



## Palm Oil Innovation Group (POIG)

### Verification Report for:

Musim Mas Group

in

Indonesia

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## List of Acronyms

CPO:	Crude Palm Oil
CSR:	Corporate Social Responsibility
FFB:	Fresh Fruit Bunch
FPIC:	Free, Prior and Informed Consent
FSC:	Forest Stewardship Council
GHG:	Green House Gases
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 Labour Organization
IPM:	Integrated Pest Management
ISCC:	International Sustainability and Carbon Certification
ISPO:	Indonesian Sustainable Palm Oil
LUCA:	Land Use Change Analysis
MOU:	Memorandum of Understanding
NPP:	New Planting Procedures
POIG:	Palm Oil Innovation Group
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 were audited against the following documents:

- Palm Oil Innovation Group Charter Verification Indicators – March 2016.<sup>1</sup>

### 1.2 Company and Contact Details

Company name:	Musim Mas Group
Business address:	Jl. K. L. Yos Sudarso Km 7,8 Tanjung Mulia - Medan 20241, Indonesia
Contact person:	Dr. Gan Lian Tiong
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Web site:	<a href="http://www.musimmas.com/">http://www.musimmas.com/</a>
Other certifications held (ISO...)	RSPO, ISCC, ISPO

### 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 mills are RSPO certified as viewed on RSPO website. The types of supply bases for the mills include the company’s own estates, scheme smallholders, independent smallholders, and village oil palm development smallholdings. Except for independent smallholders, all supply bases are also RSPO certified under their representative mill.

The mills and the company’s own estates are located on the land under cultivation right title or *Hak Guna Usaha* (HGU) within a limited time period and can be extended twice after the period ends. Based on current applicable law (UU No.18/2004), the initial period is 35 years while the second and third periods are 25 years respectively. Each estate may have its own representative land title that might be different from the mill’s land title.

Smallholders are farmers who grow oil palm, alongside with subsistence crops, where the family provides the majority of labour and the farm provides the principal source of income, and the planted oil palm area is less than 50 ha<sup>2</sup>. Based on observation during this verification, smallholders’ plantation is located on the land with private land ownership right e.g. *Surat Keterangan Ganti Rugi*, *Surat Keterangan Tanah* or *Surat Hak Milik*.

Scheme smallholders or “plasma” are groups of smallholders represented by a cooperative that has contractual agreement with the company. The required cost for its establishment i.e. land clearing, planting materials preparation, planting, and the maintenance of immature plantation is covered by bank loan where the company will act as the avalist<sup>3</sup> in this process. The establishment, the maintenance of immature and mature plantation, and the FFB harvesting are managed by the

<sup>1</sup> <http://www.poig.org>

<sup>2</sup> Definition of smallholders as in RSPO website: <http://rspo.org/smallholders/>

<sup>3</sup> The avalist is an individual or legal entity, who guarantees the loan by putting the signature on it.

company. All of the produced FFB is purchased by the company. The payment of the purchased FFB is deducted to pay the bank loan and maintenance cost before the payment is made to the cooperative. The cooperative is responsible for the payment of the purchased FFB to its relevant members.

Independent smallholders are smallholders that manage their own oil palm plantation. The company is not involved in the establishment or maintenance of independent smallholders' oil palm plantation. Every FFB purchased from the independent smallholders is represented by an entity or an individual, or also known as an agent, that has the contractual agreement with the company. The payment of the purchased FFB is paid to this agent. The agent is responsible for the payment of the purchased FFB to relevant independent smallholders, either prior to or after the payment is made by the company.

Village Oil Palm Development Smallholding or "kas desa" is an oil palm plantation located on the land owned by a village under communal land-right. The process for its establishment, maintenance, harvesting and benefit sharing is similar to that of scheme smallholders except that, instead of a cooperative, the representative that receives the benefit of kas desa is the village authority. In addition, the required cost for the establishment of the oil palm plantation is covered by loan without interest from the company itself as part of the company's Corporate Social Responsibility (CSR) programme.

<b>1.3.1 Detail of the Scope</b>				
<b>Palm Oil Mill</b>	<b>Address</b>	<b>Location</b>		<b>Supply Base</b>
		<b>Longitude</b>	<b>Latitude</b>	
Agrowiratama	Jorong Aie Aji, Nagari Sungai Aua, Kecamatan Sungai Aua, Kabupaten Pasaman Barat, Propinsi Sumatera Barat, Indonesia.	E 99° 37' 35.72"	S 0° 11' 56.25"	Sei Aur Estate
				Koperasi Sawit Bersama I & II
				Koperasi Sawit Bosa Sungai Aua Manjunjung Bilang
				Koperasi Sawit Datuk Bosa Sikilang
Berkat Sawit Sejati	Desa Tampang Baru, Kecamatan Bayung Lencir, Kabupaten Musi Banyuasin, Propinsi Sumatera Selatan, Indonesia.	E 103° 42' 41.9"	S 2° 19' 9.4"	Sei Tungkal Estate
				Sei Berau Estate
				Kas Desa Pangkalan Tungkal
				Independent smallholders <sup>4</sup>
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.	E 112° 38' 51.4"	S 2° 28' 41.4"	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.	E 102° 01' 51.016"	N 0° 04' 37.355"	Estate I
				Estate II
				Estate VI
				KKPA Merbau Sakti
				Kas Desa – Betung I

<sup>4</sup> The "List of Musim Mas mills and supply bases" submitted by Musim Mas in 2016 and 2018 are according to the list of supply bases in the RSPO certificate, which do not include independent smallholders. The availability of this supply base is observed during the visit to this mill. This supply base is no longer supplying FFB to the mill since February 2018.

				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.	E 102° 04' 30"	S 0° 03' 00"	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"	Siringo Ringo Estate
				Independent smallholders <sup>5</sup>
Unggul Lestari	Desa Tumbang Sepayang, Kecamatan Antang Kalang, Kabupaten Kotawaringin Timur, Propinsi Kalimantan Tengah, Indonesia.	E 112° 35' 55.79"	S 01° 35' 45.04"	Estate I - PT.UL
				Estate II - PT.UL
				Kas Desa Tribuana
				Kas Desa Bukit Indah
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
				Tanah Mas Estate (PT MAS)
				Alam Sahara Estate (PT GAP)
				Kas Desa Sebaby
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 Estate
				Bakung Mas Estate
				Kas Desa Kenyala

## 2. VERIFICATION PROCESS

### 2.1 Inspection Body – Rainforest Alliance

The Rainforest Alliance founded its previous SmartWood programme in 1989 to certify responsible forestry practices and it has grown to provide a variety of auditing services. Rainforest Alliance certification and auditing services are managed and implemented within its Rainforest Alliance (RA) certification unit, RA-Cert.

In October 2018, NEPCon<sup>6</sup> announced the successful acquisition of RA-Cert, following the signing of a formal agreement on 10 July 2018. The combined organisation now operates under the name of NEPCon, and continues to offer certification, verification and assurance services that both NEPCon and RA-Cert have been delivering in forestry, agriculture, responsible sourcing, biomass, carbon footprinting, and tourism.<sup>7</sup>

<sup>5</sup> The "List of Musim Mas mills and supply bases" submitted by Musim Mas in 2016 and 2018 are according to the list of supply bases in the RSPO certificate, which do not include independent smallholders. The availability of this supply base is observed during the visit to this mill.

<sup>6</sup> NEPCon is a mission-based organisation headquartered in Copenhagen.

<sup>7</sup> The combined organisation has strengthened its capacity to deliver sustainability certification and auditing services, and implement related conservation projects on a global scale.

Since the signing of the agreement in July, Rainforest Alliance and NEPCon have been working together to transition RA-Cert clients to NEPCon, making NEPCon responsible for the delivery of their ongoing certification and verification services. All related personnel responsible for evaluation design, evaluation, and certification/ verification/ validation decisions, are now under the purview of NEPCon

<b>2.2 Verification Team<sup>8</sup></b>	
<b>Name</b>	<b>Qualification</b>
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 chilli pepper farms in Indonesia. Iwan has also been engaged in palm oil evaluations, using the SAN standard and POIG in Indonesia, Solomon Islands, and Papua New Guinea since 2014.
Yudi Iskandarsyah	Yudi earned his forestry degree from Bogor Agricultural University in 1997 and his magister degree in environmental management from Yale University in 2003. He has experiences in forestry audits, and also audits for forest products industry and palm oil plantation in environmental and social aspects.
Wahyu F Riva	Wahyu has been working in fields related to natural resources management for about 15 years. He earned his forestry and magister degree from Bogor Agricultural University. He previously worked at LEI, ICRAF, and CIFOR. He is the founder and director of CV. IDEAS Consultancy Services and PT. IDEAS Semesta Energi. He acted as a secretary for JNKTI between 2014 and 2017. Wahyu is also qualified as a lead auditor for FSC, IFCC-PEFC, GFTN-WWF, C.A.F.E Practices, Organic, ISCC, and SVLK.
Trusti Yuni Widiastuti	Trusti graduated from Gadjah Mada University, majoring in Forest Technology. She is a qualified Rainforest Alliance Sustainable Agriculture Standard lead auditor. She has participated in more than 30 SAN Farm and CoC audits. In her current position as NEPCon Solutions Associate, she continues to maintain her qualification as a SAN lead auditor.
Diantur Jatmiko	Jatmiko graduated from Indiana University and Loyola University Chicago in Business and Management subject. Prior to joining NEPCon as Solutions Associate, Jatmiko has seven years' experience working in oil palm company and one year experience working on a palm oil project for an international NGO. Jatmiko developed a self-assessment tool to transform practices towards sustainable palm oil and has been engaged on Palm Oil site evaluations. He received SAN auditor training in 2017.

<sup>8</sup> The verification team 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 on one site has multiple supply bases. POIG provides guidance to follow standard sampling requirements such as those by Accreditation Services International (ASI). It is a common practice in certification standard audits for a sample to be drawn randomly based on a rule of thumb (e.g. samples = square root of the number of total operations).

Similar to previous verification in 2016/2017, for this verification, we considered examination of operations on four separate mills to meet the sampling requirements guidance (n=10 mills). The four mills were selected based on the following considerations:

- Geographical distribution: the selected mills will represent conditions, 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 prioritises mills that have supply bases located in areas where issues on deforestation, peat destruction, fires, conflict with wildlife, land tenure, and social conflict frequently arise.
- Stakeholders input: prior to actual field visit, the Rainforest Alliance<sup>9</sup> as the inspection body releases public announcements to its stakeholders, both national and international, seeking for input regarding the selection of sample and other inputs related to Musim Mas mills.

Based on these considerations, the four selected mills for this verification are:

1. Berkas Sawit Sejati (BSS)
2. Unggul Lestari (UL)
3. Maju Aneka Sawit (MAS)
4. Siringo Ringo (SR)

### 2.3.1 Detail of Sample<sup>10</sup>

Name	Area of Oil Palm (Ha)		Tons of FFB	Planting Years	Cycle
	Total	Planted			
<b>Berkas Sawit Sejati</b>	<b>11,657.80</b>	<b>10,481.48</b>	<b>281,201.68</b>		
Sei Tungkal Estate	5,795.20	5,235.09	134,139.49	1998 – 2011	1
Sei Berau Estate	5,857.60	5,241.39	136,388.86	1999 – 2011	1
Kas Desa Pangkalan Tungkal	5.00	5.00	121.78	2012	1
Independent smallholders	No data	No data	10,551.55	No data	No data
<b>Unggul Lestari</b>	<b>14,465</b>	<b>11,411.40</b>	<b>287,188.81</b>		
Estate 1	7,152.16	5,824.93	146,260.19	2007-2017	1
Estate 2	7,292.84	5,566.47	140,893.07	2007-2017	1
Kas Desa Tribuana	10.00	10.00	35.55	2014	1
Kas Desa Bukit Indah	10.00	10.00	0	2016	1
<b>Maju Aneka Sawit</b>	<b>19,644.45</b>	<b>14,485.67</b>	<b>230,189.94</b>		
Tanah Mas Estate	9,296.45	7,132.51	156,160.31	2005-2017	1

<sup>9</sup> NEPCon has acquired RA-Cert in October 2018.

<sup>10</sup> The area statement is as per December 2017, the production is for period January 2017 until December 2017.



Alam Sahara Estate	10,328.00	7,333.16	71,855.52	2005-2017	1
Kas Desa Tanah Putih	10.00	10.00	235.14	2011	1
Kas Desa Penyang	10.00	10.00	253.64	2011	1
Others <sup>11</sup>	Data not available	Data not available	1,685.33	Data not available	Data not available
<b>Siringo Ringo</b>	<b>895.38</b>	<b>840.05</b>	<b>258,284.86</b>		
Siringo Ringo Estate	895.38	840.05	1,023.77	1992; 2014 - 2017	1 and 2
Independent smallholders	No Data	No Data	257,261.09	No Data	No Data

#### 2.4 Compliance Classification System

The findings from the evaluation are classified as follows:

- **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 may not be applicable when the condition of the verified company during the verification does not meet the applicability of the indicator.

Some of POIG indicators are marked as major indicators. However, no further explanation is provided for 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
<b>Public notification for the verification</b>		5 Jan 2018
<b>Field visit in Berkat Sawit Sejati (BSS)</b>		
Opening meeting	Sei Tungkal Estate Office/ Iwan, Yudi, Wahyu	6 Feb/08.00 – 09.00
Document review	Sei Tungkal Estate Office/ Iwan, Yudi, Wahyu	6 Feb/09.00 – 12.00
Site visit: the mill, workshop, warehouses, wastewater treatment facilities, and workers' housing	BSS Mill, BSS Mill workers housing/ Wahyu	6 Feb/14.00 – 17.00
Site visit: the HCV areas and estate perimeter (bordering with forest plantation)	Sei Berau Estate/ Yudi	6 Feb/14.00 – 17.00
Site visit: the workshop, warehouses, fires fighter unit, fire watch tower, final waste dump, and water and soil conservation practices	Sei Berau Estate office, Sei Berau Estate plantation area, and Sei Berau Estate workers housing / Iwan	6 Feb/14.00 – 17.00
Visit the company's school	SD Anwar Karim 5/ Iwan, Yudi,	7 Feb/08.00 – 09.00

<sup>11</sup> FFB from Sari Mas Estate, Bakung Mas Estate, Kas Desa Sebaby, Kas Desa Kenyala, and other estates of PT Sukajadi Sawit Mekar. These supply bases are originally supplying Sukajadi Sawit Mekar Mill 1 and Sukajadi Sawit Mekar Mill 2. Due to over productivity, for less than five months in 2017, some of the FFB from these supply bases is processed at Maju Aneka Sawit Mill.

	Wahyu	
Document review	Sei Tungkal Estate Office/ Iwan, Yudi, Wahyu	7 Feb/09.00 – 11.00
Stakeholder consultation	Sei Tungkal Estate Office/ Iwan, Yudi, Wahyu	7 Feb/11.00 – 14.00
Visit and interview at the affected village	Pangkalan Tungkal Village/ Wahyu, Iwan	7 Feb/15.00 – 17.00
Site visit: the estate perimeter (bordering with Dangku Wildlife Reserve), wildlife conservation practices, new acquired area, and lowest elevation area	Sei Tungkal Estate/ Yudi	7 Feb/15.00 – 17.00
Site visit: water and soil conservation practices, chemical spraying, warehouse, and fire fighter unit	Sei Tungkal Estate/ Yudi	8 Feb/08.00 – 10.00
Document review	Sei Tungkal Estate Office/ Wahyu, Iwan	8 Feb/08.00 – 10.00
Final preparation for closing meeting	Sei Tungkal Estate Office/ Iwan, Yudi, Wahyu	8 Feb/10.00 – 12.00
Closing meeting	Sei Tungkal Estate Office/ Iwan, Yudi, Wahyu	8 Feb/14.00 – 16.00
<b>Public notification for the verification</b>		5 Feb 2018
<b>Field visit in Unggul Lestari (UL)</b>		
Opening meeting	Estate 1 office/ Iwan, Trusti, Miko	6 Mar/08.00 – 09.00
Document review	Estate 1 office/ Iwan, Trusti, Miko	6 Mar/09.00 – 12.00
Site visit: Processing, workshop, warehouses, effluent treatment ponds, workers housing	UL Mill, mill workers housing/ Miko	6 Mar/14.00 – 17.00
Site visit: warehouses, HCV areas, enclave, new planting, soil and water conservation practices	Estate 1/ Trusti	6 Mar/14.00 – 17.00
Site visit: warehouses, HCV areas, enclave, new planting, soil and water conservation practices, non-chemical pest management	Estate 2/ Iwan	6 Mar/14.00 – 17.00
Document review	Estate 1 office/ Iwan, Trusti, Miko	7 Mar/08.00 – 10.30
Stakeholder consultation	Estate 1 office/ Iwan, Trusti, Miko	7 Mar/10.30 – 13.00
Visit and interview at the affected village	Tribuana Village/ Miko, Iwan	7 Mar/14.30 – 17.00
Visit and interview at the affected village	Bukit Indah Village/ Trusti	7 Mar/14.30 – 17.00
Visit the company's school	SD Anwar Karim/ Iwan, Trusti, Miko	8 Mar/08.00 – 09.30
Site visit: chemical spraying, harvesting	Estate 2/ Trusti, Miko	8 Mar/09.30 – 11.00
Document review	Estate 1 office / Iwan	8 Mar/09.30 – 11.00
Final preparation for closing meeting	Estate 1 office/ Iwan, Trusti, Miko	8 Mar/11.00 – 12.00
Closing meeting	Estate 1 office/ Iwan, Trusti, Miko	8 Mar/14.00 – 15.00
<b>Public notification for the verification</b>		19 Feb 2018
<b>Field visit in Maju Aneka Sawit (MAS)</b>		
Opening meeting	Tanah Mas Estate office/ Iwan, Yudi, Miko	19 Mar/15.00 – 16.00

Document review	Tanah Mas Estate office/ Iwan, Yudi, Miko	19 Mar/16.00 – 17.00
Visit the company's school	SD Anwar Karim/ Iwan, Yudi, Miko	20 Mar/08.00 – 09.00
Site visit: Processing, workshop, warehouses, effluent treatment ponds, workers housing	MAS Mill, mill workers housing/ Miko	20 Mar/09.00 – 12.00
Site visit: agriculture practices, HCV areas, peatland, new planting, enclave areas	Tanah Mas Estate/ Iwan	20 Mar/09.00 – 12.00
Site visit: agriculture practices, HCV areas, peatland, new planting, enclave areas, nursery	Alam Sahara Estate/ Yudi	20 Mar/09.00 – 17.00
Site visit: Workshop, warehouses	Tanah Mas Estate/ Iwan, Miko	20 Mar/13.30 – 14.30
Visit and interview at the affected village	Penyang Village/ Iwan, Miko	20 Mar/14.30 – 17.00
Document review	Tanah Mas Estate office/ Iwan, Yudi, Miko	21 Mar/08.00 – 10.30
Stakeholder consultation	MAS Mill office/ Iwan, Yudi, Miko	21 Mar/10.30 – 12.30
Visit and interview at the affected village	Tanah Putih Village/ Iwan	21 Mar/14.00 – 17.00
Site visit: HCV areas, peatland	Tanah Mas Estate/ Yudi	21 Mar/14.00 – 17.00
Document review	Tanah Mas Estate office / Miko	21 Mar/14.00 – 17.00
Final preparation for closing meeting	Tanah Mas Estate office/ Iwan, Yudi, Miko	22 Mar/08.00 – 12.00
Closing meeting	Tanah Mas Estate office/ Iwan, Yudi, Miko	22 Mar/13.30 – 15.00
<b>Public notification for the verification</b>		20 Mar 2018
<b>Field visit in Siringo Ringo (SRR)</b>		
Opening meeting	SRR Mill office/ Iwan, Wahyu, Trusti	17 Apr/16.00 – 16.30
Document review	SRR Mill office/ Iwan, Wahyu, Trusti	17 Apr/16.30 – 18.00
Document review	SRR Mill office/ Iwan, Wahyu, Trusti	18 Apr/08.00 – 10.00
Stakeholder consultation	SRR Mill office/ Iwan, Wahyu, Trusti	18 Apr/10.00 – 12.00
Site visit: conservation areas, HGU perimeter, Tali Sub-village, nursery, workers housing, warehouses, workshop, final waste deposit	Estate Siringo Ringo/ Iwan, Wahyu	18 Apr/13.30 – 17.00
Facilities visit: processing, effluent ponds, Singgah Mata Sub-village, workers housing	SRR Mill/ Trusti	18 Apr/13.30 – 17.00
Independent smallholders visit	Amri's farm/ Iwan	19 Apr/08.00 – 11.00
Interview with independent smallholders facilitator	IFC office/ Wahyu, Trusti	19 Apr/08.00 – 11.00
Independent smallholders visit	Perlayuan areas/ Iwan, Wahyu, Trusti	19 Apr/11.00 – 13.30
Document review	SRR Mill office/ Iwan, Wahyu, Trusti	19 Apr/15.00 – 17.00
Final preparation for closing meeting	SRR Mill office/ Iwan, Wahyu, Trusti	20 Apr/08.00 – 09.00
Closing meeting	SRR Mill office/ Iwan, Wahyu, Trusti	20 Apr/09.00 – 10.00

	Trusti	
<b>First reporting</b>		16 July 2018
<b>Report review by POIG VWG</b>		##
<b>Final report</b>		##

### 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 was no violation against human rights and workers' rights. Workers were aware of the prohibition of child employment including but not limited to, prohibiting children's presence in the working areas. The wage, working hours, overtime, and benefits are in compliance with the applicable laws. Workers were aware of the available grievance procedures. So far, their concerns were well-represented by the workers' unions.

Stakeholder consultation was conducted at each of the visited mills. 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 communities, government, and non-government organisations (NGO). Topics on land status and legality, environmental, corporate social responsibility (CSR), scheme smallholders, food security, and communication were questioned during the stakeholder consultation.

All stakeholders agreed that the company has legitimate right to use the land. There was no land dispute or conflict during the land compensation process at each of the visited mills. Stakeholder from one visited mill questioned the status of the land in his village. He was baffled by the company - that is located next to his village – success in obtaining the rights to cultivate most of the lands in his village although the latter fall under the forestry land. However, the government representative clarified that it is better for the stakeholder to communicate this issue to the government rather than to the company.

The communities, government, and NGOs were aware of the company's effort to designate and manage HCV areas. The identification of HCV areas has included the communities. Some people rejected the designation of HCV areas. However, the company and also the communities' representatives actively socialised this matter to gain acceptance from these people. The company was also actively involved in fighting illegal hunting and logging in its surrounding area. The company facilitated and provided reward to the surrounding communities to achieve fire-free village. There were no issues pertaining to neither air nor river pollution. Stakeholders from two visited mills complained about the water quality in the river near their village. However, other stakeholders clarified that the deterioration of water quality might not be caused by the company operations since the river is located far from the company's mill. In addition, there are other companies located upstream. The government representative also clarified that the company has regularly monitored its wastewater and reported its result regularly.

CSR programme was implemented based on the proposal submitted by the communities. Some requests might be rejected or delayed such as the village's access road maintenance and local education supports. However, reason for the decision was well communicated to the communities. Stakeholder from one visited mill complained on the lack of transparency on CSR. However, other

stakeholders clarified that the implementation of CSR was always known by the communities.

None of the visited mills has plasma, however, as clarified by the government representative, the company has actively conducted partnership programme including kas desa as an alternative to plasma. The communities were also aware of the obstacle for plasma as currently the land is rarely available for it.

There was no issue regarding food security and communities are still confident that at landscape level, land availability for agriculture is enough to secure their need.

The company is open for communication and always responsive to any request, complaint, or comment from stakeholders. Annually, the company also conducts its own stakeholder consultation to collect input from the stakeholders. Stakeholder from one of the visited mills complained about the employment opportunities for locals. However, other stakeholders clarified that the company has been transparent on employment opportunities. They also confirmed that there are locals from their villages who work at the company.

### 3.2 Key Finding

In comparison to previous verification in 2016/2017, the company made significant improvement in the implementation of best management practices associated with the Palm Oil Innovation Group (POIG) Charter. The company has completely addressed the issues on water consumption, and the development of required policies. There are issues that have yet to be completed such as with the HCS assessment, participatory mapping and participatory land use planning, critical peatland ecosystem identification and restoration, the use of prohibited pesticides, surface water analysis, the involvement of stakeholders in water stewardship assessment, and the publication of information related to POIG requirements. However, the company has made significant progress and provided sufficient timelines for their completion.

Significant difference with the previous verification in 2016/2017 is the availability of independent smallholders within the supply bases of two visited mills, Berkas Sawit Sejati and Siringo Ringo. This condition is not observed in the previous verification in 2016/2017 as none of the sample in that verification has independent smallholders as its supply bases. Rainforest Alliance<sup>12</sup> was made aware of the availability of independent smallholders within the supply bases during this current verification. Due to this condition, this verification concluded relatively new non-compliances that are mostly related to product integrity requirement.

This verification concludes that previous non-conformities with indicators<sup>13</sup> 1.7.1, 1.7.2, 2.6.2, and 3.1.2 are closed. While previous non-conformities with indicators 1.1.1, 1.1.2, 1.1.3, 1.1.4, 1.1.5, 1.1.6, 1.2.3, 1.2.4, 1.2.7, 1.3.3, 1.4.1, 1.4.3, 1.5.2, 1.5.3, 1.7.3, 1.7.4, 2.2.2, 2.2.3, 2.2.4, 3.3.1, 3.3.2, 3.4.4, and 3.5.1 remain open. New non-conformities with indicators 2.5.14, 2.6.4, 3.2.1, 3.2.2, 3.2.3, and 3.5.3 are raised. Details of compliance per-indicator are as follows:

Indicators	Compliance
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<sup>12</sup> NEPCON has successfully acquired the Rainforest Alliance certification unit, RA-Cert in October

<sup>13</sup> Highlighted in red/underline are POIG major Indicators

	Verification in 2016/2017	Verification in 2018
1.1.1	not fully comply	not fully comply
1.1.2	not comply	not fully comply
<u>1.1.3</u>	not fully comply	not fully comply
1.1.4	not fully comply	not fully comply
1.1.5	not fully comply	not fully comply
1.1.6	not comply	not fully comply
1.2.3	not fully comply	not fully comply
1.2.4	not comply	not comply
1.2.7	not comply	not comply
<u>1.3.3</u>	not comply	not fully comply
<u>1.4.1</u>	not comply	not fully comply
1.4.3	not comply	not fully comply
1.5.2	not fully comply	not fully comply
1.5.3	not comply	not fully comply
1.7.1	not fully comply	fully comply
<u>1.7.2</u>	not fully comply	fully comply
1.7.3	not comply	not fully comply
1.7.4	not fully comply	not fully comply
<u>2.2.2</u>	not fully comply	not fully comply
2.2.3	not fully comply	not fully comply
2.2.4	not comply	not comply
2.5.14	fully comply	not comply
2.6.2	not comply	fully comply
2.6.4	fully comply	not fully comply
3.1.2	not fully comply	fully comply
<u>3.2.1</u>	fully comply	not comply
3.2.2	fully comply	not comply
3.2.3	fully comply	not comply
<u>3.3.1</u>	not fully comply	not fully comply
3.3.2	not comply	not comply
3.4.4	not comply	not comply
<u>3.5.1</u>	not comply	not comply
3.5.3	not applicable	not comply

Detail of these findings are presented in the next section.

### 3.3 Detail of the Finding

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
<b>1. Environmental Responsibility</b>		
<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>Each of the visited mills is subjected to Musim Mas Sustainability Policy (December 2014) that states Musim Mas commitment to protect HCS forest.</p> <p>However, new planting has been conducted after November 2015 (the time when Musim Mas signed the commitment to the Charter) in supply bases of two visited mills while the HCS assessments that cover these supply bases are still in progress.</p>	<p>Not fully comply</p> <p>HCS assessments that cover the supply bases of two mills where new planting has been conducted after November 2015 are still in progress. Timeline for each HCS assessment is provided, which indicates the process and time allocated for desk analysis, field survey, draft report writing, the participatory mapping, public consultation, report review, and report submission to HCSA. Based on the timeline, the result of the HCS assessment will be available prior to the publication of its Sustainability Report in Q3 2018.</p> <p>It is recommended for Musim Mas to stop all new planting prior to the completion of HCS assessment of</p>

<sup>14</sup> Highlighted in red/underline are POIG major Indicators

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
		relevant mill and its supply bases.
1.1.2 HCS forest areas are identified and mapped.	One mill was not required to conduct HCS assessment because based on document review and field visit, there was no area of native vegetation found in this mill and its supply bases. HCS assessment of three visited mills are still in progress, thus the final HCS forest identification and map is not available yet.	Not fully comply  As stated in 1.1.1, Musim Mas has addressed this issue. The result of the HCS assessment will be available prior to the publication of its Sustainability Report in Q3 2018.
1.1.3 <u>After March 2014, no new plantings take place in HCS forest areas identified for conservation.</u>	As stated in 1.1.1, new planting has been conducted after November 2015 (which means after March 2014), in supply bases of two visited mills. It is noted that based on the field observation and land cover changes analysis, there is no area of potential as HCS forest being converted for plantation during those periods. However, since the HCS assessment is still in progress, there is still risk for HCS forest being converted.	Not fully comply  As stated in 1.1.1, Musim Mas has addressed this issue. The result of the HCS assessment will be available prior to the publication of its Sustainability Report in Q3 2018.  Based on review of LUCA report, NPP, HCV report, and land compensation records that cover the supply bases of the two visited mills, all of the new plantings were conducted on mixed-land, which are agriculture, grassland, and bare land. As verified from the field visit and interview, there is no sign of land with potential to be HCS forest, has been converted for new planting. However, it is recommended for Musim Mas to conduct additional LUCA in accordance with the result of the HCS assessment to prove that there is no HCS forest has been converted for new planting after March 2014.



POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
<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>One mill was not required to conduct participatory mapping to identify and map garden and future farmlands since based on document review and field visit, there was no area where communities have legal, customary or user rights to the land on the HGU of this mill and its supply bases. Three visited mills are still required to conduct participatory mapping and at the time of this verification, participatory mapping has been conducted for each affected village of only two out of three mills.</p> <p>Each participatory mapping identified and mapped garden and future farmlands that are fundamental for the community of the relevant village to meet their basic food needs. However, as stated in 1.1.1, all HCS assessments are still in progress, thus the evidence that the above areas will be excluded from being considered HCS forest is not available yet.</p>	<p>Not fully comply</p> <p>Participatory mapping is part of the HCS assessment. Timeline for HCS assessment as stated in 1.1.1 indicates the process and time allocated for participatory mapping. Based on the timeline, participatory mapping for one of the visited mills will be completed in Q2 2018.</p> <p>The result of the HCS assessment with evidence that HCS forest does not include garden and future farmlands that are fundamental for the communities to meet their basic food needs, will be available prior to the publication of its Sustainability Report in Q3 2018.</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>As stated in 1.1.2, the HCS assessment for three visited mills are still in progress, thus the final HCS forest areas has not been identified for conservation.</p> <p>Each of the visited mills have the conservation plan of HCV areas (or other conservation areas such as riparian zones and peatland) with the participation of the surrounding communities. MOU regarding the participation of communities to conserve these areas was available. It was also clarified during the stakeholder consultation that the</p>	<p>Not fully comply</p> <p>So far, based on interview, the topic on participatory land use planning has been socialised to the communities during the participatory mapping process. It is noted that aside from integrating conservation plan, participatory land use planning will also include the measure to maintain or enhance local food security as stated in 2.2.3.</p> <p>Currently the HCSA is developing the integrated</p>

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
	<p>communities were aware of this MOU and its content. However, the whole process is not in accordance yet with the participatory land use planning as required by this indicator. At the time of this verification, participatory land use planning has not been conducted yet at each of the visited mills.</p>	<p>conservation land use planning (ICLUP). By the time the guidance for ICLUP is available, MM is going to implement it to address POIG requirement for the participatory land use planning.</p>
<p>1.1.6 A summary report of the HCS assessment including maps is made public.</p>	<p>The HCS assessment following or equivalent to HCS approach has not been completed yet.</p>	<p>Not fully comply</p> <p>As stated in 1.1.1, the result of the HCS assessment will be available prior to the publication of its Sustainability Report in Q3 2018. The summary report of the HCS assessment will be included in the Sustainability Report in Q3 2018.</p>
<p>1.2 Peatland</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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'.</li> </ul>		
<p>1.2.1 <u>Undeveloped areas of peatland (of any depth) are not developed or drained.</u></p>	<p>Peatland is available in supply bases of one of the visited mills. Based on the available soil map, the total area of peatland is in about ten percent of the total planted area of the supply bases. Based on review of the planting data and observation in the field, all of the peatland has already been developed before 2007. This is in line with Musim Mas commitment to halt planting on peatland since the end of</p>	<p>Fully comply</p>

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
	<p>2007 following Musim Mas participation in ISCC.</p> <p>With regard to this indicator, there was no undeveloped areas of peatland (of any depth) that has been developed or drained after November 2015 (the time of Musim Mas signed the commitment to the Charter).</p>	
<p>1.2.2 Fires and road-building on peat soils are prohibited.</p>	<p>As stated in 1.2.1, each of the visited mills is subjected to Musim Mas commitment to halt planting on peatland since the end of 2007 following Musim Mas participation in ISCC.</p> <p>Each of the visited mills is also subjected to Musim Mas policy on zero burning, dated 27 September 2007.</p> <p>With regard to this indicator, there was no fires and road-building on peatland after November 2015 (the time of Musim Mas signed the commitment to the Charter).</p>	<p>Fully comply</p>
<p>1.2.3 Where there is existing planting on peat, critical peatland ecosystems are identified and assessed for restoration opportunities.</p>	<p>Musim Mas has engaged the Indonesian Environmental and Forestry Ministry or <i>Kementerian Lingkungan Hidup dan Kehutanan</i> (KLHK) at the end of 2017 for the critical peatland ecosystems assessment in its operations. This includes the critical peatland ecosystems assessment in supply bases of one of the visited mills.</p> <p>At the time of this verification, the assessment for the supply bases of one of the visited mills is still in progress. The company mapped the peatland based on government decision letter or SK. 130/MENLHK/SEKJEN/PKL.0/2/2017 about National Peatland Ecosystem Function Map or</p>	<p>Not fully comply</p> <p>Musim Mas has addressed this issue by engaging the government for a solution as observed in one of the visited mills. It is noted that the works is still in progress. There is no specific timeline on when the work will be completed since company has no capacity to make the final decision on the assessment result. However, as observed during this verification, company has followed all of the government instructions.</p> <p>It is recommended for Musim Mas to develop the</p>

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
	<p><i>Penetapan Peta Fungsi Ekosistem Gambut Nasional</i>, which indicates peatland for protection or restoration. Based on the map, water level and rainfall monitoring plots were set by the government. The company established these monitoring plots on the ground. They also monitored biweekly the water level and rainfall in the relevant monitoring plots. The monitoring records between January 2018 and March 2018 were available. These records will be submitted to KLHK every six months to be reviewed and used by the government as basis for the identification of critical peatland ecosystems and its restoration plan.</p>	<p>timeline for the assessment. And if this work with the government fails to meet the expected timeline, Musim Mas shall find another alternative solution such as collaborating with research institution or expert. The result of the first reporting of the monitoring records in June 2018 (six months after January 2018) shall also be taken into consideration by Musim Mas to develop the timeline.</p>
<p>1.2.4 Based on the results of the assessment above (1.2.3), peatland restoration strategies that are time-bound and expert reviewed are developed and implemented, including those to replant on mineral soils using 'land swaps'.</p>	<p>As stated in 1.2.3, the assessment is still in progress. There is no decision yet by the government on the availability of critical peatland ecosystems in supply bases of one of the visited mills.</p>	<p>Not comply</p> <p>It is recommended for Musim Mas to develop the timeline for the critical peatland ecosystems assessment.</p>
<p>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</p>	<p>As observed in one visited mill, the water table in the existing plantings on peat, in its supply bases is monitored. Water control structures in form of weirs were available at the water canals. Based on the piezometer readings, occasionally water table was higher than the expected range (less than 40 cm). However, based on the</p>	<p>Fully comply</p>

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
<p>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).</p>	<p>measurement in water collection drains, the water table was still within the expected range (average of 60 cm, between 50 cm and 70 cm).</p>	
<p>1.2.6 Where drainability 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</p>	<p>The replanting activity in the supply bases where plantings on peat exist will be conducted in 2030 at the earliest, thus drainability assessment is not required yet.</p>	<p>Not applicable</p>

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
replanting and implement rehabilitation.		
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.	The map of peatland (of any depth) and planted peatland is available for the supply bases where the peatland exists. However, this map is not available yet for public. In addition, as stated in 1.2.3, the critical peatland ecosystems assessment is still in progress, thus the map of critical peatland ecosystem and areas for peatland restoration is not available yet.	<p>Not comply</p> <p>Musim Mas is planning to include the required information in its Sustainability Report in Q3 2018 to be available for public. However, as stated in 1.2.3, there is no specific timeline for the completion of the critical peatland ecosystems assessment.</p> <p>It is recommended for Musim Mas to develop the timeline for the assessment. And if the work with government fails to meet the expected timeline, Musim Mas shall find another alternative solution such as collaborating with research institution or expert. The result of the first reporting of the monitoring records in June 2018 (six months after January 2018) shall also be taken into consideration by Musim Mas to develop the timeline.</p>
<p><b>1.3 Greenhouse gas (GHG) accountability</b></p> <p>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).</p>		
1.3.1 All sources of GHG emissions, including those related to land use and non-land use activities, are	All sources of GHG emissions, including those related to land use and non-land use activities, were identified and monitored using the RSPO Palm GHG Calculator version 3. The result of GHG emissions identification and monitoring	Fully comply

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
identified and monitored using the RSPO Palm GHG methodology or equivalent.	for each of the visited mills is available and has been reviewed. Other supporting documents such as records of production, planting data, fertilizer application, fuel and diesel usage, and LUCA report were also reviewed for cross references.	
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 <sub>2</sub> eq are defined and documented.	<p>Targeted reductions of GHG emissions for each of the visited mills were defined and documented. The target was set based on the condition of three variables; the yield level, the sale of palm kernel shell, and the methane capture function. The average of the lowest target of GHG emissions of all four visited mills was 1.13 tCO<sub>2</sub>/tCPO while the average of the highest target was 0.29 tCO<sub>2</sub>/tCPO.</p> <p>Each of the visited mills is equipped with methane capture facilities and methane powered electricity generator, supplying not only sufficient electricity for the whole plantation operation but also sending out to national power grid. The adoption of this technology has contributed to the high reduction of GHG emission as can be seen on the GHG emission monitoring report before and after the installment of the methane capture facilities.</p>	Fully comply
1.3.3 <a href="#">Annual GHG emissions from all sources and progress towards the targets documented in 1.3.2 are publicly reported.</a>	The result of GHG emissions identification and monitoring for each of the visited mills is available in its RSPO audit report, which is available to the public. However, the progress toward the target is not available yet to the public.	Not fully comply  Musim Mas has addressed this issue. The information required by this indicator will be included in the Sustainability Report in Q3 2018 to be available for

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
		public.
<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) Paraquat.</u></p>	<p>Each of the visited mills is subjected to Musim Mas’s policy to stop the use of paraquat on all of its plantations (2011). Based on document review, interview and field visit, there was no use of paraquat observed at each of the visited mills.</p> <p>However, based on review of pesticides application records (2017 and early 2018) and visits to the chemical storage, each of the visited mills applied coumatetralyl for rat control. Warfarin was also used in some mills as substitute for coumatetralyl. Both pesticides are categorized as WHO Class 1B and Globally Harmonized System GHS Class 1 reproductive toxicity. The current SAN prohibited pesticides list (2017) also refers to WHO and GHS, thus these pesticides are also included in the list.</p>	<p>Not fully comply</p> <p>Musim Mas has addressed this issue. Musim Mas has provided the reason on the use of prohibited pesticides, as part of the effort to seek approval from POIG Organizing Committee on the use of these prohibited pesticides.</p> <p>The use of rodenticide such as coumatetralyl and warfarin cannot be avoided, since there is no alternative rodenticide available in Indonesia. These rodenticides are selected due to its least toxicity as compared to other WHO class 1A rodenticide. Musim Mas ensured that the treatment is in compliance with OHSAS; use as risk mitigation while searching for an alternative rodenticide globally.</p>
<p>1.4.2 The grower preferences natural weed and pest control and IPM.</p>	<p>Each of the visited mills has procedures for good agriculture practices, most of them were developed in 2012. The procedures explain the techniques used for pest management. The pest management includes pest monitoring and the use of alternative chemical method for</p>	<p>Fully comply</p>



POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
	<p>pest control such as the use of beneficial plants (<i>Turnera subulata</i> and <i>Cassia tora</i>) and pest natural predator (Barn Owl). The implementation of beneficial plants and natural predator was also verified based on field visit.</p> <p>Pest infestation is monitored and only when the infestation rate is above threshold, then the chemical pesticide applied. Based on the chemical application records in 2016 and 2017, the use of chemical pesticide at each of the visited mills has decreased.</p>	
<p>1.4.3 Emergency use of listed pesticides is permitted subject to POIG Organizing Committee approval.</p>	<p>The approval from POIG Organizing Committee is not available yet for the emergency use of prohibited pesticides.</p>	<p>Not fully comply</p> <p>As stated in 1.4.1, Musim Mas has addressed this issue. Musim Mas has provided the reason on the use of prohibited pesticides as part of the effort to seek approval from POIG Organizing Committee on the use of these prohibited pesticides.</p> <p>During the verification, the request for permit is planned to be submitted to POIG in April 2018, thus Musim Mas will have sufficient time to take necessary action after getting POIG decision (permission or prohibition) to reach compliance by Q3 2018.</p>
<p><b>1.5 Chemical fertilizer</b></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>		

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
<p>1.5.1 <u>Use of chemical fertilizers is minimized through producers demonstrating preferential use of alternatives to manage soil fertility.</u></p>	<p>Based on document review, the fertilizer application at each of the visited mills followed the result of soil and foliar analysis to avoid unnecessary application of fertilizer.</p> <p>Each of the visited mills applied organic materials that are Dried Decanter Solid (DDS) and boiler ash in addition to chemical fertilizer. DDS is sludge or solid residue of processed oil. The volume of DSS produced is about 2% of total FFB processed. Based on Musim Mas own study, 50 kg of DDS is equivalent to two kg of Urea plus 1.5 kg of MOP, one kg of Kiserite and 0.5 kg of Rock Phosphate. Each of the visited mills did not apply empty fruit bunch to the field since it is chopped and reused as fuels for the boiler. And since each of the visited mills is installed with methane capture, the produced effluent has mostly loosened its nutrient content, thus becoming inefficient as fertilizer.</p> <p>As verified from document review and field visit, each of the visited mills also implemented soil conservation practices such as maintaining the vegetative ground cover and reducing water run-off to maintain soil fertility and increase the effectiveness of fertilizer application.</p>	<p>Fully comply</p>
<p>1.5.2 Phosphorus and nitrogen levels in relevant watercourses are monitored and when the results of monitoring indicate an</p>	<p>At one of the visited mills, the location of all sampling points has been designated and they represented the inlet and outlet position of all available watercourse. However, the monitoring has only been conducted to several of these sampling points (11 out of 19 sampling points). The</p>	<p>Not fully comply</p> <p>Musim Mas has pledged that the monitoring of phosphorus and nitrogen levels at all sampling points that represent the inlet and outlet position of each</p>

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
<p>increased level of such elements in water due to fertilizer application, company will adjust fertilizer rates and procedures.</p>	<p>management clarified that they were not able to complete the analysis prior the submission of environmental reporting in the second semester of 2017, thus it is postponed for the second semester of 2018 reporting.</p> <p>The other three mills have monitored phosphorus and nitrogen levels at all sampling points that represent the inlet and outlet position of each available watercourse. Map that indicates the watercourses and the location of the sampling points and the result of the monitoring for the second semester of 2017 are available and have been reviewed. The result showed that there is no increase of phosphorus and nitrogen levels along the presented watercourses. Phosphorus and nitrogen levels in relevant watercourses will be monitored annually, in which the next monitoring is going to be conducted in the second semester of 2018.</p> <p>Musim Mas also has procedure (2017) that shows measures to be taken if an increased level of phosphorus and nitrogen in the watercourses is identified. The measures include the adjustment of fertilizer rates and procedures.</p>	<p>available watercourse will be completed in Q3 2018.</p>
<p>1.5.3 Results of phosphorous and nitrogen monitoring in water courses are included in public reporting.</p>	<p>The results of phosphorous and nitrogen monitoring has not been published yet.</p>	<p>Not fully comply</p> <p>Musim Mas has addressed this issue. As stated in 1.5.2, all of the required information will be available prior to the publication of its Sustainability Report in Q3 2018. The results of phosphorous and nitrogen monitoring in watercourses will be included in the Sustainability</p>

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
		Report in Q3 2018.
<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 was no GMO developed or introduced at each of the visited mills.</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>Each of the visited mills has monitored the water use by the mill and its plantations. Water pollution by the mill has also been monitored. The water use monitoring is based on the measurement of water metre. Records of these monitoring are available and have been reviewed. The availability of water meter was also verified during the field visit to the mill, chemical mixing facilities, water treatment facilities, and workers' housing.</p> <p>In addition to the above monitoring, each of the visited mills has calculated its water footprint following the water footprint network methodology. The water footprint showed the water consumption based on the water being used, returned, and polluted by the mill and its plantations. The calculation for 2016 showed that each of visited mills and its</p>	<p>Fully comply</p>

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	plantations consume less volume of water than the total volume of water from the rain in its area during that year.	
<p>1.7.2 <a href="#"><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></a></p>	<p>Each of the visited mills has the target for normal water use by the mill and its plantations. Target for water pollution by the mill is also available. Records that showed the result of water use and pollution monitoring against the target are available and have been reviewed. The water uses and pollution are within the target.</p> <p>In addition, based on water footprint calculation for 2016, each of the visited mills and its plantations consume less volume of water than the total volume of water from the rain in its area during that year, which means it is within the target.</p>	Fully comply
<p>1.7.3 Water use, consumption and pollution by plantations and mills are included in public reporting.</p>	<p>The information on water use, consumption and pollution by mills and plantations have yet to be included in public reporting.</p>	<p>Not fully comply</p> <p>Musim Mas has addressed this issue. The information required by this indicator will be included in the Sustainability Report in Q3 2018 to be available to the public.</p>
<p>1.7.4 A water stewardship assessment is undertaken involving relevant stakeholders to address water equity issues.</p>	<p>Three of the visited mills have been rewarded “Proper Biru” from the government while one mill is still in progress to obtain it. Part of the qualifications for this award is the national laws and regulations’ full compliance for water management and for wastewater management, which is aligned with the requirement for water stewardship</p>	<p>Not fully comply</p> <p>Musim Mas has addressed this issue. Each of the visited mills has scheduled the engagement with the communities and other relevant stakeholders at their respective vicinity to address the water equity issues in the second semester of 2018.</p>

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	<p>assessment. However, the process to obtain this award has yet to include the involvement of all relevant stakeholders to address water equity issue which is required by this indicator.</p> <p>Each of the visited mills expects to engage the communities and other relevant stakeholders at its vicinity to address the water equity issues in the second semester of 2018.</p>	
<p><b>1.8 Protect and conserve wildlife</b></p> <p>Following comprehensive biodiversity surveys to identify HCV 1-3, in addition to ensuring the protection and survival of all rare, threatened or endangered species within their concession land, concession holders also make a positive contribution to their survival in the wild in areas beyond the concession.</p>		
<p>1.8.1 Comprehensive biodiversity surveys to identify HCV 1-3 have been undertaken.</p>	<p>HCV assessment has been conducted for each of the visited mills. Based on review of the assessment reports, comprehensive biodiversity surveys to identify HCV 1-3 which includes desk study, field visit (by sampling), and interview with workers and local communities to identify the available flora, fauna and their important habitats have been undertaken. Overall, the HCV assessment and report have followed the HCV guideline that is applicable at the time of the assessment. Each assessment was conducted by a team consisting of competent assessors (RSPO HCV Assessor and HCVRN ALS licensed assessor).</p>	<p>Fully comply</p>
<p>1.8.2 <a href="#"><u>Management plans for all rare, threatened or endangered species include</u></a></p>	<p>Each of the visited mills has developed a management and monitoring plan for HCV at landscape level (all in 2017). The document includes the identification of HCV at</p>	<p>Fully comply</p>

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<p><u>actions for their protection, survival, and prevention of poaching, in the landscape outside the management area.</u></p>	<p>landscape level, implementation and monitoring of the management plan as well as the management strategy. Within the document, there are activities already implemented and activities planned for the future.</p> <p>Each of the visited mills has conducted awareness campaign for its workers and communities about the importance of wildlife conservation and to avoid hunting. Commitment letters from the surrounding villages to support the conservation and management of the HCV areas within the HGU area are available and reviewed. Signs for “no hunting” were posted at strategic places within the mill, plantations, and the surrounding villages.</p> <p>One mill provided support to government institutions by establishing temporary cage/ shelter for wildlife rescue. Other mill collaborated with forestry management authority to block the access used by the illegal loggers to enter the wildlife sanctuary. This activity also prevents poachers and other illegal activities at the wildlife sanctuary. The same mill also collaborated with NGO to support the conservation at landscape level through join activities such as patrol, training on fauna species identification, GPS mounted collar for tiger monitoring, wildlife monitoring through camera trap installment, and conservation awareness campaign.</p>	

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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.	Based on review of HCV and SIA report, there was no tradition for traditional hunting by communities outside the management area at each of the visited mills, thus traditional hunting was not taken into consideration in the RTE management plan. There was also no issue on traditional hunting raised during the stakeholder consultation. There was no traditional hunting by communities observed at each of the visited mills during this verification.	Not applicable
<b>2. Partnerships with Communities</b>		
<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 <a href="#"><u>Resourced access to independent expert advice is offered at each stage of an FPIC or conflict resolution process to affected communities.</u></a>	<p>Each of the visited mills has procedure for FPIC (latest version released in January 2016). This procedure includes the offering of access to independent expert advice for the affected parties during the FPIC process.</p> <p>Each of the visited mills also has a list of independent experts (latest version released in 2017) which includes the village heads, community leaders, sub-district heads, local</p>	Fully comply



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	<p>government services (agriculture, health, land, environmental, forest conservation, forest fire), and NGOs. Based on interviews with company staff, the list has been socialised to the surrounding communities and posted on several locations in the villages. During stakeholder consultation, the communities confirmed that they were aware of the list. Communities related to three of the visited mills also confirmed that access to independent expert advice was offered during the FPIC process. FPIC was not required in one the visited mill, hence no implementation of FPIC to be observed in that mill.</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>Each of the visited mills has procedure for stakeholder consultation (latest version released in January 2016) and negotiation process that is included in procedure for FPIC (latest version released in January 2016). These procedures were in accordance with FPIC guidance published by RSPO (2015). Based on document review and interview at three of the visited mills, local legal frameworks constraint was not observed such as during the consultation and negotiation for the development of kas desa and land compensation process. FPIC was not required in one the visited mill, hence no implementation of FPIC to be observed in that mill.</p>	<p>Fully comply</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</p>	<p>One of the visited mills acquired 114 ha of existing oil palm plantation in 2017. The area was previously under private land right of two persons from a nearby village. The oil palm plantation was also established by these two persons. This oil palm plantation was previously owned and established by</p>	<p>Fully comply</p>

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<p>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>individuals, thus FPIC was neither conducted nor required prior to its establishment. Likewise, no identification of HCV 5 and HCV 6 were required. There are rivers in the area, thus there is a high possibility for HCV 4 existence along these rivers prior to the establishment of the oil palm plantation. However, by the time of the verification, the mill is still in progress of obtaining the HGU for the area. Based on the applicable regulation, the areas within 50 m from the rivers potentially as HCV 4 will eventually be excluded from the HGU and returned to be managed by the government.</p> <p>The other three visited mills have not acquired land or replanted on existing plantation.</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>With exception to the existing plantation newly acquired by one of the visited mills, all other plantations of the visited mills have obtained the legitimate land right in the form of HGU long before March 2014. All HGU are still valid by the time of this verification. In Indonesian context, the above legalities for land right are evidence that the land was not acquired through explorations in the national interest.</p> <p>For the newly acquired plantation, the mill was also able to show the required documents for obtaining HGU such as the location permit, business permit, and letters requesting for cadastral mapping. Based on review of these documents, it was confirmed that the acquisition was not through explorations in the national interest.</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>Each of the visited mills has conducted assessment of food security for workers and the affected communities (all in December 2017). The scope of the assessment includes all aspects requested by this indicator.</p> <p>The result of this food security assessment has been incorporated into the social impact management plans that are monitored and reported every semester. The management plans include, for workers: provide clean water, provide mini market and temporary market, and develop food garden; while for the affected communities: maintain access roads, develop kas desa, develop food gardens, provide clean water, and provide livestock and fish seeds.</p>	<p>Fully comply</p>
<p>2.2.2 <a href="#">After March 2014, in</a></p>	<p>As stated in 1.1.3, new planting has been conducted after</p>	<p>Not fully comply</p>

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<p><u>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>March 2014 in supply bases of two visited mills. These two mills have conducted participatory mapping for each affected village in early 2018. Each participatory mapping identified and mapped garden and future farmlands that are fundamental for the community of the relevant village to meet their basic food needs. However, the garden and farmland for each individual have not been identified as required by this indicator, thus it cannot show that a minimum of 0.5 ha of garden or farmland per person has been enclaved to meet food security needs during the new planting after March 2014.</p>	<p>The 0.5 ha requirement for food security is within the HCS assessment scope. And as stated in 1.1.1, the result of the HCS assessment will be available prior to the publication of its Sustainability Report in Q3 2018.</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>Each of the visited mills does have programme to maintain or enhance local food security as stated in 2.2.1. However, it has not been included in participatory land use planning as required by this indicator. At the time of this verification, participatory land use planning has not yet been conducted at each of the visited mills.</p>	<p>Not fully comply</p> <p>So far, based on interview, the topic on participatory land use planning has been socialised to the communities during the participatory mapping process.</p> <p>Currently, the HCSA is developing the integrated conservation land use planning (ICLUP). By the time the guidance for ICLUP is available, MM will implement it to address POIG requirement for the participatory land use planning.</p>
<p>2.2.4 Evidence that measures identified in assessments and planning are being implemented and are</p>	<p>Participatory land use planning is not available yet at each of the visited mills.</p>	<p>Not comply</p> <p>Currently, the HCSA is developing the integrated conservation land use planning (ICLUP). By the time the guidance for ICLUP is available, MM will implement it</p>

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effective.		to address POIG requirement for the participatory land use planning.
<p><b>2.3 Effective conflict resolution</b></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>Each of the visited mills has procedure for internal and external grievances or complaints (latest version released in January 2016 and August 2016 respectively). The procedure is publicly available and accessible to all affected parties. The procedure states that all grievances and their processes for resolution must be documented. Based on interviews and stakeholder consultation, workers and stakeholders acknowledged and agreed with the procedure.</p> <p>Workers and communities can write down their complaint or concern in the log book or get assistance from a designated staff. Based on document review and interview with communities, there were few complaints that were not recorded in the log book, and during the stakeholder meeting, some communities were not aware of the existence of the log book. However, besides documenting grievances in the log book, each of the visited mills was also documenting grievances during its stakeholder consultation with the</p>	<p>Fully comply</p>

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	<p>affected communities that is conducted annually.</p> <p>Based on the review of the mill's stakeholder consultation records, the majority of grievances were related to the implementation of CSR such as for kas desa and clean water. Each of these grievances was responded by the respective mill, some have been resolved and some are still in progress for resolution.</p>	
<p>2.3.2 The system provides a clear and known procedure with an indicative time frame for each stage.</p>	<p>Each of the visited mills has procedure for internal and external grievances or complaints (latest version in January 2016 and August 2016 respectively). The procedure clearly describes how the grievances can be submitted, responded, resolved, and documented. The procedure also describes the time frame for handling grievances: 14 days for grievances from individual, 10 days for grievances from group of smallholders, and 7 days for a group of external parties.</p>	<p>Fully comply</p>
<p>2.3.3 The system keeps parties to a grievance informed of its progress.</p>	<p>As stated in 2.3.2, each of the visited mills has procedure for internal and external grievances or complaints. The procedure states that for any grievances, the mill will inform the individual or group submitting the grievance in accordance with the time frame specified in this procedure. Based on the interviews and stakeholder consultation, stakeholders confirmed that the mill informed each progress of submitted grievances.</p>	<p>Fully comply</p>
<p>2.3.4 The system includes the options of a) access to</p>	<p>As stated in 2.3.2, each of the visited mills has procedure for internal and external grievances or complaints. The</p>	<p>Fully comply</p>

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<p>independent legal and technical advice; b) support from representatives of local communities' own choosing, and c) third party mediation.</p>	<p>procedure describes the option to gain access to independent experts for the affected parties during the grievance's resolution process.</p> <p>As stated in 2.1.1, each of the visited mills also has a list of independent experts. Affected parties were given the opportunity to contact, select and use any independent expert to have technical advice, to be their representative, or to be the third-party mediators. Based on interviews with company staff, the list has been socialised to the surrounding communities and posted on several locations in the villages. During stakeholder consultation, the communities confirmed that they were aware of the list.</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>Few conflicts due to encroachment of vines into smallholder rubber plantation were recorded at one of the visited mills. These conflicts had been resolved. Based on interviews with the relevant parties, the conflicts were handled according to the procedure and the outcomes were mutually agreed.</p> <p>There was no other conflict observed in all visited mills. The mill's stakeholder consultation has effectively maintained good relations between the mill and the affected communities. Based on document review, interviews and stakeholder consultation, it is observed that issues with the affected communities were addressed, discussed, and handled during the company's stakeholder consultation, thus risk for conflict is minimal.</p>	<p>Fully comply</p>

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2.3.6 Evidence that outcomes and remedies resulting from use of the mechanism are compatible with internationally recognized human rights.	Based on interview, the outcomes of conflicts as stated in 2.3.5 were mutually agreed and did not violate the international recognized human rights.	Fully comply
<p>2.4 Social conditions</p> <p>A comprehensive social programme 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.	<p>SIA has been conducted for each of the visited mills. The identification of social impact is based on a sustainable livelihood approach according to the Pentagon Asset, which consists of natural assets, human assets, physical assets, social assets and financial assets. Issues of potential human rights violation and the impact of migrant workers on local communities have been described and analysed in human assets. Social conflict issues are described and analysed in social assets. Meanwhile, the issue of land grabbing has been included in the analysis of natural assets.</p> <p>Issues that have been addressed are as follows. For potential human rights violations, i.e. workers normative rights and FPIC. For social conflict issues, i.e. communal relationship between the company and local communities, land conflicts, different perspective in sustainability, the weakness of</p>	Fully comply



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	<p>customary law against national government law related to land conflict and conflict resolution, involvement of local NGOs in social related issue that could complicate the conflict and conflict resolution. For land grabbing issues, i.e. overlapping of land ownership and reduced land ownership of local communities. There was no issue related to migrant workers because all visited mills did not employ migrant workers.</p> <p>The result of SIA included the plans for the avoidance or mitigation of impacts. The plans are implemented, monitored and documented every semester. Some of the plans include the development programmes for workers and affected communities.</p>	
<p>2.4.2 <a href="#"><u>Social impact assessments and plans for the avoidance or mitigation of impacts address key equity issues, including housing, healthcare, education, and empowerment of women.</u></a></p>	<p>As stated in 2.4.1, the identification of social impact was based on a sustainable livelihood approach according to the Pentagon Asset. The housing issue has been described and analysed in physical assets. The issues related to health, education and women's empowerment have been described and analysed in human assets.</p> <p>Issues that have been addressed are as follows. For key equity issues, i.e. involvement of indigenous people in the workforce, education level of indigenous people, health and safety standard, workers housing condition, and existence of committee gender to support women role and empowerment in the workforce.</p>	<p>Fully comply</p>

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	The result of SIA included the plans for the avoidance or mitigation of impacts. The plans are implemented, monitored and documented every semester. Some of the plans include the development programmes for workers and affected communities.	
<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>		
<u>Terms and Contracts of Employment</u>		
2.5.1 Permanent, full-time 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.	Based on document review and interviews, all workers of each of the visited mill are permanent workers. Casual, temporary and day labour of each of the visited mills account for 0% of the workforce.	Fully comply
<u>Remuneration</u>		
2.5.2 A living wage assessment for all workers, whether employed directly by the company or indirectly by	Each of the visited mills has conducted living wage assessment for workers (all in 2017). The assessment is based on the identification of decent living needs as specified by the government ( <i>Keputusan Menteri Tenaga Kerja No. 13</i>	Fully comply

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a private employment agency, is conducted based on a credible methodology.	<i>Tahun 2012</i> ). The result of this assessment showed that the living wage in the mill area is smaller than the minimum wage applied by the mill for its workers.	
2.5.3 Wages are paid to all workers regularly, on time, directly to the worker and in legal tender or cheque.	Based on interview with workers at each of the visited mills, all workers received regular wage payments every month (monthly wage) usually in the first week of each month. The payment is made by transfer to the relevant worker's bank account. The procedures for wage payment are also described in Labour Collective Agreement.	Fully comply
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.	<p>Based on document review at each of the visited mills, wage is deducted for workers' share for social security administration body or <i>Badan Penyelenggara Jaminan Sosial</i> (BPJS) insurance and for income tax. Both deductions are in accordance with the applicable law.</p> <p>Field workers also get wage advances to help them fulfill their life necessities in the middle of the month. The amount of advances is IDR 300,000 per worker and will be deducted directly from the following monthly wage.</p> <p>In the mills where workers' cooperative is available, the workers can get loans in the form of goods from the cooperative. The payment for the loans will be deducted directly from the following monthly wage.</p> <p>All deductions were recorded and communicated to each</p>	Fully comply

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	<p>worker. Based on interviews, workers were aware of the wage deductions for health insurance and income tax, for wage advance, and also for their loans to the cooperative.</p> <p>During the verification, there was no indication of debt bondage due to wage advances or loans in each of the visited mills.</p>	
<p>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.</p>	<p>Based on document review and interviews, each of the visited mills provided benefits in the form BPJS insurance that covers health, accident and pension for all of its workers. BPJS insurance for workers is obligated under the Indonesian government. Other benefits provided to the workers are <i>Tunjangan Hari Raya</i> (THR) or annual holiday allowance, bonuses, foods, housing, water, and electricity.</p>	<p>Fully comply</p>
<p><u>Working Hours and Leave</u></p>		
<p>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 excess of what is permitted by law is prohibited, and workers report that all</p>	<p>In a week, the total working hours for workers in each of visited mills is 40 hours. For workers with five days of work in a week, they will have to work eight hours from Monday to Friday. For those with six days of work in a week, they will have to work seven hours on Monday, Tuesday, Wednesday, Thursday, and Saturday, and five hours on Friday. Maximum overtime is 3 hours per day or 14 hours a week. This working time and overtime is in accordance with the applicable law.</p> <p>In one of the visited mills, sampled workers had overtime</p>	<p>Fully comply</p>

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overtime is voluntary.	work for 3.5 – 5 hours in one day. The management confirmed that the mill has obtained permission from the Regional Office of Manpower and Transmigration Department, that during peak production, workers may work overtime for more than three hours in one day or more than 14 hours in a week. Further interview with the related workers clarified that the exceeding overtime happened during peak production time, but only occasionally, and on a voluntary basis.	
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.	<p>All workers at each of the visited mills are permanent workers and covered under applicable law on holidays and leave as described below.</p> <p>Workers receive holiday on Sunday and other public holidays stated by the Indonesian government. Workers also receive 12-days of annual leave, sick leave, three days of leave for marriage purpose, two days leave for children’s marriage purpose, two days leave for circumcision, two days leave for wife nascence, and two days for grief. Based on document review and interviews, it is confirmed that holidays and leave received by workers are the same as described above. The detail on holidays and leaves for workers is described in the Labour Collective Agreement.</p>	Fully comply
2.5.8 Records are maintained and demonstrate	Records that demonstrate working hours for each worker did not exceed 40 hours per week and overtime did not exceed	Fully comply

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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.	three hours per day or 14 hours per week (except for one mill with permission from the government) are available and have been reviewed.	
<u>Child labour</u>		
2.5.9 <a href="#">A clear policy and compliance system is in place that prohibits child labour and its worst forms and sets the minimum age for employment consistent with applicable law.</a>	<p>Each of the visited mills is subjected to Musim Mas’s policy on the prohibition of child labour (April 2012). The policy states that employing children or those less than 18 years old is prohibited. The policy is in accordance with the applicable law.</p> <p>Based on document review, interviews, and field visit, there was no child labour observed at each of the visited mills. Workers are aware of this prohibition. Signs for “no child labour” were posted at strategic places within the mills and plantations.</p>	Fully comply
2.5.10 Young workers legally permitted to work but subject to compulsory education laws only work outside school hours.	There was no young worker employed at each of the visited mills. As stated in 2.5.9, all workers are above 18 years old.	Not applicable
2.5.11 The company maintains an up-to-date list	There was no young worker employed at each of the visited mills, thus it is not necessary for it to have a list of hazardous	Not applicable

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of hazardous activities and functions in the workplace that are prohibited for young workers consistent with or exceeding national regulation, where applicable.	activities and functions in the workplace that are prohibited for young workers.	
<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 employment agencies or the employer. Where it is discovered that fees have been charged, workers are reimbursed the total amount paid.</u>	Based on interviews, it is confirmed that there were no fees or costs charged to workers for the recruitment at each of the visited mills. Each of the visited mills did not use recruitment agencies or private employment agencies for employment service.	Fully comply
2.5.13 The retention of passports, other government-issued identification and any personal valuables by the employer or third-party recruitment or employment	Based on interviews, there was no retention of passport, other government-issued identification and any personal valuables by each of the visited mills. Each of the visited mills did not use recruitment agencies or private employment agencies for employment service.	Fully comply

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agency is strictly prohibited in policy and monitored in practice.		
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.	All of the supply bases for three of the visited mills are under direct management of the respective mill, thus the risk assessment as requested by this indicator is not necessary. However, one of the visited mills, at the time of this verification, has independent smallholders in its supply bases. The mill did not conduct risk assessment addressing risk of force labour, human trafficking and child labour for these independent smallholders.	Not comply  It is recommended for Musim Mas to conduct the risk assessment for forced labour, human trafficking and child labour at independent smallholders supplying FFB to its mills. The work can be integrated with IPODS (see 2.6.1).
<p><b>2.6 Support to smallholders</b></p> <p>Contracts with smallholders are based on a fair, transparent and accountable partnership. Smallholders are supported to improve economic, social and 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>		
2.6.1 <a href="#">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</a>	<p>Observation was made for one of the mills that at the time of this verification, the mill is still purchasing FFB from independent smallholders. Three of the visited mills, at the time of this verification did not have smallholders in their supply bases.</p> <p>Musim Mas has a collaboration programme with International Finance Corporation (IFC) namely Indonesian Palm Oil</p>	Fully comply



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<p><u>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>Development for Smallholders (IPODS) started in June 2015. The programme was implemented in the area surrounding the mill. The smallholders who joined the programme are not limited to those supplying FFB to the mill. The programme may not have covered all smallholders supplying FFB to the mill (see 3.2.1). However, the programme is still ongoing and based on interview and observation in the field, more smallholders were willing to join the programme.</p> <p>The programme consisted of capacity building for smallholders by delivering training of Good Agriculture Practices (GAP) to increase the productivity, and to support smallholders relating to financial management by giving a log book and teaching them how to calculate expenses and income per month and provide access for their FFB to the market.</p>	
<p>2.6.2 Progress in implementation of the smallholder support program is included in public reporting.</p>	<p>The progress of the implementation of the smallholder support programme, a collaboration between Musim Mas and IFC as stated in 2.6.1 has been made public in Musim Mas journal and website<sup>15</sup>.</p>	<p>Fully comply</p>
<p>2.6.3 Report on percentage of schemed smallholders, percentage of independent smallholders and percentage</p>	<p>At the time of this verification, the information as required by this indicator was available. One of the visited mills, at the time of this verification has smallholders in its supply bases where 100% of them are independent smallholders and none</p>	<p>Fully comply</p>

<sup>15</sup> <http://www.musimmas.com/news/sustainability-journal/2016/musim-mas-ifc-joint-smallholder-project>

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
RSPO certified of each.	<p>of these independent smallholders is RSPO certified.</p> <p>Three of the visited mills, at the time of this verification did not have smallholders in their supply bases.</p>	
<p>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.</p>	<p>Observation was made for one of the mills that at the time of this verification, the mill is still purchasing FFB from independent smallholders. Three of the visited mills, at the time of this verification did not have smallholders in their supply bases.</p> <p>As stated in 2.6.1, Musim Mas has a collaboration programme with IFC namely IPODS. The programme has also developed group certification plan (RSPO certification) for smallholders joining the programme. The plan included all activities i.e. socialisation of RSPO to the smallholders, internal audit, and the assessment of SEIA and HCV. For the first stage, it is expected to have a minimum of 500 independent smallholders to be included in RSPO certification audit in Q2 of 2019.</p> <p>The plan was developed by the time IPODS programme started in June 2015, which is within three years since the respective mill obtained its own certification in 2014. However, the plan did not specifically mention the progress towards POIG verification.</p>	<p>Not fully comply</p> <p>It is recommended for Musim Mas to include the progress toward POIG verification in the group certification plan.</p>
<p><b>3. Corporate and Product Integrity</b></p>		

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
<p>3.1 Anti-corruption and Transparency</p> <p>Producer companies shall publicise 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>		
<p>3.1.1 <a href="#">An ethical policy prohibiting all forms of corruption is publicly available.</a></p>	<p>Each of the visited mills is subjected to Musim Mas Ethical Business Policy (latest version released in May 2017) that indicates the prohibition of any form of corruption. The policy is available for public at Musim Mas website.</p>	<p>Fully comply</p>
<p>3.1.2 The ethical policy 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</p>	<p>Musim Mas Ethical Business Policy (latest version released in May 2017) covers all topics as described in this indicator.</p>	<p>Fully comply</p>

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
legislation.		
<p><b>3.2 Traceability</b></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 location (at least GPS coordinates) of FFB production.</u></p>	<p>Each of the visited mills has traceability system in place to identify the location of its plantations and kas desa as its FFB source.</p> <p>However, two of the visited mills have purchased FFB from independent smallholders after November 2016 (12 months after Musim Mas signed the commitment to the Charter). At the time of this verification, these two mills have not completely identified the location (at least GPS coordinate) of these independent smallholders.</p>	<p>Not comply</p> <p>Musim Mas has addressed this issue. One of these two mills have stopped purchasing FFB from independent suppliers since February 2018 (prior to this verification).</p> <p>For the other mill, as stated in 2.6.1, Musim Mas has a collaboration programme with IFC namely IPODS. One of the programme deliverables is to identify the location of the smallholders' farms. Until March 2018, there are 3,578 smallholders have joined the programme. From this total, the location of 1,692 smallholders' farms (consist of 2,305 farms) has been identified. From these 1,692 members, the mill has clarified that 1,115 of them are supplying the FFB to the mill. This does not yet represent all independent smallholders supplying FFB to the mill. Based on the volume of FFB purchased by the mill from the independent smallholders in 2017, there should be around 6,000 independent smallholders supplying to the mill.</p>

POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
		<p>The identification activity is still ongoing. It is challenging to implement the traceability system for independent smallholders up to their farms location. Musim Mas and IFC have allocated 15 field assistants to handle 3,500 smallholders. In about three years, only half of the targeted smallholders are willing to share the detail of their farms.</p>
<p>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.</p>	<p>The plantations and kas desa are known and identified sources of FFB for each of the visited mills.</p> <p>However, two of the visited mills have purchased FFB from independent smallholders after November 2017 (24 months after Musim Mas signed the commitment to the Charter). At the time of this verification, these two mills have not identified these independent smallholders completely and have not ensured that they are illegal sources.</p>	<p>Not comply</p> <p>As stated in 3.2.1, Musim Mas has addressed this issue. One of these two mills have stopped purchasing FFB from independent suppliers since February 2018 (prior to this verification).</p> <p>As for the other mill, it is a challenging task and will need resources and time for completion. Until March 2018, only 1,115 of independent smallholders supplying to the mill has been identified. The detail of these independent smallholders shows that they are not illegal sources of FFB.</p>
<p>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-</p>	<p>The plantations and kas desa are included in the scope of this verification. While for smallholders, there is yet to have a time-bound plan to bring them into compliance with the POIG indicators.</p>	<p>Not comply</p> <p>Even though the period to provide a time-bound plan has passed as indicated by this indicator, it is recommended for Musim Mas to provide a time-bound plan to bring independent smallholders into compliance with the POIG indicators.</p>

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compliant smallholders into compliance are documented.		It is noted that the RSPO group certification plan for independent smallholders is available and has been implemented.
<p><b>3.3 Report on Social, Labour and Environmental Performance</b></p> <p>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</p>		
<p>3.3.1 <u>A publicly available sustainability report is 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>Musim Mas has a Sustainability Policy Progress Report that is available for public (most recent report for January 2017 – December 2017). The report covers several issues related to POIG including Musim Mas smallholder support programme and traceability. However, this report has yet to include all issues requested by this indicator.</p>	<p>Not fully comply</p> <p>Musim Mas has addressed this issue. Musim Mas will publish its inaugural Sustainability Report in Q3 2018. The report will include the information required by this indicator.</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 was not yet available.</p>	<p>Not comply</p> <p>Musim Mas has addressed this issue. Musim Mas will publish its inaugural Sustainability Report in Q3 2018. The report will be consistent with GRI Sustainability Reporting Guidelines.</p>

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<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 plantations are RSPO certified as seen on RSPO website.</p>	<p>Fully comply</p>
<p>3.4.2 <u>Within 24 months of POIG membership, 100% RSPO certification of the company's plantations and mills is achieved.</u></p>	<p>All company's mills and plantations are RSPO certified as seen on RSPO website.</p>	<p>Fully comply</p>
<p>3.4.3 Newly acquired plantations are RSPO certified within 24 months of acquisition.</p>	<p>In 2017, one of the visited mills acquired 114 ha of existing oil palm plantation. By the time of this verification or less than a year from the acquisition time, the area is already RSPO certified.</p>	<p>Fully comply</p>
<p>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.</p>	<p>Musim Mas has a policy stating its commitment for purchasing 100% RSPO certified FFB with the exception for FFB supply from independent smallholders. However, the policy was signed in April 2018 (prior to the visit of the last sampled mill) which has passed 24 months after Musim Mas signed the commitment to the charter.</p>	<p>Not comply</p> <p>RA<sup>9</sup> does not have the capacity to decide or provide recommendation for the closing of non-conformity with this indicator since the available policy could not be back dated.</p>

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Acceptable alternatives may be defined for independent smallholders.		It is noted that in actual implementation, it is confirmed that each of the visited mills only purchases 100% RSPO certified FFB with the exception for FFB supply from independent smallholders in one of the visited mills.
<p>3.5 Responsible Supply Chains</p> <p>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.</p>		
<p>3.5.1 <u>Compliance with the requirements of the Charter, including the POIG indicators, is independently verified within 12 months after signing the commitment to this Charter.</u></p>	<p>Musim Mas signed the commitment to the Charter in November 2015. Following the approval, Musim Mas undertook labour assessment in August 2016 which is a prerequisite by POIG before the initial POIG verification audit. The length of time required for the labour assessment and for the arrangement for POIG approved assessor has caused the delay for conducting the first verification up to December 2016 (the start of the verification) which is more than 12 months after the signing date.</p>	<p>Not comply</p> <p>RA<sup>9</sup> does not have the capacity to decide or provide recommendation for the closing of non-conformity with this indicator.</p>
<p>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.</p>	<p>This is the second year of POIG verification, which is within one year after the completion of the initial POIG verification in February 2017.</p>	<p>Fully comply</p>
<p>3.5.3 Audit reports are made</p>	<p>At the time of this second year of POIG verification, the</p>	<p>Not comply</p>



POIG Indicators <sup>14</sup>	Verification Finding	Compliance and Recommendation
publicly available on the POIG website.	report for the first POIG verification for 2016/2017 period was not publicly available yet on the POIG website. The report was finalised on 3 November 2017. Musim Mas is in discussion with POIG about the publication of the report.	