed in all SIA. In general, in all SIA reports, the conversion of farmland to Palm Oil has been identified as the negative impact of Palm Oil for food security. The increase of job opportunities or employment has been identified as positive impact of Palm Oil for food security since it generates income for food purchase. Both negative and positive impacts were included in social management plans, implemented and monitored annually. The implemented plans for workers include: the additional monthly benefit of IDR 135,000 per worker to cover their daily meal needs; the distribution of free additional food for children under the age of five years old</p>	<p>Fully comply</p>

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	<p>who live in the company area twice a month through the Posyandu⁷; and the allocation of unused land for palm oil surrounding the company's housing compounds for workers to plant vegetables and fruits. As for local communities, the plans include: the development of schemed smallholders program that enables the communities to have additional income; development of the agriculture program to support the local food security by, for instance, distributing the cow meat annually and distributing fish for the community ponds; and implement procedures to ask those who want to release their land for the plantation, or those who want to join schemed smallholders, must have other land to secure their gardening or farming needs. All of these implementations were verified during the field visits and interviews with workers and local communities.</p>	
<p>2.2.2 <u>After March 2014, in new plantations or expansion of existing plantations, a minimum of 0.5 ha of garden or farmland per person is identified via participatory mapping, and enclave for meeting food security needs.</u></p>	<p>Procedures for land compensation (for land released for plantation) for three mills dated April 15th, 2014 (later on updated on January 4th, 2016) and one mill dated January 4th, 2016 were reviewed during this verification. The company has procedure to ask those who want to release their land for the plantation must have spare land to secure their gardening or farming need. The same also asked during FPIC process for the development of schemed smallholders. Several documents on the process of both cases were reviewed to verify the implementation of the procedures. Based on interviews with</p>	<p>Not fully comply. The company shall complete its community participatory mapping to address gardens and future farmlands in its concession and in the surrounding communities' areas.</p>

⁷ Pre and postnatal health care and information center for women and children under the age of five years old.

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	<p>relevant stakeholders, communities who release their lands do have other land that can be used for gardening or farming.</p> <p>However, the information received by the company during the process above was all based on statements of the related parties. The company does not have basis data to verify this information about the size of the available land per person of those related parties. The community participatory mapping conducted during HCV assessment is not yet completed to provide the basis data above.</p> <p>It is noted that the assessment on the land availability for gardening and farming were conducted for the areas around supply bases of the four mills visited. In general, all assessments conclude that the communities still have plenty of areas for gardening and farming. However, this has not complied with the indicator where community participatory mapping is still needed.</p>	
<p>2.2.3 Measures designed to maintain or enhance local food security are included in participatory land use planning, including transparency in any land allocation process.</p>	<p>The company does have a program to provide additional income for the communities. However, the company has not conducted community participatory mapping to identify and map garden and future farmlands needs that are fundamental to meeting the community's basic food needs in its concession and the surrounding communities' areas and not instituted participatory land use planning in which the measures such as above can be included.</p>	<p>Not fully comply. The company shall complete its community participatory mapping to address gardens and future farmlands needs in its concession and in the surrounding communities' areas. Based on its result, the company shall develop participatory land use planning.</p>
<p>2.2.4 Evidence that measures identified in</p>	<p>The company does have a program to provide additional income for the communities and the evidence is available for</p>	<p>Not comply</p>

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assessments and planning are being implemented and are effective.	its implementation. However, related to the planning indicated in this indicator, participatory land use planning on food security issue is not available, and thus the evidence for its implementation and its effectiveness cannot be observed during this verification.	
<p>2.3 Effective conflict resolution</p> <p>A balanced, accountable, mutually agreed and documented conflict resolution system is established that is accessible to smallholders, indigenous peoples, rural communities and other affected parties in order to deal with complaints, grievances and resolve conflicts to the mutual satisfaction of the party's. The system will include the option of access to independent legal and technical advice, the ability for complainants to choose individuals or groups to support them and/or act as observers, as well as the option of a third-party mediator.</p>		
<p>2.3.1 The mutually agreed and documented system for dealing with complaints and grievances is accessible to all affected parties.</p>	<p>The procedures for handling external complaint and grievances for three mills dated November 21st, 2015 (later on updated on January 4th, 2016) and for one mill dated January 4th, 2016, and the procedures for land compensation (for land released for plantation) for three mills dated April 15th, 2014 (later on updated on January 4th, 2016) and one mill dated January 4th, 2016, were reviewed during this verification. All procedures are publicly available in the visited company's offices and also RSPO website. Logbooks in all mills visited were available to document the received, handled, or resolved complaints. The documents of land compensation process also available and several of them were reviewed during this verification. Based on interviews with relevant stakeholders, they are aware of and in acceptance to the implemented procedures.</p>	<p>Fully comply</p>

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
2.3.2 The system provides a clear and known procedure with an indicative time frame for each stage.	The procedures for handling external complaint and grievances for three mills dated November 21 st , 2015 (later on updated on January 4 th , 2016) and for one mill dated January 4 th , 2016, and the procedures for land compensation (for land released for plantation) for three mills dated April 15 th 2014 (later on updated on January 4 th , 2016), and one mill dated January 4 th , 2016, were reviewed during this verification. From the review, time frame for each stage is available within the procedures. All procedures indicate that the time frame to inform the progress is 14 days in dealing with individual, 10 days for a group of smallholders, and 7 days for a group of external parties.	Fully comply
2.3.3 The system keeps parties to a grievance informed of its progress.	The procedures for handling external complaint and grievances for three mills dated November 21 st , 2015 (later updated on January 4 th , 2016) and for one mill dated January 4 th , 2016, and the procedures for land compensation (for land released for plantation) for three mills dated April 15 th , 2014 (later on updated on January 4 th , 2016) and one mill dated January 4 th , 2016, were reviewed during this verification. All procedures indicate that the affected parties need to be informed within specific time frame about the progress. Based on interviews with relevant stakeholders, they confirmed that the progress is reported and they can also ask for the progress when needed.	Fully comply
2.3.4 The system includes the options of a) access to	The procedures for handling external complaint and grievances for three mills dated November 21 st , 2015 (later	Fully comply

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
<p>independent legal and technical advice; b) support from representatives of local communities' own choosing, and c) third party mediation.</p>	<p>updated on January 4th, 2016) and for one mill dated January 4th, 2016, and the procedures for land compensation (for land released for plantation) for three mills dated April 15th, 2014 (later on updated on January 4th, 2016) and one mill dated January 4th, 2016, were reviewed during this verification. All procedures include the offering of access to independent expert advice for the affected parties during the process. In addition, two of four visited mills on the second visit have the list of experts including independent legal and technical experts, local government representatives and community representative. It is observed that in the process, as also clarified during the stakeholder consultations, the effected parties were able to contact and use the independent expert advice in their grievance cases. So far the majority of independent experts used were the community and government representatives.</p>	
<p>2.3.5 <u>Evidence that where conflicts have arisen the conflict resolution mechanism is being used and outcomes are considered mutually agreed including by affected parties.</u></p>	<p>Several documents on land compensation for supply bases of three mills were reviewed during this verification to verify the implementation of the procedures. The whole portfolio of reviewed documents show that the procedures were implemented. The outcomes were mutually agreed by affected parties. It is noted that in the first visit, some records of conflict resolution were missing and showing incomplete process of conflict resolution. However, the company was able to present these missing documents during the second visit.</p>	<p>Fully comply,</p>

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
2.3.6 Evidence that outcomes and remedies resulting from use of the mechanism are compatible with internationally recognized human rights.	A sample of documents on land compensation for supply bases of three mills were reviewed during this verification. All reviewed documents show that the outcomes are mutually agreed and do not go against human rights. There is also no abuse of power being used during the process.	Fully comply
<p>2.4 Social conditions</p> <p>A comprehensive social program with regular monitoring is in operation to ensure palm oil production does not result in human rights violations, trigger social conflicts, or produce 'land grabbing', and addresses key social equity issues including housing, healthcare, education and empowerment of women.</p>		
2.4.1 Social impact assessments and plans for the avoidance or mitigation of impacts address the issues of potential human rights violations, social conflicts, impacts of migrant workers on local communities, and land grabbing.	Three SIA reports cover four visited mills and their supply bases, one report was completed in September 2007, the other one in April 2008, and another one in May 2008, all completed by Aksenta, were reviewed during this verification. Following these SIA, the social impact management plans were developed and monitored annually by the company's own resources. Monitoring reports for the year 2015 and the year 2016 for all four mills and their supply bases were also reviewed during this assessment. Based on the review of these documents, the issues of potential human rights violations, social conflicts, impacts of migrant workers on local communities, and land grabbing have been addressed.	Fully comply
2.4.2 Social impact assessments and plans for the	Three SIA reports cover four mills visited and their supply bases, one report was completed in September 2007, the	Fully comply

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
<p><u>avoidance or mitigation of impacts address key equity issues, including housing, healthcare, education, and empowerment of women.</u></p>	<p>other one in April 2008, and another one in May 2008, all completed by Aksenta, were reviewed during this verification. Following these SIA, the social impact management plans were developed and monitored annually by the company's own resources. Monitoring reports for the year 2015 and the year 2016 for all four mills and their supply bases were also reviewed during this assessment. Based on the review of these documents, key equity issues including housing, healthcare, education, and empowerment of women have been addressed.</p> <p>Based on field verification, the company has provided housing, healthcare, and education facilities for workers and families living in the company's area. Healthcare and education facilities are also open for community surrounding the company. The women's empowerment program includes the job opportunities as loose fruits picker, farming or gardening on land unused for palm plantation surrounding the housing compound, and also the establishment of gender committees.</p>	
<p>2.5 Workers' rights</p> <p>Palm Oil Producers shall respect worker's rights including the ILO requirements for 'decent work' and core conventions on child labour, forced or compulsory labour, freedom of association, and elimination of discrimination</p>		
<p><u>Terms and Contracts of Employment</u></p>		
<p>2.5.1 Permanent, full-time</p>	<p>In general, use of temporary workers is very limited within</p>	<p>Fully comply</p>

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
<p>employment is used for all core work performed by the company. Casual, temporary and day labour is limited to jobs that are genuinely temporary or seasonal, and account for no more than 20% of the workforce.</p>	<p>the company operation. Observed in one of the mills that were found to have the largest number of temporary workers, the number of temporary workers in 2016 was below 10% of the workforce and even less in other years. All available temporary workers are hired as additional workforces for fertilizer application as also clarified from the interview with the temporary workers. Only when fertilizing application cannot reach its target such as due to heavy rainy season then the company hired these workers. If the fertilizing application is within the target then there are no temporary workers hired. It is observed that during dry season there are no temporary workers in the company.</p>	
<p><u>Remuneration</u></p>		
<p>2.5.2 A living wage assessment for all workers, whether employed directly by the company or indirectly by a private employment agency, is conducted based on a credible methodology.</p>	<p>The company has made living wage assessment for all of its workers. Three living wage assessment reports, all for the year 2017 based on the parameters in previous year and all completed by the company's own resource, were available for review during this verification. Parameters used and the calculation referred to the national definition for living wage (Kepmenakertrans no. 13 year 2012 as an addition to Kepmenakertrans no. 17 year 2005).</p>	<p>Fully comply</p>
<p>2.5.3 Wages are paid to all workers regularly, on time, directly to the worker and in legal tender or cheque.</p>	<p>Wages are paid monthly through wire transfer to the employee's bank account. Documents such as payroll are available for review during this verification. Document reviews and also interviews with workers clarified that wages are paid to all workers regularly, on time, and directly to the</p>	<p>Fully comply</p>

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
	relevant worker.	
2.5.4 Wage advances, loans and deductions are legal, recorded, communicated and available to workers upon request, and do not result in debt bondage.	Loans and deductions are recorded in the payroll. Based on document review, the available deductions are for health insurance and for income tax. Both deductions are in accordance with the regulation. While for a loan, the procedure or requirement is stated in the Labor Collective Agreement. Interviews with workers also clarified that they know how to get loans, and what deductions occurred on their wage. There is no debt bondage or risk for it observed during this verification.	Fully comply
2.5.5 All workers, including casual, temporary, seasonal and migrant workers, are provided compensation and benefits consistent with applicable law, including health, pension and social security.	All workers are registered in the national program insurance that covers for health, pension and social security.	Fully comply
<u>Working Hours and Leave</u>		
2.5.6 The normal work week does not exceed 48 hours, not including overtime, and workers are entitled to at least one day off in 6 consecutive days. Overtime	In a week, the total working hours for workers is 40 hours, 7 hours on Monday, Tuesday, Wednesday, Thursday, and Saturday, and 5 hours on Friday. Workers at the workshop will always have 2 hours of overtime for every workday given a total of 52 hours working hours per week. These conditions of working hours and overtime for workers complies with	Fully comply

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
in excess of what is permitted by law is prohibited, and workers report that all overtime is voluntary.	national applicable law where the maximum working hours per week does not exceed 48 hours and not exceed 60 hours including overtime.	
2.5.7 All workers are provided legally mandated public holidays and periods of leave consistent with applicable law, including paid annual, parental, compassionate and sick leave. Workers not covered under applicable laws are entitled to equivalent benefits.	The condition of holidays and leave for workers complies with national applicable law. Based on the Labor Collective Agreement for the year 2016 – 2018 for all four mills and based on the interviews with workers, all workers have Sunday as day off, public holiday as declared by the government, annual leave 12 days, and a retirement at 56 years old.	Fully comply
2.5.8 Records are maintained and demonstrate that hours of work do not exceed the maximum allowed by local law, regulation or collective agreement or 48 hours (per 2.5.5 above), whichever is lower.	Hours of works for each worker are recorded as it is also important for the company in calculating wage and overtime. In a week, the total working hours for workers is 40 hours, 7 hours on Monday, Tuesday, Wednesday, Thursday, and Saturday, and 5 hours on Friday. Workers at the workshop will always have 2 hours of overtime for every workday given a total of 52 hours working hours per week.	Fully comply
<u>Child labour</u>		
2.5.9 A clear policy and	The company has a policy for human right dated May 2 nd ,	Fully comply

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
<u>compliance system is in place that prohibits child labour and its worst forms and sets the minimum age for employment consistent with applicable law.</u>	2014 and is applied to all units under its management. The policy indicates the prohibition of child labor or the involvement of young workers. The minimum age for workers is 18 years old. Workers are also not allowed to bring any children under 18 years old into the working areas.	
2.5.10 Young workers legally permitted to work but subject to compulsory education laws only work outside school hours.	The company has a policy for human right which indicates the prohibition of child labor or the involvement of young workers. There is no young worker found in the company.	Fully comply
2.5.11 The company maintains an up-to-date list of hazardous activities and functions in the workplace that are prohibited for young workers consistent with or exceeding national regulation, where applicable.	The company has a policy for human right which indicates the prohibition of child labor or the involvement of young workers. There is no young worker found in the company. It is not necessary to maintain an up-to-date list of hazardous activities and functions in the workplace that are prohibited for young workers.	Fully comply
<u>Forced or trafficked labour</u>		
2.5.12 <u>No fees or costs are charged to workers, directly or indirectly, for recruitment or employment services by recruitment agencies, private</u>	Interviews with workers verified that there is no fee or cost charged to workers for recruitment. There is no migrant worker or foreigner employed in all visited mills and their supply bases.	Fully comply

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
<p><u>employment agencies or the employer. Where it is discovered that fees have been charged, workers are reimbursed the total amount paid.</u></p>		
<p>2.5.13 The retention of passports, other government-issued identification and any personal valuables by the employer or third-party recruitment or employment agency is strictly prohibited in policy and monitored in practice.</p>	<p>The policy of employment indicates the prohibition to hold any private document of workers. Interviews with workers clarified that there is no retention of private document or personal valuable things by the company. There is no migrant worker or foreigner employed in all visited mills and their supply bases.</p>	<p>Fully comply</p>
<p>2.5.14 Growers and millers conduct a risk assessment of their FFB supply chain to identify and take steps to address risk of forced labour, human trafficking and child labour.</p>	<p>The company's supply bases are fully managed by the company including their workers. The company does not conduct a risk assessment of their FBB supply chain. Risk of force labor, human trafficking and child labor is managed by the company through the implementation of the company's policy on human right.</p>	<p>Fully comply</p>
<p>2.6 Support to smallholders Contracts with smallholders are based on a fair, transparent and accountable partnership. Smallholders are supported to improve economic, social and</p>		

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
<p>environmental outcomes including: increase productivity to a comparable benchmark of productivity for the region and a target of having the same productivity as the company nucleus plantation. The productivity gains shall be achieved without expansion that threatens local community food security or additional environmental impact, and support should include financial management and budgeting, logistics and FFB processing, and improved market access such as through group certification. Companies shall report on the support they have provided to smallholders</p>		
<p>2.6.1 <u>A smallholder support program is developed, documented and monitored, which includes: a) Measures to increase the productivity of smallholders to a comparable benchmark of productivity for the region, and a target of reaching at least the same productivity level as company estates; b) Support relating to financial management and budgeting and c) Support relating to logistics, FFB processing and market access.</u></p>	<p>The schemed smallholders are available as the supply bases for two of the visited mills. The company is fully managing the schemed smallholders' plantation the same way as if it is their own managed plantation. The productivity of schemed smallholders' plantation as observed from the monthly summary productivity records of the year 2016 for both mills, reach the same productivity level as the company own managed plantation. The management includes plantation maintenance, harvesting, and FFB transportation. All FFB from schemed smallholders is purchased by the company. Support in form of training on financial management and budgeting is given to the village officials, cooperatives managements and their willingly participating members.</p>	<p>Fully comply</p>
<p>2.6.2 Progress in implementation of the smallholder support program is included in public reporting.</p>	<p>The implementation progress is not yet included in public reporting.</p>	<p>Not comply</p>
<p>2.6.3 Report on percentage of schemed smallholders,</p>	<p>Data of schemed smallholders is available and reviewed during this verification. There is no independent smallholder</p>	<p>Fully comply</p>

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
percentage of independent smallholders and percentage RSPO certified of each.	available as the company's supply base. All company's supply bases are RSPO certified.	
2.6.4 Develop a group certification plan for independent smallholder identified in the supply base of each mill within three years of the mill obtaining its own certificate and support the independent smallholders to achieve certification and progress towards POIG verification.	There is no independent smallholder available as the company's supply base.	Fully comply
3. Corporate and Product Integrity		
<p>3.1 Anti-corruption and Transparency</p> <p>Producer companies shall publicize a commitment to prohibit any form of corruption including during the concession acquisition process and within their operations, and support efforts to establish and comply with anti-corruption legislation where this exists. In the absence of anti-corruption law, the producer company shall implement other anti-corruption measures proportionate to scale and intensity of management activities and the risk of corruption.</p>		
3.1.1 <u>An ethical policy prohibiting all forms of corruption is publicly available.</u>	The company has an ethical business policy that indicates the prohibition of any form of corruption. The policy is publicly available in the visited company's offices and also RSPO website.	Fully comply
3.1.2 The ethical policy	The ethical policy is available mentioning the prohibition of	Not fully comply until the new policy approved and

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
<p>covers: a) Bribery; b) Facilitation payments; c) Guidance and procedure for gifts and hospitality d) Disclosure of political contributions; and e) Guidelines for charitable donations and sponsorships, f) Respect for fair conduct of business; g) Proper disclosure of information in accordance with applicable regulations and accepted industry practices and h) Compliance with existing anti-corruption legislation.</p>	<p>corruption such as bribery and commitment to compliance with existing government anti-corruption legislation. However, with regard to this indicator, some guidelines are missing. Regarding a fair conduct of business, the guidelines in selection of service providers should also include how engagement with the same service provider for a couple of times or long terms can be justified. At the time of the verification, the company is still in the process to update its ethical business policy addressing the above concerns.</p>	<p>published.</p>
<p>3.2 Traceability</p> <p>Within 12 months of commitment to the Charter, all supply is fully traceable from company plantation and other suppliers' fields to their mills. Each party shall take responsibility for traceability in the components of the supply chain under their control and transparency with their supply chain partners.</p>		
<p>3.2.1. <u>Within 12 months of commitment to the Charter all mills under the management of the grower member have a traceability system in place to identify the</u></p>	<p>The maps of the company's supply bases are available. The available traceability system allowing tracing back of all FFB received by the mills to its source.</p>	<p>Fully comply</p>

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
location (at least GPS coordinates) of FFB production.		
3.2.2. Within 24 months of commitment to the Charter the mills under the management of the grower member will only source FFB from known and identified sources and not from illegal sources.	All FFB received by the mills are coming from own estates, schemed smallholders and Village Oil Palm Development Smallholdings which are not illegal sources. The company has traceability system allowing tracing back of all FFB received by the mills to its source.	Fully comply
3.2.3. Within 24 months of commitment to the Charter the company will have a time-bound plan to bring all FFB sourced into compliance with the POIG indicators and efforts to bring non-compliant smallholders into compliance are documented.	This is the first POIG verification for the company. All company's mill and their supply bases including schemed smallholders and Village Oil Palm Development Smallholdings as presented in table 1.3.1 are within the scope of this verification, thus no time-bound plan was made	Fully comply
3.3 Report on Social, Labour and Environmental Performance Disclose the company's social, labour and environmental performance including the elements of the POIG Charter, and how the organization demonstrates good governance of its sustainability system using the guidance of the Global Reporting Initiative (GRI) or equivalent approach		
3.3.1 A publicly available sustainability report is	Sustainability report is prepared every 6 months. However, this report has not yet included all issues relevant to	Not fully comply

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
<p><u>prepared at a minimum every two years, covering as a minimum all issues relevant to compliance with this Charter. This includes relevant RSPO indicators and the additional POIG indicators.</u></p>	<p>compliance with this Charter, which are the relevant RSPO indicators and the additional POIG indicators.</p>	
<p>3.3.2 The public sustainability report includes details relating to the company's governance of its sustainability systems, consistent with the GRI Sustainability Reporting Guidelines (or equivalent approach).</p>	<p>Report consistent with GRI Sustainability Reporting Guidelines or equivalent approach is not yet available.</p>	<p>Not comply</p>
<p>3.4 RSPO Certification and Company Operations</p> <p>Producers shall meet a minimum of 50% of their plantations being RSPO certified upon commitment to the Charter, and a commitment to achieve 100% by within 2 years. This shall cover all palm oil operations, subsidiaries, acquisitions of existing plantation and fresh fruit bunch purchases from third parties, with possible alternatives to full RSPO certification for small independent producers.</p>		
<p>3.4.1 A minimum of 50% of the company's plantations and mills are RSPO certified upon commitment to this Charter.</p>	<p>All company's mills and their supply bases are RSPO certified as can be seen on RSPO website.</p>	<p>Fully comply</p>

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
3.4.2 <u>Within 24 months of POIG membership, 100% RSPO certification of the company's plantations and mills is achieved.</u>	All company's mills and their supply bases are RSPO certified as can be seen on RSPO website.	Fully comply
3.4.3 Newly acquired plantations are RSPO certified within 24 months of acquisition.	There is no newly acquired plantation but all existing plantations are RSPO certified.	Not applicable
3.4.4 A policy for purchasing 100% RSPO certified FFB within 24 months of signing the POIG Charter is developed, implemented and monitored for progress. Acceptable alternatives may be defined for independent smallholders.	A policy for purchasing 100% RSPO certified FFB within 24 months of signing POIG Charter is not yet available. It is noted that up to the verification time, all the company's mills purchase only RSPO certified FFB.	Not comply. The company shall develop policy which indicates the company commitment for purchasing 100% RSPO certified FFB within 24 months of signing POIG Charter.
3.5 Responsible Supply Chains Producers shall independently verify and report on compliance with this charter within 12 months of commitment to the Charter, across their operations, subsidiaries and acquisitions of existing plantation including FFB from 3rd party suppliers.		
3.5.1 <u>Compliance with the requirements of the Charter, including the POIG indicators, is independently verified</u>	Musim Mas signed the commitment to this Charter in November 2015. Following the approval, Musim Mas undertook labor assessment in August 2016 which is a pre-requisite by POIG before the initial POIG verification audit.	Not comply.

POIG Indicators ⁶	Verification Finding	Compliance and Recommendation
<u>within 12 months after signing the commitment to this Charter.</u>	The length of time required for the labor assessment and for the arrangement for POIG approved assessor has caused the delay for conducting this POIG verification up to December 2016, which is more than 12 months after the signing date.	
3.5.2 Following the initial assessment, compliance with the requirements of the Charter, including the POIG indicators, is independently verified on an annual basis.	This is the first POIG verification for the company and the process is still ongoing.	Not applicable
3.5.3 Audit reports are made publicly available on the POIG website.	This is the first POIG verification for the company and no report is published yet.	Not applicable

