



**INDEPENDENT VERIFICATION / ASSESSMENT REPORT
ON
COMPLAINTS
AGAINST
IOI CORPORATION BERHAD
ON THE OIL PALM PLANTATION OPERATIONS AT
PT BUMI SAWIT SEJAHTERA
KENDAWANGAN DISTRICT, KETAPANG REGENCY,
WEST KALIMANTAN, INDONESIA**

July 2015

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EXECUTIVE SUMMARY

1.0 INTRODUCTION

- 1.1 Intertek Certification International Sdn Bhd was appointed by IOI Corporation Berhad (abbreviated as IOI) to conduct a 3rd Party Verification / Assessment of the complaints made against their Oil Palm Plantation operations at PT Bumi Sawit Sejahtera (abbreviated as PT BSS), a plantation concession area located at Kendawangan, West Kalimantan, Indonesia.
- 1.2 Intertek Certification International Sdn Bhd is part of the Intertek Group which is one of the leading international organizations offering management system certifications in quality, environmental, occupational safety & health and product certification, Marine Sustainability Chain-of-Custody, MTCS and PEFC Chain-of Custody certification in applicable industry sectors including the agricultural and forestry sectors. Intertek has over 100 years of experience in providing various types of inspections and certifications in more than 100 countries worldwide. As a Group, Intertek is multi accredited by leading accreditation bodies of the world such as UKAS (UK), COFRAC (France), Dakks (Germany), ACCREDIA (Italy), Marine Stewardship Council (MSC/ASI) and STANDARDS MALAYSIA (Malaysia) for specific accredited certification schemes.
- 1.3 Intertek Certification International Sdn Bhd is in the panel of RSPO Approved Certification Bodies for the RSPO Principles & Criteria (RSPO P&C) and is accredited by ASI, Germany.

2.0 SCOPE OF VERIFICATION / ASSESSMENT

- 2.1 To perform an independent verification / assessment regarding the complaints made against IOI at their plantation operations at PT BSS located at West Kalimantan, Indonesia.
- 2.2 The specific complaints against the said plantation operations are as follows:
- a) Commencement of land clearing prior to the approval of the RSPO New Planting Procedures (RSPO NPP) in March 2014.
 - b) Non-compliance with the RSPO NPP documented management plan subsequent to RSPO NPP approval.
 - c) The accidental clearing of deep peat forested areas.
 - d) Encroachment of lands outside of the approved PT BSS concession land boundary under the Izin Usaha Perkebunan (IUP).
 - e) Occurrence of fires resulting from open burning at certain parts of the concession land reported between 2010 and 2014.
 - f) Inadequate review of Timebound Plan for the IOI plantations in Ketapang, West Kalimantan.

3.0 VERIFICATION TEAM

The Verification / Assessment Team (VT) from Intertek comprised of the following members:

Verifier	Area of Expertise and Competency
1 Mr. Augustine Loh	Lead Auditor / Verifier - RSPO Certification Programs
2 Mr. Sazali Hasni	Environmental, Conservation and Forestry
3 Mdm. Riena Widiyanti	Social, Environmental, Conservation and Local expert

4.0 METHODOLOGY OF VERIFICATION / ASSESSMENT

The Verification team used the following process for the verification / assessment:

4.1 Off-site: Discussion with IOI's Management

- Key persons in the discussion were Mr. Too Heng Liew (Head of Sustainability Malaysia & Indonesia, IOI HQ) and Mr. Augustine Loh (RSPO Program Manager, Intertek)
- Communications were kept informed to Dato Foong (Group Plantation Director, IOI HQ) and Dr. Ooi Cheng Lee (General Manager, Intertek)
- In the discussions concerning the Aidenvironment report 'Talking Sustainability and Taking Responsibility' (submitted by Mr. Erik Wakker), the reservations made by Aidenvironment concerning the use of RSPO Accredited CBs for Independent Verification work were taken into consideration.
- Based on the principle that RSPO Accredited CBs should be recognized as being competent to conduct any 3rd party verification / assessment work for the Oil Palm industry players, IOI as the 'Grower' exercised its right to appoint any one of the RSPO Accredited CBs for conducting 3rd party verification / assessment.
- Given the above understanding, Intertek decided to accept the verification / assessment assignment for the prescribed scope and proceeded to review and assemble a competent Verification / Assessment team on a 'Without Prejudice' basis.

4.2 Off-site: Planning and preparation works

- This phase took into consideration the following factors: Location and size of plantation, Related Environmental and Social sensitivity risks, Nature of complaints raised at the site and the availability of logistics and security support needed for the assignment.

4.3 On-site: Verification / Assessment activities conducted at PT BSS

- The on-site field assessment was conducted by the VT from 12 to 16 May 2015.
- Introduction of Verification Team (VT) and the company representatives of IOI-PT. BSS
- The Management team of IOI - PT BSS who were met in the course of the verification / assessment work comprised of Mr. Goh Hock Sin (General Manager), Mr. Bagus Kuncoro (Head of Environmental, Safety & Health), Mr. Sathari (Estate Manager) and Mr. Rizwan (Admin Manager).
- Due to time constraint, the VT focused on the pertinent locations (which were referred in the Aidenvironment report and Aksenta report) for the on-site verification.
- It should be highlighted that travel to and within the concession area was essentially by boat via the dug canals as land /road accessibility was restricted due to the soil conditions and heavy rainfalls occurring during the period of field assessment at the plantation concession boundary areas.

4.4 Off-site: Technical review and Report finalization

- Discussions via emails by the VT team and Technical review done by Intertek's Internal Reviewer for fair and accurate reporting.

5.0 Preliminary Studies on legal requirements for PT BSS plantation.

- Studies of compliance with relevant legal requirements include:
 - Ministry of Agriculture Regulation No. 14/Permentan/PL.110/2/2009 *about The Guidelines to using peatland area in cultivation of palm oil* (Pedoman Pemanfaatan Lahan Gambut untuk Budidaya Kelapa Sawit)
 - Instruction of President No. 10 year 2011 about Moratorium on granting of a new license and restoration of primary natural forest and peat land (Penundaan Pemberian Ijin baru dan Penyempurnaan Tata Kelola Hutan Primer dan Lahan Gambut)
 - Instruction of President No. 6 year 2013 about Moratorium on granting of a new license and restoration of primary natural forest and peat land (Penundaan Pemberian Ijin baru dan Penyempurnaan Tata Kelola Hutan Primer dan Lahan Gambut)
 - Government Regulation No. 71 year 2014 about Protection and Management of peat land ecosystem (Perlindungan dan Pengeloan Ekosistem Gambut)
 - Government Regulation No. 150 year 2000 about the controlling of soil destruction - on production of biomass (Pengendalian Kerusakan Tanah – Untuk Produksi Biomassa)
- Studies and review of PT. BSS documents are notably:
 - ANDAL report (the government-mandated environmental impact assessment);
 - HCV report (the “high conservation value” assessment required before conversion of new areas to plantation, as part of the requirements of the “New Planting Procedures” of RSPO).
- Studies and review of the HCV and SEIA reports by the appointed RSPO approved Certification Body (CB) which were made publicly available, via website link:
http://www.rspo.org/file/RSPO-Summary%20Report%20of%20HCV-SIA%20Assessments_PT%20BSS.pdf

- iv) Letters from the Ministry of Forestry on the Release of Forest Area - Surat Pelepasan Kawasan Hutan, No SK.351/Menhut - II/2012, dated on 20 July 2012 confirming that the PT BSS area was approved for conversion to Oil Palm Plantation area (10,067.21 Ha-declared)
- v) The review included related Land Title documents for the Concession area as submitted by PT BSS as follows:
- *Permitted Area - Izin Lokasi, SK No. 364/2007, dated **24 September 2007** by Bupati Ketapang (11.000 ha)*
 - *Plantation Business Permit - Izin Usaha Perkebunan, SK No. 215/2009, issued **date on 25 May 2009** by Bupati Ketapang (± 11.000 ha and mill capacity : 45 ton TBS/hour)*
 - *Approval of ANDAL framework document - Pengesahaan Dokumen Kerangka Acuan ANDAL, No.714/ 2009, issued date **on 8 June 2009** by West Kalimantan Governor*
 - *Approval in principle of forest area - Persetujuan Prinsip Pencandangan Kawasan Hutan, SK No.852/Menhut-II/2009, issued date on **15 October 2009** by Ministry of Forestry (± 10.140 ha)*
 - *Technical consideration of land clearing dispensation of Conversion Product Forest Area - Pertimbangan teknis pemberian dispensasi pembukaan lahan areal kawasan hutan produksi yang dapat dikonversi, SK No. 51/Dishut-II/Ppk/2010, issued **date on 12 January 2010** by Forestry Department of West Kalimantan.*
 - *Extension of permitted area - Perpanjangan Ijin Lokasi, SK No. 417/2010, dated of issue **on 27 July 2010** by Bupati Ketapang (± 11.000 ha)*
 - *Release of Forest Area- Surat Pelepasan Kawasan Hutan, No SK.351/Menhut- II/2012, dated **on 20 July 2012** by Ministry of Forestry (10.067,21 ha)*
 - *SEIA – ANDAL, SK No.200/BLHD/2013, issued date on **14 March 2013** by EIA Assessor Commission of West Kalimantan Province.*
 - *Environmental Feasibility of Oil Palm Plantation Development Plan (10,067.21 ha) and Processing (Mill capacity 45 ton TBS/hour) - Izin Kelayakan Lingkungan atas pengembangan perkebunan (10,067.21 ha) dan pabrik pengolahannya (kapasitas pabrik 45 ton TBS/jam), No. 200/BLHD/2013, **dated 14 March 2013** by the West Kalimantan Governor.*
 - *Environmental Permit - Ijin lingkungan atas kegiatan perkebunan, SK No. 263/BLHD/2013, dated **29 May 2013** by the West Kalimantan Governor.*

Findings of Verification Team on above legal requirements:

- It has been noted that the 1st NPP report to RSPO was submitted in April 2010 which was done under the IOI-Sawit Nabati Grouping (covering 5 plantations) in which PT BSS was included.
- The initial land clearing at PT BSS was recorded as having started in September 2013 after obtaining the approvals and permits and completed the RSPO NPP for new plantings at the said period of time.
- Based on the records, sequence of events and approvals made available, PT BSS had generally followed the local legal requirements relating to the concession land approvals for the development of new plantations in Kalimantan, Indonesia during the said period of time.

6.0 Findings of Verification Team from Document reviews and On-Field visits

The VT reviewed two pertinent documents made available at the PT BSS office located at Pangkalan Bun, namely:

- A) *Analisis Dampak Lingkungan Hidup (ANDAL)* i.e. EIA Assessment report and
- B) *Laporan Identifikasi HCV (High Conservation Value)* report

Our review and comments are as follows:

6.1 (A) ANDAL report (as issued by EIA Assessor Commission of West Kalimantan Province, 14 March 2013)

The information relevant to the issues contained in the said EIA document are:

- Procedure of land clearing to be done by PT. Sawit Bumi Sejahtera is land clearing without burning *with reference to directives by the Director General of Plantations No. 38 / KB.110 / SKI / DJ.BUN / 05.95, and West Kalimantan Governor Decree No. 584 of 2006 on Implementation Guidelines Land Clearing Without Burnings For Plantation Business Development in West Kalimantan (page: II-14)*
- Land clearing to be carried out with mechanical and semi-mechanical systems and shall be done by experienced contractors (page : II-14)
- Land clearing activities undertaken include the following activities: (page : II-15)
 - *Slashing;*
 - *Felling of trees*
 - *Land Clearing (LC)*

- The water management is specifically intended to avoid damage to the land. Intensive draining of peat lands can lead to subsidence and drying of the peat soil and irreversible water shrinkage (page : II-15)
- The stages of peat land clearance to be carried out as follows:
Construction of Boundary canals
 1. *Construction of peripheral drains as boundary canals;*
 2. *Boundary canals serve to manage a ground water level and also to act as a main canal. The canal has a top width ± 4 metre, bottom width ± 3 metre depth 2 to 3 metre.*
- *Land clearing on shrub or under brushing with diameter under 2,5 cm to be conducted manually or mechanically (page: II-15)*
- *PT. Sawit Bumi Sejahtera is located in areas with a sufficient degree of inundation area (wetland). The common and efficient heavy equipment to use is the Excavator.*
- *Estimated capacity of heavy equipment (Excavator) to use for land clearing in wetlands is 0.8 ha/day, equivalent with using 1 unit Excavator for 12 months assuming total 20 working days / month is ± 192 ha / year, if company use 16 Excavators with maximum 15 work ability/day, the area can be cleared are ± 2.880 ha or area of ± 960 ha per 4 months. (Page: II-16)*
- *There is to be no land clearing at riparian of 100 m along either side of the main river; 50 meters either side of the small river, so it can be used as a conservation area (buffer zone). (page : II-17)*
- *In areas bordering with the protected forest areas should not be opened by ± 500 m. (Page: II-17)*
- *Drainage to be built by PT. Sawit Bumi Sejahtera to consists of primary, secondary and tertiary canals (Page: II-20) with size of canals:*

Width (m)	Up	Down	Depth
Primary	3.0 – 6.0	1.2 – 1.8	1.8 – 2.5
Secondary	1.8 – 2.5	0.6 – 0.9	1.2 – 1.8
Tertiary	1.0 – 1.2	0.5 – 0.6	0.9 – 1.0

Source:Peraturan Menteri Pertanian 14 Tahun 2009

- *PT. Sawit Bumi Sejahtera to build the water gates at some locations of main canal having connections to the river (Page: II-21)*
- *Road construction for FFB transportation simultaneously with compaction a planting line (Page: II-22)*
- *Development of Infrastructures for Fire Hazard Mitigation such as: (Page: II-25)*

- *Fire watch towers (of height ± 15 – 20 meters).*
- *Signages for awareness of ‘Fire Risk/Hazards’*
- *Build ponds in water basin area*
- *Build firebreaks in the form of trenches with width of 0.5 to 1m*
- *Providing equipment of fire control (reference to ‘Surat Direktur Perlindungan Perkebunan Departemen Pertanian No. 824/LB.130/E.6/10/09) to cover plantation areas of 1,001-10,000 ha such as Portable Hand Tools, High Pressure Water Pumps (with portable water storage tanks of 5000 liters, Transport vehicles, Mobile communications (Walkie-talkies) etc.*
- *Based on the results of pre-survey and project proposals, the types of soil in PT. BSS comprise of three main types: Fluvapodsolik - 620 ha (5.63%), Tropaquepts - 1,795 ha (16.32%) and Tropohemist – 8,585 Ha (78.05%).*
- *Land use in plantation area (Page: III-22)*

No	Land Use	Wide (Ha)	%
1	Secondary Swamp Forest	2,612	23.75
2	Open area	195	1.77
3	Dry shrublands	2,198	19.08
4	Wet shrublands	5,439	49.45
5	Swamp	556	5.05
	Jumlah	11,000	100.00

Source: Hasil perhitungan dan analisis PT. Bumi Sawit Sejahtera, 2009

- *The plantation area is a secondary forests with stand density level of low tree with the types: Ubah (Syzgium sp.), Medang (Litsea spp.), Laban (Vitex pubescens), Mahang (Macaranga sp.) and other species. (page: III - 33)*
- *The types of fauna found in PT. BSS which are endemic are birds, reptiles and mammals. Protected species such as Musang (Paradoxurus hermaphoditus), Kalong (Pteropus vampyrus), Landak (Hystrix brachyura), Trengiling (Manis Javanica), Kancil (Tragulus javanicus), Kijang (Muntiacus muntjak), Kipasan Mutiara (Rhipidura perlata), Cabai Tunggir Coklat (Dicaeum everetti), Cabai Bunga Api (Dicaeum trigonostigma), Cabai Merah (Dicaeum cruentatum), Burung Madu Kelapa (Anthreptes malacensis), Biawak (Varanus salvator), Biawak Kalimantan (Varanus borneensis)*

Findings of Verification Team on 6.1 (A) during On-Field visits:

- Whist conservation methods were mentioned in the ANDAL report; there was no mention of where the specific conservation areas were located.
- There was also no specific locations mentioned concerning the peat depth areas in the ANDAL report.

- During VT field visit, there was no sighting of some of the fire prevention and control measures as per the ANDAL such as fire towers.
- There was also no sighting of any water gates built at locations where the canals meet the main river or tributaries i.e. at Sungai Jelai and Sungai Keramat.
- According to the landscape map at PT BSS, Sungai Jelai (outside of the concession area, on the southern side) and Sungai Keramat (passing within the concession area, on the north eastern side) appear to be main rivers and the small rivers/tributaries indicated are Sungai Limau, Sungai Gempu and Sungai Sagu (which are all passing within the concession area, at the north-eastern side).

Refer to **Map A-1: Types of Vegetation Cover** and **Map A-2: 'Land Released Map of Concession Boundary'**

- PT BSS was unable to provide evidence of clarifications made with the Local Authorities for the construction of the access canal which was alleged to have encroached outside of its concession boundary.

Note: At the time of VT report writing, the PT BSS Management had subsequently furnished a Management Plan to strategically locate and rapidly construct the Fire towers, Water gates and water retention ponds.

Recommendations on above findings:

- PT. BSS should prepare a more comprehensive management plan in accordance with the ANDAL document.
- The management plan should include measures to accelerate the provision of fire prevention and controls needed.
- A comprehensive Water Management System which includes the monitoring of Water Tables should be mapped out and implemented.
- PT BSS should seek for clarifications with the relevant Local Governmental Authorities on the construction of any infrastructure which may encroach into areas outside of its concession boundary.
- Stakeholder consultations with all interested parties should be continued on a periodical basis where future activities such as road, canal openings and other infrastructure would have impact on the livelihood of the local communities.

6.1 (B) 'HCV Report' of April 2010 and 'Investigation report on Aidenvironment allegation to PT BSS' of May 2015 (as submitted by PT. Aksenta, HCV Consultant)

1) PT. Aksenta, April 2010 report

- In summary, the said PT. Aksenta report had stated three main categories of HCV i.e. (I) Biodiversity value - HCV 1, 2 and 3; (II) Environmental value – HCV 4; and (III) Social value – HCV 5 and 6.
- The sub-categories of identified HCVs at PT BSS were HCV 1, 2, 3, 4 and 6. Total HCV area is stated as 1,429 Ha.

- Identified HCV 1 was the existence of viable populations of wildlife species such as the *Orangutan*, *Owa Ungko (Gibbon)*, *Bekantan (Proboscis Monkey)* and *Beruang Madu (Honey Bear)*
- HCV 2 is the *Danau Galinggang (Galinggang Lake)*
- HCV 3 are *Hutan Gambut Sekunder (Secondary Peat Forest)*
- HCV 4 are erosion, springs and riparian areas
- HCV 6 are community heritage sites such as ‘old graves’.

2) PT. Aksenta, May 2015 report

- In summary the said PT. Aksenta report had investigated into 4 allegations made by Aidenvironment which pertained to
 - 1) *Land development in PT BSS being conspicuously well ahead of schedule;*
 - 2) *Whole HCV site was lost in PT BSS in 2014;*
 - 3) *After IOI signed up to the peat restoration project in writing, PT BSS still cleared all peat forest in the restoration project area.*
 - 4) *In spite of public policy commitments, IOI continued to deforest in PT BSS throughout 2014*

Findings of Verification Team during field visits with reference to the above PT Aksenta reports 6.1(B):

1) PT. Aksenta, April 2010 report

- During verification visit at a sampled HCV 1 area, there was a sighting of the *Bekantan (Proboscis Monkey)* - HCV 1(GPS point: S 02° 53.318’, E 110° 51.116’ E).
- There was no sighting of any *Orangutan*, *Owa Ungko (Gibbon)* or *Beruang Madu (Honey Bear)*. This is possibly due to limited time and accessibility.
- HCV 2 - *Danau Galinggang (Galinggang Lake)* was sighted
- HCV 3 - *Hutan Gambut Sekunder (Secondary Peat Forest)* was sighted
- HCV 3 (GPS point: S 02° 52.783’, E 110° 45.627’ E and S 02° 48.343’, E 110° 54.876’ E)
- HCV 4 - Erosion, springs and riparian areas were partly sighted
- HCV 4 - GPS point: S 02° 52.262’, E 110° 52.013’ E.
- HCV 6 - Community old graves area was sighted at a distance.

2) PT. Aksenta, May 2015 report

- The statement of findings on the RSPO NPP and RSPO Notification of ‘Ongoing Planting’ in 2014 and location of areas stated were verified as the documents are publicly available.
- That the PT. BSS Management decision to build the drainage systems in April 2014 for the purpose of mitigating the excess water overflowing at the planting blocks of the plantation land and directing the water to the Jelai River to the south of the Permitted Area was sighted. VT verified the justification mentioned in the Aksenta report. Refer to **Map A-2: ‘Land Released Map of Concession Boundary’**.

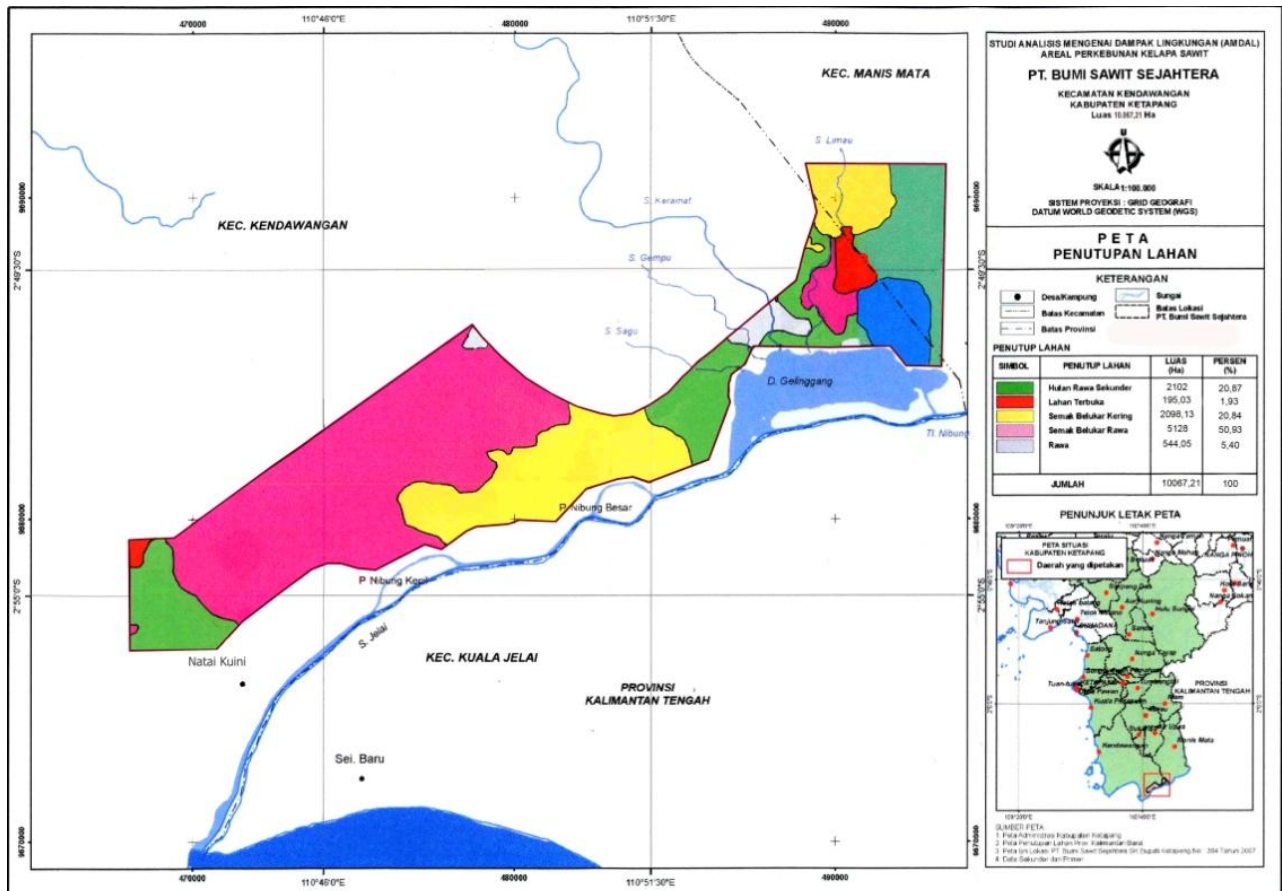
- The stated GIS acreage calculated on the last major outbreak of fire which affected a total area of 3,109 ha at the western side between August and November 2014 during the 'dry' weather experienced was verified to be supported by proper landsat images (as per Aksenta report) was confirmed to have occurred during interview with the PT BSS personnel. The events of fire outbreaks were verified to be recorded and mapped by the PT BSS personnel.
- The areas identified and mapped out at having HCV, HCS and Peat land were made available. Refer to PT BSS submitted **Map B: 'Overlaid HCV, HCS and Peat land at Plantation Concession areas'**.
- There was loss of HCV areas resulting from the fire outbreaks as was detailed in the Aksenta report and verified by VT on field inspection at the pertinent sites. Refer to **Map C: 'Fire Outbreaks at Plantation areas' which occurred between July and November 2014.**
- HCV loss identified due to canal construction and land cleared of about 0.9 ha or 1% of the total area at the tip of HCV area #2 of about 87 ha (as per Aksenta report), was verified by VT at GPS point: S 02° 52. 262', E 110° 52.013' E. The actual extent of HCV lost in the said area resulting from the fire outbreaks in November 2014 was undetermined as natural regeneration was seen during site visit.
- The last major fire outbreak recorded in October and November 2014 was towards the south-western side of the concession areas. The said area was partly sighted during the field verification by VT due to inaccessibility and heavy rainfalls at the time of verification visit. It is verified that the concerned burnt areas comprise mainly of mixed 'Shrub' lands. Refer to **Map A-1: 'Types of Vegetation Cover'**.
- HCV areas identified as having HCS which were destroyed by fire outbreak sometime during mid and end of 2014 towards the North-Eastern corner of the boundary area was partly sighted and hampered by limited accessibility (located near plantation blocks 3B and 4A) - GPS point: S 02° 48. 343', E 110° 54.876' E. It is verified that the concerned burnt area was part 'Secondary Swamp Forest'. Refer to **Map A-2: 'Land Released Map of Concession Boundary'**.
- Based on the locations highlighted in the Aksenta report, which the VT managed to visit, it was clearly evident that fire outbreaks had taken place prior to April 2015, as seen by the existence of remnants of burnt vegetation and trees in the HCV / HCS identified areas which were currently found to be naturally regenerating.

An overview of the PT BSS Concession Area (via landsat image)



Source: Landsat image of 22 February 2015 (Google earth)

Map A-1: ‘Type of Vegetation Cover’ – ANDAL report, March 2013



(Source: ANDAL report, March 2013)

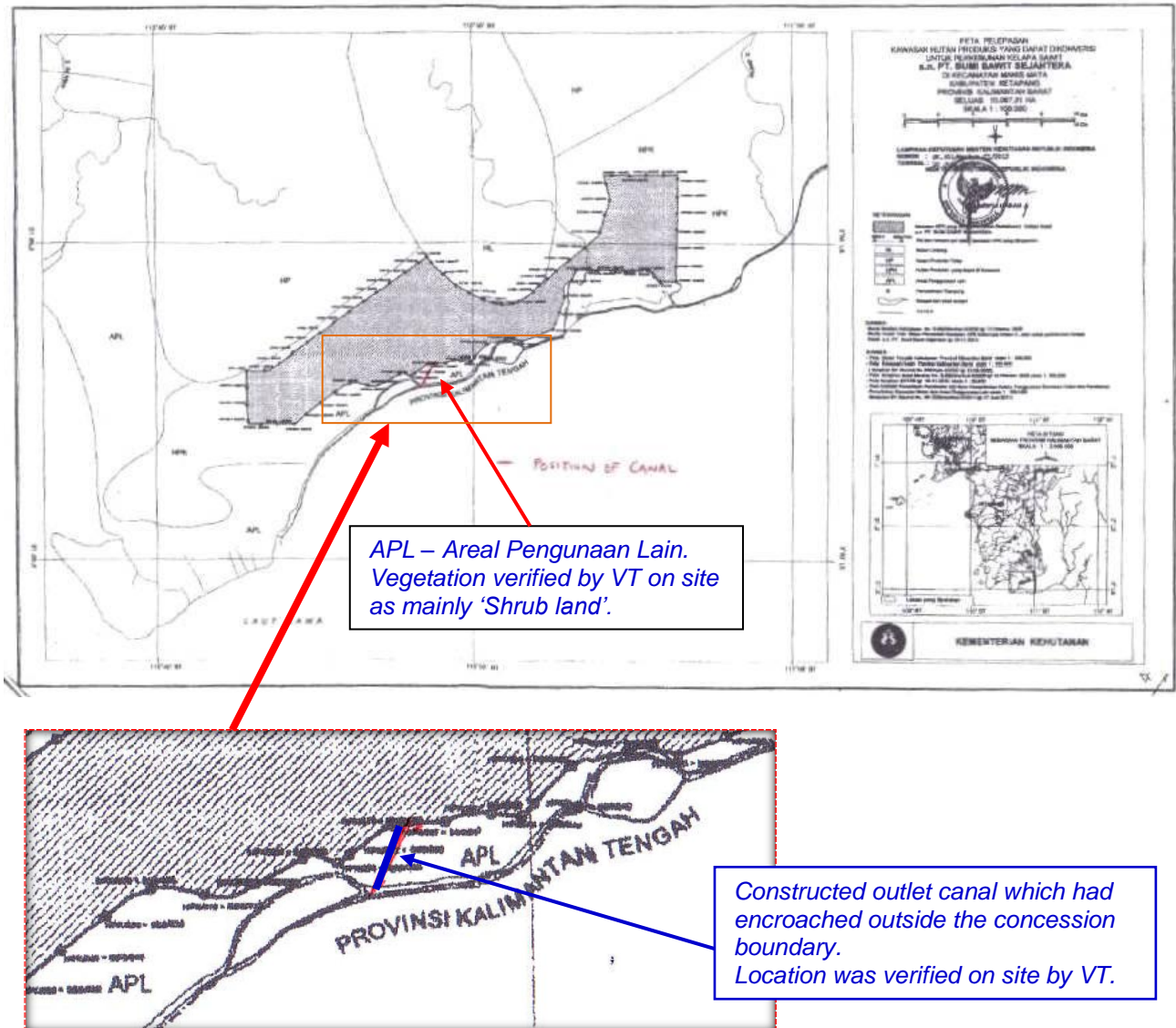
Inference:

Based on the ANDAL map details, it is apparent that a large portions of the concession land are typically:

‘Semak Belukar Kering and Semak Belukar Rawa’ – ‘Dry Shrub and Wet Shrub’ lands / areas (Total: 7,226.23 ha or 71.77%) and ‘Hutan Rawa Sekunder’ - ‘Secondary Swamp Forest’ areas (Total: 2,102 ha or 20.87%).



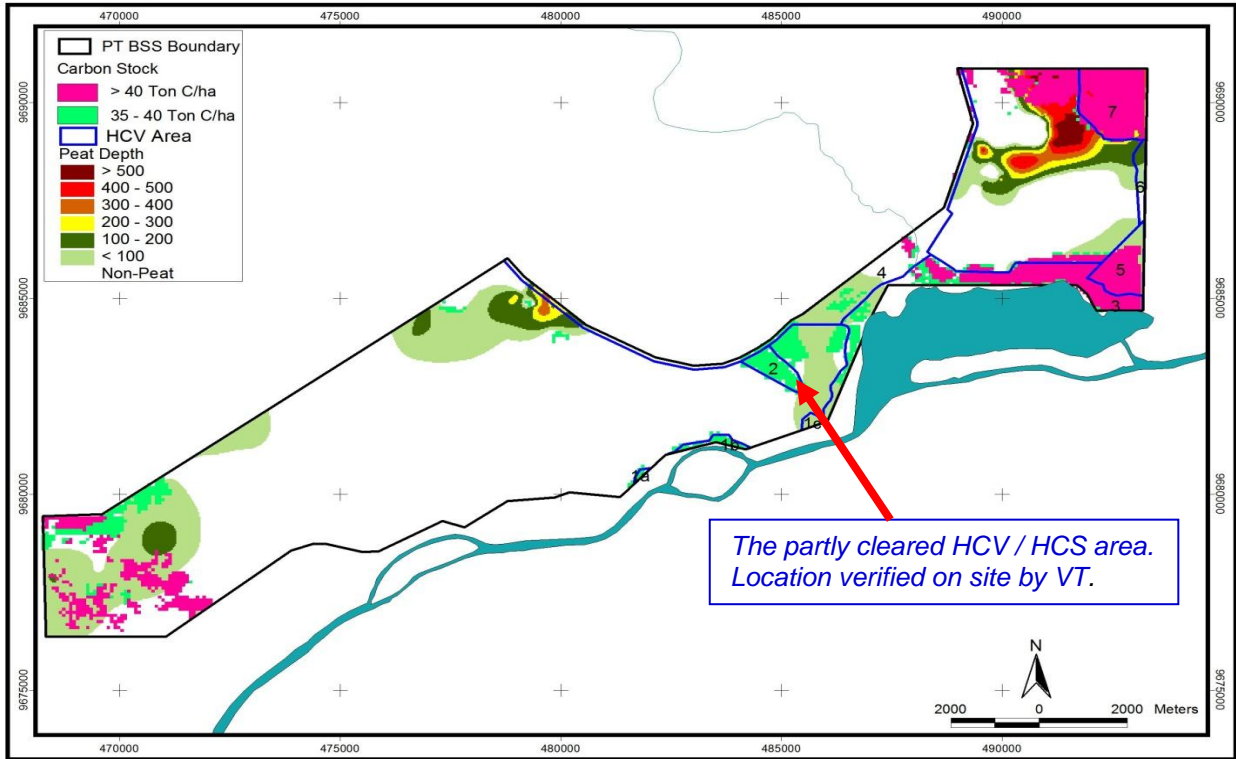
Map A-2: 'Land Released Map of Concession Boundary'



VT Notes:

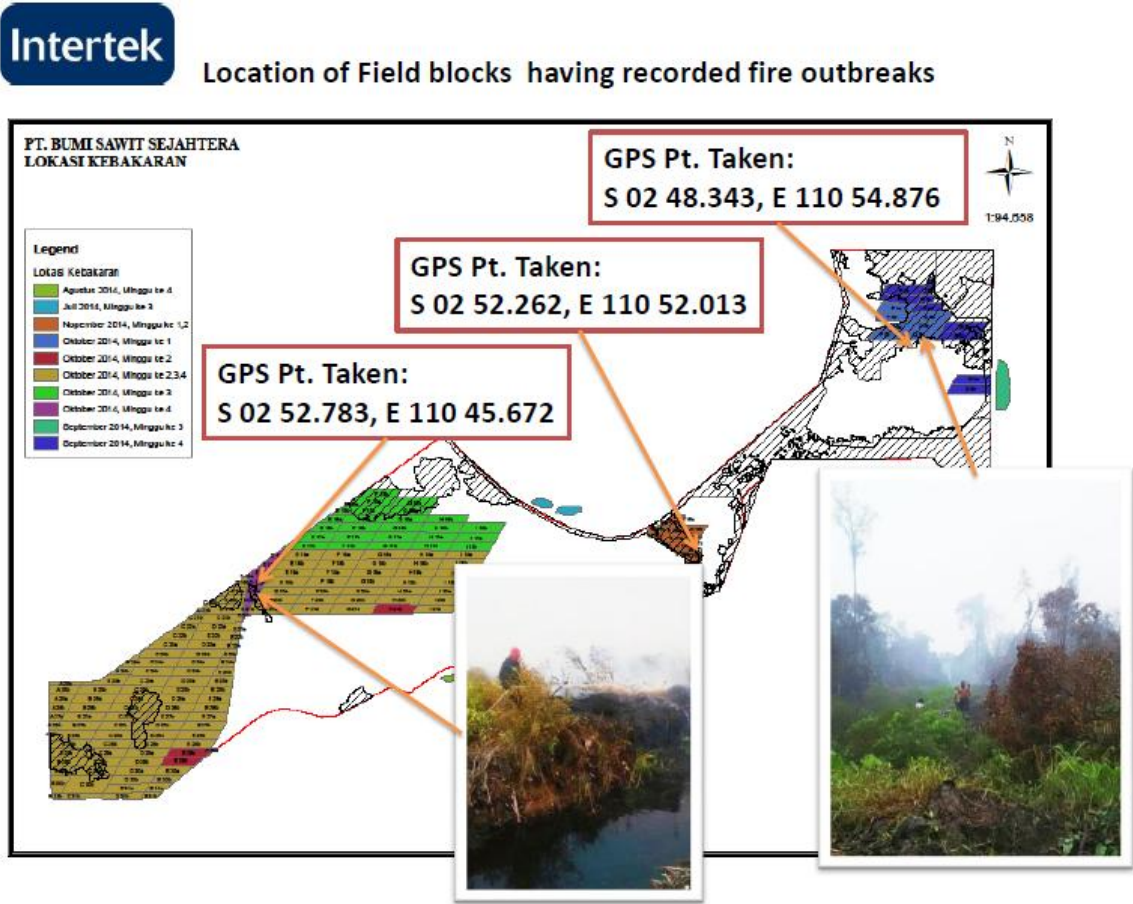
- The above Government authorised 'Peta Pelepasan Lahan' is dated July 2012 issued by the Ministry of Forestry.
- Designated types of vegetation surrounding the boundary of concession area are either: *HL (Hutan Lindung)* – Protected Forest; *HPT (Hutan Produksi Tetap)* – Permanent Production Forest; *HPK (Hutan Produksi yang dapat di Konversi)* – Production Forest that can be Converted; or *APL (Areal Penggunaan Lain)* – Areas for Other Uses
- During the on-site visit, it is apparent that the constructed outlet canal (towards central south of PT BSS) had encroached into land areas which appeared to be mainly shrub lands and did not appear to be 'Protected Forest' land (as alleged).
- Based on the above map, the encroached land area shown is designated under 'Areal Penggunaan Lain' (APL) status i.e. 'Areas for Other Use'.

Map B: 'Overlaid HCV, HCS and Peat land at Plantation areas'



(Source of map: PT BSS, May 2015)

Map C: 'Fire Outbreaks at Plantation areas' which occurred between July and November 2014



Note: GPS points are taken by the VT. (Photographs used are submitted by PT. BSS personnel).

Reference photos taken during the On-site assessment are shown below (May 2015):

	
<p>HCV 1 area, there was a sighting of the <i>Bekantan</i> (<i>Proboscis Monkey</i>) GPS pt: S 02 51.162', E 110 51.476'</p>	<p>HCV 1 area, there was a sighting of the <i>Bekantan</i> (<i>Proboscis Monkey</i>) GPS pt: S 02 51.162', E 110 51.476'</p>
	
<p>HCV 2 - <i>Danau Galinggang</i> (Galinggang Lake) was sighted</p>	<p>HCV 3 - <i>Hutan Gambut Sekunder</i> (Secondary Peat Forest) was sighted</p>
	
<p>HCV 3 - <i>Hutan Gambut Sekunder</i> (Secondary Peat Forest) was sighted GPS pt: S 02 52.783', E 110 45.637'</p>	<p>HCV 3 - <i>Hutan Gambut Sekunder</i> (Secondary Peat Forest) was sighted GPS pt: S 02 52.783', E 110 45.637'</p>

	
<p>HCV 4 - Riparian areas sighted</p>	<p>HCV 4 - Riparian areas sighted</p>
	
<p>HCV areas identified as having HCS which were destroyed by fire outbreak in September 2014. GPS pt: S 02 48.343', E 110 54.876' Field blocks 3B & 4A</p>	<p>HCV areas identified as having HCS which were destroyed by fire outbreak in September 2014. GPS pt: S 02 48.343', E 110 54.876' Field blocks 3B & 4A</p>

Recommendations on above findings:

- The restoration programme of PT. BSS to rehabilitate the HCV areas that has been lost due to the outbreak of fires should be clearly established, implemented and monitored.
- PT. BSS should establish a more comprehensive HCV & HCS Management Plan outlining the proper management and subsequent monitoring of the identified areas at the designated concession boundary.
- The boundary markings at PT. BSS that are noted to be in progress at the time of verification. Thus the boundaries and signages at the remaining areas which are designated and set aside as HCS & HCV areas should be expedited.
- Continuous maintenance of signages placed to communicate the protection of HCV areas at various points at the boundary.
- There should be strict adherence to the ‘No Open Burning’ policy of the organization.
- The awareness level, monitoring and enforcement must be intensified to counter the high possibility of fire outbreak due to the nature of the land areas surrounding the boundary.
- Preventive and mitigation measures on fire outbreaks such as the Best Management Practices for Peat land areas including Water table management and construction of strategically located Fire Watch towers should be implemented and monitored.
- Plans for the establishment of fire control facilities and construction of water gates should also be accelerated.
- Periodic communications such as stakeholder consultations with local communities and all interested parties should be more frequently conducted throughout the course of its plantation operations.

7.0 Summary of findings against Aidenvironment complaints on PT BSS

a) Commencement of land clearing prior to the approval of the RSPO New Planting Procedures (RSPO NPP) in March 2014.

Finding: There is no apparent evidence of land clearing done without prior approval by the Local Government and Authorities. The RSPO NPP of March 2014 pertaining to ‘Ongoing planting’ was adhered to by the plantation.

b) Non-compliance with the RSPO NPP documented management plan subsequent to RSPO NPP approval.

Finding: Documentation of the Management Plans was inadequate and would lead to non-compliance if the plantation is to undergo the RSPO P&C certification assessment.

Notes: The 1st NPP report was submitted in October 2010 to RSPO for ‘New planting’ under the Sawit Nabati Group New Plantings in the Ketapang District (for a total of 82,500 ha based on “Izin Lokasi”) which included PT BSS. The report was conducted by SGS as CB. The said report is publicly available. It is further noted that: The RSPO

NPP was formalized in 2009 and the Guidance document approved for implementation was effective 1st January 2010.

The 2nd NPP notification dated 27 February 2014 to RSPO for ‘Ongoing Planting’ at PT BSS. The said 2nd NPP notification is publicly available via website link: http://www.rspo.org/file/Notification_ongoing%20NPP_PT%20BSS.pdf

c) The accidental clearing of deep peat forested areas.

Finding: There was evidence of the said accidental clearing at some deep peat forested sites visited as was also confirmed by PT BSS personnel. Subsequent rehabilitation of the area has been sighted.

d) Encroachment of lands outside of the approved PT BSS concession land boundary under the “Izin Usaha Perkebunan” (IUP).

Finding: There was evidence of encroachment as the constructed outlet canal was found to have encroached into areas outside of the concession boundary.

The said outlet canal at the boundary (located at central south of PT BSS), said to be opened sometime in April 2014, had encroached into an area which appears to be designated ‘Shrub land’ under ‘APL’ status which connects to the Jelai River (Sungai Jelai).

e) Occurrence of fires resulting from open burning at certain parts of the concession land

Finding:

The possibility of natural occurring peat fires during the ‘dry season’ experienced between June and October each year exists in the Central and West Kalimantan region. This can be substantiated by landscape hotspots maps, studies and articles over a 10-year period (2002-2012) which are publicly available. See references below.

The geographical location of PT BSS concession land falls within the regions of high hotspots density at West Kalimantan.

There was evidence of fire outbreaks at some areas of the bordering and within PT BSS. The fire outbreaks from July to November 2014 were recorded by PT BSS.

However whether the fires resulted from alleged open burning activity from within or outside PT BSS remains inconclusive as there was no record on how the fires started.

There were known traditional practices and instances where the fires were apparently started by the local communities during the said ‘dry’ period, either within or outside of the concession lands. Thus such traditional practices of burning before paddy planting will have to be closely monitored and managed by PT BSS.

The PT BSS concession land and its surrounding area has been overall reported to be located within the active ‘Hot spot’ areas as shown by several studies conducted at the Provinces of Kalimantan including West Kalimantan, for over a 10 year period or more.

Abstracts, maps and reference web links used are as follows:

1. 'Hotspots density in the provinces of Kalimantan', web link: http://ccnmtl.columbia.edu/projects/iris/fire/rainfall_1.html
2. 'Recent active fires under El Nino conditions in Kalimantan, Indonesia, web link: <http://dx.doi.org/10.4236/aips.2013.43A087>

ABSTRACT

Analysis of the most recent 10-year periods (2002 to 2011) of MODIS hotspots data (fires) and precipitation in Palangkaraya and Pontianak was carried out to identify seasonal and spatial fire occurrence in Kalimantan under El Niño conditions, and to assess future forest condition in Kalimantan. Most data was tallied every 10-day to analyze seasonal and spatial fire occurrence. Seasonal and spatial analysis results for severe fire years, namely 2006 and 2009, under El Niño conditions were as follows: the severest fire incidents for whole Kalimantan occurred in October in 2006 under the driest conditions in both Palangkaraya and Pontianak. The severest fires for the Mega Rice Project (MRP) area and its vicinity occurred in late September in 2009 under the driest conditions for Palangkaraya. Fire activities in the last 10-year in south Central Kalimantan were severe than other areas in Kalimantan. This may be explained by different dry conditions of peat. Namely, the peat in the southern part of Central Kalimantan could become dryer under the relatively longer dry season (about 3-month) compared with other areas (dry season in West Kalimantan is only 2/3-month). One of spatial analysis results clearly showed a so-called a fire belt shape arising from severe fires that occurred mainly on the southern coastal peatlands from West to Central Kalimantan in mid October in 2006.

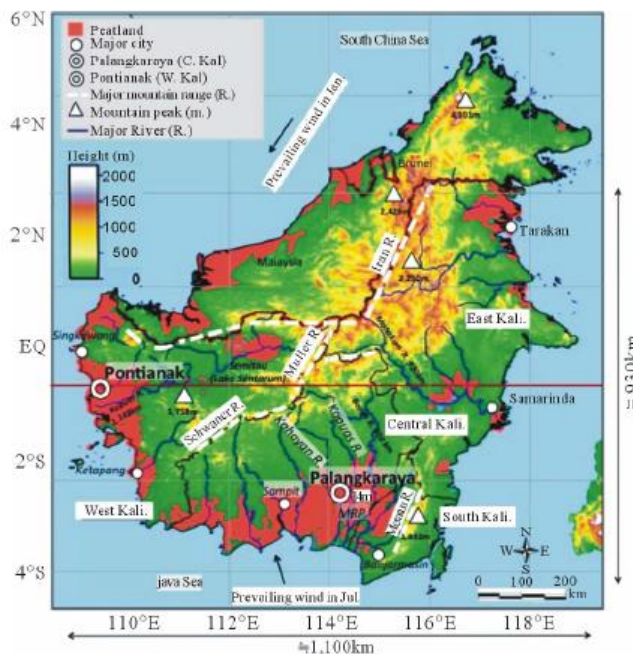


Figure 1. Distribution of peatland, mountainous regions, prevailing wind directions and expected climate zone boundaries in Kalimantan.

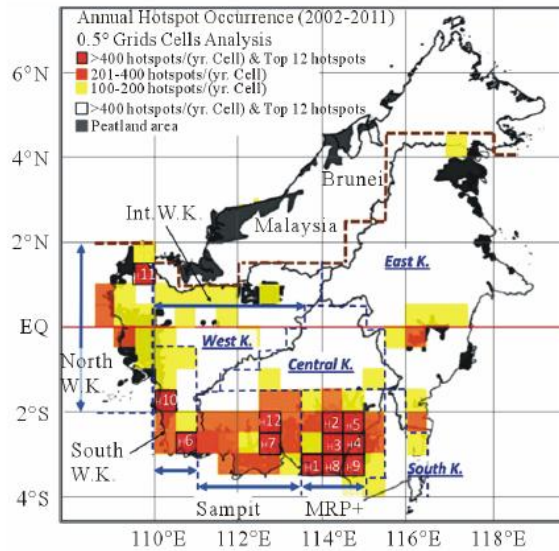


Figure 4. Four provinces, five local areas, and fire prone areas in Kalimantan, 2002-2011.

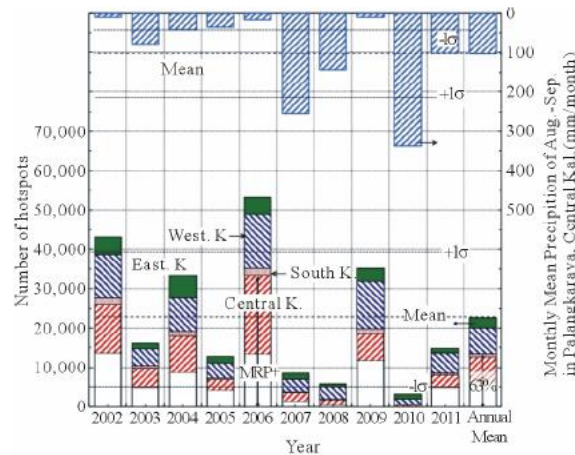


Figure 5. Annual fire occurrence and monthly mean precipitation during Aug.-Sep. in Palangkaraya.

Based on the above referenced data, the possibility of fire outbreaks occurring within the PT BSS concession area or its surrounding areas is apparent particularly during the ‘dry’ seasons.

Therefore it is imperative an early warning and response to occurrences of fire outbreaks at the PT BSS be addressed soonest.

f) Inadequate review of Time Bound Plan for the IOI plantations in Ketapang, West Kalimantan.

Finding: There was evidence that the Time Bound Plan for PT BSS has been reviewed on periodic basis by the Plantation management in order to accommodate the 'plasma' programs made with the local communities in accordance with the Governmental requirements for new plantations. Stakeholder consultations with the local communities were held as was confirmed via random interviews with the local people found on-site.

However this matter was not be assessed in detail as it was beyond the provided scope of work for the VT. Further assessment would be needed to confirm the nature of the said 'plasma' program and its progress made todate between PT BSS and the local communities.

It is also in the interest of both PT BSS and the local community under the agreed 'Plasma' program for all parties to actively put out any fires which may naturally occur.

8.0 OVERALL CONCLUSION AND RECOMMENDATION

Conclusions:

- 1) During this 3rd party verification exercise, the senior management for PT BSS has been cooperative under the circumstances and has demonstrated a satisfactory degree of willingness and commitment to work within the requirements of the RSPO NPP.
- 2) The outlet canal opened at the boundary (towards central south of PT BSS), near Field blocks J/K 24 (said to be opened sometime in April 2014) had encroached into an area which appears to be designated 'Scrub land' under 'APL' status, which connected to the Jelai River (Sungai Jelai).
VT confirmed the findings 'On-site' and the said encroachment was evidenced.
- 3) HCS/HCV allegedly lost near Field blocks N/O 17 (towards HCV area #2) estimated at 0.9 ha or 1.0% (of the total HCV area of 87 ha) as determined in the Aksenta, May 2015 report (page 14) is confirmed by the VT. Based on field observation and mapped satellite images, the VT concurs that the estimated area size in contention has been fairly reported.
- 4) Fire outbreaks which occurred between Oct-Nov 2014 had also engulfed part of the restoration area (which was designated as 'Secondary Swamp Forest') estimated at 141 ha (towards the north-eastern corner of PT BSS) near Field blocks 3B & 4A, as determined in the Aksenta, May 2015 report (page 21).

VT also confirmed the findings 'On-site' that said fire outbreaks had partly engulfed the designated 'Secondary Swamp Forest Area'. Based on field observation and mapped satellite images, the VT concurs that the estimated area size in contention has been fairly reported. Conservation signages were also sighted and natural regeneration was seen at the said area.

- 5) The Management Plans including Standard Operating Procedures at the plantation for the handling of 'Fire Prevention and Control' were not adequately documented and implemented which thus led to weaknesses in the monitoring the incidences of fire outbreaks as reported between 2010 and 2014. The risk of future fire outbreaks still exists due to the nature of the land conditions within and surrounding the plantation concession area.
- 6) The justifications made for the adjustments made to the Time Bound Plan of PT BSS are mainly due to the practical issues and prevailing field conditions faced by PT BSS prior to and after the approval of the initial and subsequent RSPO NPP. However, it would serve the interest of all interested parties for PT BSS to rectify the highlighted shortcomings and continue to monitor and adhere to whatever changes both in the local laws and requirements of RSPO from time to time.

Recommendations:

- 1) HCV, HCS and SEIA assessment reports will need to be re-evaluated by PT BSS and further refined via consultations with all interested parties and stakeholders for better implementation and monitoring.
- 2) As the HCS approach being implemented by PT BSS is relatively new, it should adopt and customize accordingly the 2-Phase approach as recommended by RSPO during the RT12 i.e. Phase 1: Vegetation Stratification to identify potential HCS forest areas and Phase 2: HCS forest patch analysis and conservation methods. See web link: http://www.rt12.rspo.org/ckfinder/userfiles/files/1_Grant%20Rosoman.pdf
- 3) Better planning tools such as the use of high resolution satellite mappings would be needed to comprehensively map the approved boundaries of the Plantation concession areas, HCV HCS and Conservation areas to avoid further disputes in the future.
- 4) The infrastructure needed for 'Fire Prevention and Control' should be given top priority in view of the high possibility of recurrence of future seasonal fire outbreaks.
- 5) Clarifications should be sought from the relevant Local Authorities concerning situations where construction of infrastructure would extend into areas outside of the plantation's concession boundary.
- 6) Stakeholder consultations should be more frequently conducted in view of the socio-economic impacts on the local communities as the plantation and surrounding land development progresses.
- 7) IOI's Group Management should review and make available its overall Time Bound Plan and include the required updates on all its plantation operations in Indonesia and adhere to whatever changes both in the local laws and requirements of RSPO from time to time.

This report has been issued on a 'Without Prejudice' basis.

Intertek Certification International Sdn Bhd
Mr. Augustine Loh, Lead Verifier.

Date: 20 July 2015

9.0 LISTING OF APPENDICES

A. Qualifications of Verification Team (VT)

B. Reference documents provided by PT BSS

- Copies of Government approval documents
- Aidenvironment report dated March 2015: *'Talking Responsibility' and 'Talking Sustainability'*
- Aksenta report dated May 2015

C. Reference Maps of PT BSS Concession Area

D. Documents referred for Verification work:

- i. RSPO NPP. Web link: http://www.rspo.org/en/document_new_planting_procedure
- ii. RSPO - HCS Approach. Web link:
http://www.rt12.rspo.org/ckfinder/userfiles/files/1_Grant%20Rosoman.pdf
- iii. IOI's Statement in response to report and complaint to RSPO by Aidenvironment on PT. SKS, PT. BNS and PT. BSS, Indonesia dated 30 March 2015.
Corporate Communications - Issued date 15/04/2015. Web link:
https://www.ioigroup.com/Content/NEWS/N_Archive
- iv. IOI Plantation Group – Time Bound Plan (latest as submitted by IOI)