RSPO Auditor Confirms Lonsum is in full Compliance with RSPO Principles and Criteria and Indonesian Legislation

On behalf of the management of PT Salim Ivomas Pratama Tbk, as a Company listed on the Indonesia Stock Exchange, we wish to commit to our stakeholders that we comply fully with Indonesian Laws and Regulations, and in Compliance to our Sustainability Policy which has the following key Commitments:

- No deforestation and conservation of High Conservation Value and High Carbon Stock areas
- No planting on peat regardless of depth
- No burning
- Respect for Labour and Human Rights including Freedom of Association and discrimination
- Free, Prior and Informed Consent.

We also wish to highlight the key findings of the recent RSPO verification audit as part of the Complaints Panel Process for the case filed to one of our subsidiaries, PT PP London Sumatra Indonesia Tbk (Lonsum), which concluded the following:

Extracts from the Executive Summary of Independent Verification Audit 4th to 7th June 2018:

1. The company has adequate health and safety policies and operating manuals and procedures and generally adheres to the requirement for Personal Protective Equipment (PPE) and is compliant in terms of adhering to the Government regulation on periodical medical tests for workers.
2. The company has shown significant improvement in terms of its treatment of casual workers.
3. The management (Company) is compliant with the minimum wages for permanent workers
4. No evidence of child labour or the exploitation of children in either of the three estates or mill
5. The Company is compliant to the non-usage of paraquat as herbicide. The company has completely phased out the chemical since late March 2018.
6. The verification team acknowledges the strong commitment from the Company in guaranteeing freedom of association for workers in the mill and three estates.
7. **Overall conclusion: In summary, the company has demonstrated a strong commitment to continuously improve its operations in line with the legal and RSPO requirements for sustainable palm oil production.**

In addition, we have 7 labour unions represented workers in our operations, and we have no outstanding issue with our union members. Our workers are free to form and join trade unions of their choice, and to bargain collectively.

Subsequent to the issuance of the report on result of above-mentioned Independent Verification Audit wherein RSPO suspended one of our certified mills, Begerpang in North Sumatra on 2nd November 2018, a regular RSPO certification audit was conducted on 3rd to 7th December 2018 at Turangie palm oil mill and its supply base estates in North Sumatra. The issues raised in the RSPO Complaints Panel (CP)'s decision were also checked & reviewed by the RSPO auditor, given that both these mills (Begerpang and Turangie) are both in North Sumatra operating under exactly the same Company policies and procedures by Lonsum.

Based on issued audit report for Turangie mill and its supply base, which we received on 13th February 2019, it was confirmed that we fully comply with RSPO Principles and Criteria (P&C), ***"PT PP London Sumatra Indonesia Tbk complied with the requirements of Indonesian National Interpretation of RSPO Principles and Criteria (P&C) for the Production of Sustainable Palm Oil and Supply Chain Certification Standard".***

This is consistent to our letter to the Complaints Panel dated 30th November 2018 whereby we commented as follows:

We are very surprised, and not in agreement with the findings from the audit carried out from 4th to 7th June 2018, as RSPO has previously carried out the following audits since the issuance of the initial allegation report in June 2016:

1. *8 Compliance Assessments and Special Audits (three audits were witnessed by ASI), relating to the Complaint in North Sumatra.*
2. *15 RSPO certification audits as part of regular RSPO certification process in North Sumatra.*

Based on the above 23 audits (all carried out by accredited RSPO auditors and involving our stakeholders) all of our mills in North Sumatra remained RSPO certified, as there were no material findings to substantiate the allegations, and we have implemented all Non-Conformities (NC's) arising from the above audits. Can you provide an explanation as to the material inconsistency in findings between the verification audit carried out on 4th to 7th June 2018, and the previous 23 audits mentioned above?

We now have 24 RSPO audits from April 2016 till December 2018, confirming our North Sumatra Estates comply fully with RSPO Principles and Criteria. There are material inconsistencies between the results from those 24 audits with the results of the independent verification audit and the RSPO Complaints Panel decision.

RSPO has yet to respond to us on our question as to why the Independent Verification Audit carried out by the RSPO Complaints Panel, has come to a different conclusion resulting in the suspension of one of our mills. We believe the Complaints Panel were unduly influenced by the negative campaign and harassment carried out by the Complainant.

Conclusion :
We maintain our position as verified by the RSPO audit of Turangie Palm Oil mill and its supply base, that we comply fully with RSPO Principles and Criteria and Indonesian Laws and Regulations.

We remain firm in our decision to resign from the membership of RSPO due to our disappointment with the way RSPO Complaints Panel handled the case filed against PT PP London Sumatra Indonesia Tbk, one of our subsidiaries. Moving forward, we have therefore decided to focus our sustainability journey and practices on the implementation of the mandatory Indonesia Sustainable Palm Oil (ISPO) standards.

Inconsistencies Found in the Audit Findings from Two Different Audits Performed in PT PP London Sumatra Indonesia Tbk's Units, North Sumatra

Independent Verification Audit – Begerpang Palm Oil mill and supply base
Date of audit 4th to 7th June 2018 : Independent Verification Audit to Begerpang Palm Oil mill and supply base estates by appointed independent auditors as part of RSPO Complaints Panel process. The audit findings was used as the basis of the RSPO Complaints Panel's decision.
→Click here for the document.

Annual Surveillance Audit 4 – Turangie Palm Oil Mill and supply base
Date of audit 3rd to 7th December 2018 : Annual Surveillance Audit 4 for Turangie Palm Oil Mill and supply base estates as part of regular certification audit. In this audit, the issues raised in the RSPO Complaints Panel's decision were also checked & reviewed by the RSPO auditor, given that both these mills (Begerpang and Turangie) are both in North Sumatra operating under exactly the same Company policies and procedures by London Sumatra.
→Click here for the report.

RSPO P&C		Turangie	Begerpang
PRINCIPLE 1: COMMITMENT TO TRANSPARENCY			
1.1	Growers and millers provide adequate information to relevant stakeholders on environmental, social and legal issues relevant to RSPO Criteria, in appropriate languages and forms to allow for effective participation in decision making.	Minor 1.1.1 Non conformity with minor category	Not covered
1.2	Management documents are publicly available, except where this is prevented by commercial confidentiality or where disclosure of	Comply	Not covered

RSPO P&C		Turangie	Begerpang
	information would result in negative environmental or social outcomes.		
1.3	Growers and millers commit to ethical conduct in all business operations and transactions.	Comply	Not covered
PRINCIPLE 2: COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS			
2.1	There is compliance with all applicable local, national and ratified international laws and regulations.	**Comply**	**Non-compliance of P&C 2.1 related to labour law and regulation related:** - **Casual workers** - **Minimum wage** - **Discrimination in respect of employment; transparency, equal opportunity and fairness in job placement** - **Work agreements** - **Right to organise, join trade unions and on collective bargaining** - **Equal remuneration for work of equal value** - **Non discriminatory labour provisions** - **Discrimination: Menstrual and maternity leave**

RSPO P&C		Turangie	Begerpang
2.2	The right to use the land is demonstrated, and is not legitimately contested by local people who can demonstrate that they have legal,customary or user rights.	Comply	Not covered
2.3	Use of the land for oil palm does not diminish the legal rights, or customary rights, of other users, without their free, prior and informed consent.	Comply	Not covered
PRINCIPLE3: COMMITMENT TO LONG-TERM ECONOMIC AND FINANCIAL VIABILITY			
3.1	There is an implemented management plan that aims to achieve long term economic and financial viability.	Comply	Not covered
PRINCIPLE 4: USE OF APPROPRIATE BEST PRACTICES BY GROWERS AND MILLERS			
4.1	Operating procedures are appropriately documented and consistently implemented and monitored	Comply	Not covered
4.2	Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield	Comply	Not covered
4.3	Practices minimize and control erosion and degradation of soils.	Comply	Not covered
4.4	Practices maintain the quality and availability of surface and ground water.	Comply	Not covered
4.5	Pests, diseases, weeds and invasive introduced species are effectively managed using	Comply	Not covered

RSPO P&C		Turangie	Begerpang
	appropriate Integrated Pest Management techniques.		
4.6	Pesticides are used in ways that do not endanger health or the environment	Comply	Comply
4.7	An occupational health and safety plan is documented, effectively communicated and implemented.	**Comply**	**Potential non-compliance of P&C 4.7.3 on inadequate disbursement and usage of Personal Protective Equipment (PPE).**
4.8	All staff, workers, smallholders and contractors are appropriately trained.	Comply	Not covered
PRINCIPLE 5: ENVIRONMENTAL RESPONSIBILITY AND CONSERVATION OF NATURAL RESOURCES AND BIODIVERSITY			
5.1	Aspects of plantation and mill management, including replanting, that have environmental impacts are identified, and plans to negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.	Comply	Not covered
5.2	The status of rare, threatened or endangered species and other High Conservation Value habitats, if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and operations managed to best ensure that they are maintained and/or enhanced	Comply	Not covered

RSPO P&C		Turangie	Begerpang
5.3	Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner.	Comply	Not covered
5.4	Efficiency of fossil fuel use and the use of renewable energy is optimized.	Comply	Not covered
5.5	Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situations, as identified in the ASEAN guidelines or other regional best practice.	Comply	Not covered
5.6	Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored	Comply	Not covered
PRINCIPLE 6: RESPONSIBLE CONSIDERATION OF EMPLOYEES AND OF INDIVIDUALS AND COMMUNITIES AFFECTED BY GROWERS AND MILLS			
6.1	Aspects of plantation and mill management, including replanting, that have social impacts are identified in a participatory way, and plans to mitigate the negative impacts and promote the positive ones are made. implemented and monitored, to demonstrate the continuous improvement.	Comply	Not covered
6.2	There are open and transparent methods for communication and consultation between	Comply	Not covered

RSPO P&C		Turangie	Begerpang
	growers and/or millers, local communities and other affected or interested parties.		
6.3	There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all affected parties.	**Comply**	**Non-compliance of P&C 6.3.1 on grievance mechanism**
6.4	Any negotiations concerning compensation for loss of legal or customary rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.	Comply	Not covered
6.5	Pay and conditions for employees and employees of contractors always meet at least legal or industry minimum standards and are sufficient to provide decent living wages.	**Comply** ***<u>6.5.1 & 6.5.2</u>*** *Payment of wages carried out by certificate holders consists of several types, namely:* ***Daily paid workers*** *The certificate holder has carried out payment of wages for daily paid workers who refer to the Internal Memo number 005 / HRD / C-PW / IV / 2018 dated 30 April 2018 which is Rp. 2,384,255/month. This stipulation is higher than the minimum wage.*	**Non-compliance of P&C 6.5 on specific conditions to be met; 6.5.1 on payment system; 6.5.2 on casual workers**

RSPO P&C		Turangie	Begerpang
		Daily Rated Personnel and Monthly Rated Personnel *The certificate holder has made payment of wages for the Daily Rated Personnel and the Monthly Rated Personnel refer to the Internal Memo number 001 / HRD / C-SAL / IV / 2018 dated 30 April 2018 which is Rp. 2,565,000 / month for DRP and Rp. 2,799,000 / month for MRP (lowest group). This provision is higher than the minimum wage.*	
6.6	The employer respects the right of all personnel to form and join trade union of their choice and to bargain collectively.	**Comply**	**Non-compliance of P&C 6.6 on the right of freedom of association and collective bargaining**
6.7	Children are not employed or exploited	Comply	Comply
6.8	Any form of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age, is prohibited	**Comply**	**Non-compliance of P&C 6.8 and 6.8.2 on the discriminatory practices.** **Potential non-compliance of P&C 6.8.1 on adoption of an equal opportunity policy.**

RSPO P&C		Turangie	Begerpang
6.9	There is no harassment or abuse in the work of place, and reproductive rights are protected	**Comply**	**Non-compliance of P&C 6.9.3 on effective grievance mechanism.** **Potential non-compliance of P&C 6.9.1 on sexual harassment policy and establishment of a gender committee.**
6.10	Growers and mills deal fairly and transparently with smallholders and other local businesses	Comply	Not covered
6.11	Growers and millers contribute to local sustainable development wherever appropriate.	Comply	Not covered
6.12	No forms of forced or trafficked labour are used	Comply	Not covered
6.13	Growers and millers respect human rights	Comply	Not covered
PRINCIPLE 7: RESPONSIBLE DEVELOPMENT OF NEW PLANTING			
7.1	A comprehensive and participatory independent social and environmental assessment is undertaken prior to establishing new plantings or operations, or expanding existing ones, and the results incorporated into planning, management and operations.	Comply	Not covered
7.2	Soil surveys and topographic information are used for site planning in the establishment of new plantings, and the results are incorporated into plans and operations.	Comply	Not covered

RSPO P&C		Turangie	Begerpang
7.3	New plantings since November 2005, have not replaced primary forest or any area required to maintain or enhance one or more High Conservation Values.	Comply	Not covered
7.4	Extensive planting on steep terrain, and/or on marginal and fragile soils, is avoided.	Comply	Not covered
7.5	No new plantings are established on local peoples' land without their free, prior and informed consent, dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.	Comply	Not covered
7.6	Where it can be demonstrated that local peoples have legal, customary or user rights, they are compensated for any agreed land acquisitions and relinquishment of rights, subject to their free, prior and informed consent and negotiated agreements.	Comply	Not covered
7.7	Use of fire in the preparation of new plantings is avoided other than in specific situations, as identified in the ASEAN guidelines or other regional best practice.	Comply	Not covered
7.8	New plantation developments are designed to minimize net greenhouse gas emissions.	Comply	Not covered

RSPO P&C		Turangie	Begerpang
PRINCIPLE 8: COMMITMENT TO CONTINUOUS IMPROVEMENT IN KEY AREAS OF ACTIVITY			
8.1	Growers and millers regularly monitor and review their activities and develop and implement action plans that allow demonstrable continuous improvement in key operations.	Comply	Not covered