

Public Report Sustainable Forest Management System

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PUBLIC AUDIT REPORT - SFM

TO BE SUBMITTED TO THE CLIENT, IFCC AND TO AJA EUROPE



CLIENT NAME: PT SELARAS ABADI UTAMA

TOTAL HECTARES: 13,600 ha

SCOPE OF REGISTRATION: Sustainable Forest Management of 13,600 hectares of Plantation Forest in Riau Province

STANDARD / CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Surveillance 2 (REMOTE)

AUDIT START DATE: July 14, 2020

AUDIT END DATE: July 17, 2020

In signing this document the Audit team confirms that they have had no involvement with the company under audit in terms of consultancy, training, direct employment etc. within the last 2 years and have no other involvement (financial, shareholding or commercial) that would constitute a Conflict of Interest

AUDITOR LEAD: Riyadi Sigit Pamungkas

SIGNATURE:

AUDIT TEAM: Ence Hedi Hasan

SIGNATURE:

Warsito

SIGNATURE:

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MAJOR CARS: 0

MINOR CARS: 2

| SITE NAME (Legal Name): | ADDRESSES OF COMPANY SITES VISITED including country | DATE OF EACH SITE VISIT: |
|-----------------------------|---|--------------------------|
| Site PT Selaras Abadi Utama | Pelalawan District, Pelalawan Regency, Riau Province – Republic of Indonesia | July 14 to 17, 2020 |
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| SITE NAME (Legal Name): | ADDRESSES OF ADDITIONAL SITES NOT VISITED BUT STILL COVERED BY THE REGISTRATION INCLUDING COUNTRY - TO BE COMPLETED IF CLIENT IS UNDER A SITE SAMPLING AUDIT PLAN | |
| | N / A | |
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Brief Description of the concession

PT Selaras Abadi Utama is a company engaged in the utilization of Industrial Plantation Forests and has received an IUPHHK based on the Decree of the Regent of Pelalawan Number: 522.21/IUPHHKHT/XII/2002/005 concerning the Granting of Business Permit for Utilization of Timber Forest Products in Plantation Forest to PT. Selaras Abadi Utama covering an area of approximately 13,600 ha (gross), and approximately 11,690 ha (net) in Pelalawan Regency, determined on December 30, 2002.

Furthermore, the Minister of Forestry issued Letter No. S.382 / Menhut-VI / 2004 dated September 20, 2004 regarding Providing Administrative Services to PT Nusa Prima Manunggal and PT Selaras Abadi Utama. This letter is the result of the Ministry of Forestry's verification of the Pelalawan Regent Decree Number: 522.21/IUPHHKHT/XII/2002/005 dated December 30, 2002. Point 2 of the Letter of the Minister of Forestry states the legality of the permit granted by the Regent of Pelalawan has met the requirements and is in accordance with the prevailing laws and regulations.

The Management Unit received a Decree of the Minister of Environment and Forestry of the Republic of Indonesia Number: SK.6082/MenLHK-PHPL/UHP/HPL.1/6/2019 dated June 28, 2019 concerning the Approval of the Revised Work Plan for the Utilization of Timber Forest Products in Industrial Plantation Forests (RKUPHK-HTI) for a period of 10 years from 2018 to 2027 in Riau Province.

The spatial planning according to the revised RKUPHK-HTI consists of Local and Other Protected Areas of 1,922 ha (14.13%), Staple Plant Area of 8,958 ha (65.87%), and Livelihood Plant Area of 2,720 ha (20.00%). There is a peat dome peak of 244.51 ha, which is located in the protected area (Buffer Zone Suaka Margasatwa Kerumutan).

The geographical location of the working area lies between 0° 28' to 0° 09' North and 102° 06' to 102° 32' East. Administratively, the concession is located in Pelalawan District and Teluk Meranti District, Pelalawan Regency, Riau Province. Based on the 1: 100,000 scale topographic map, it shows that the PT Selaras Abadi Utama concession area is located at an altitude ranging from 5-150 meters above sea level with an overall topography of flat (0-8% slope).

Based on Siak Sri Indrapura land unit map and soil sheet (0916), scale 1: 250,000, the soil type consists of two groups, namely the Alluvial group with the soil type Tropaquepts, Dystropepts, Troposamments (Au. 1.2), the Peat Dome group with the Troposaprists, Tropohemists, Tropofibriss (D.2.1.2) and Troposaprists, Tropohemists, Tropofibrists (D.2.1.3).

The species cultivated as staple plant is *Acacia crassicarpa*.

Description of the socio-economic conditions of the concession and the concession's social programs

PT Selaras Abadi Utama has identified and respects the rights of the village communities around the company. Administratively, it belongs to Teluk Meranti District and Pelalawan District, Pelalawan Regency,. There are eight villages around the company's concession, spread over the two districts as follows:

- Teluk Meranti District: Pangkalan Terap Village, Kuala Panduk Village, Petodaan Village, and Teluk Binjai Village
- Pelalawan District: Pelalawan Village, Kuala Tolam Village, Ransang Village, and Sungai Ara Village.

Based on the AMDAL and RKU documents there are no indigenous people in or around the PT Selaras Abadi Utama concession. The people living around the concession are local villagers, the majority ethnic Malay. Based on interviews with the secretary of Kuala Tolam Village, the majority of the people living there are of Malay descent, while the rest are Javanese, Batak, Sundanese, Minang immigrants, etc.

At the time of the Surveillance 2 Audit, there was no additional collaboration between the company and the community, either in livelihood plants or the formation of a new Community for Fire Awareness (MPA). In the previous year, PT Selaras Abadi Utama has entered into an agreement the local communities to manage forest areas, which were signed by representatives of each party. A livelihood plants cooperation agreement was signed with seven village

communities around the concession in 2009.

PT. Selaras Abadi Utama has developed the capacity of the local community through its community development activities (CD). In the 2019 CD/CSR program this took the form of: assistance for elementary school facilities and library books, Ramadhan travel, purchase of materials for houses of worship, assistance with village bridge materials and assistance for village irrigation in Petondan. Realization of the planned 2020 CD program up to June was in the form of assistance with school supplies, village health equipment and village road repair, and office equipment for the village.

Description of the ecological conditions of the concession

The Management Unit of PT Selaras Abadi Utama has conducted monitoring from the production, environmental and social aspects. Monitoring of the Environmental Management Plan and Environmental Monitoring Plan (RKL-RPL) documents are reported to the relevant authorities each semester and include:

- Physical-Chemical Component (soil management and monitoring, water management and monitoring, air management and monitoring)
- Biological Components (to obtain growth rates according to targets and control against pests and diseases, as part of conservation efforts to maintain and protect the biodiversity of existing flora and fauna).
- Socio-Cultural Components (job and business opportunities, community income, community perceptions, public health, community education, realization of Community Development programs, and community unrest).

PT Selaras Abadi Utama has management to protect flora and fauna (protected areas), covering an area of 1,922 hectares (14.13%), which consists of 741 ha (5.45%) of Riparian Areas, KPPN of 300 ha (2.21%), Buffer Zone of 305 ha (2.24%), Wildlife Protection Area (DPSL) of 300 ha (2.21%), and Other Protected Areas of 276 ha (2.03%); percentage difference due to rounding. Other activities carried out are surveys, monitoring and identification of vegetation and wildlife each semester, and enrichment planting for local species.

In sustainable forest management, PT Selaras Abadi Utama applies the principles of sustainable production, ecological sustainability and social sustainability. The application of the silvicultural system has considered the characteristics of forest resources, site conditions and species. The concession area's site condition is peatland, and forest management is by making canals with water level regulation (Water Treatment).

The Management Unit controls forest fires and land occupation activities by conducting routine patrols and outreach to the community. The Management Unit has adequate facilities and infrastructure to prevent forest and land fires. In integrated pest control, the Management Unit has implemented an integrated pest management program in accordance with documented procedures. It also has documented procedures for weed control, handling spills of fuel, lubricants and chemicals, and for the handling and storage of toxic waste (B3).

PT Selaras Abadi Utama has identified threats to the health and vitality of forest resources, such as forest fires, illegal logging, illegal grazing, forest encroachment, hunting, pests and diseases, and weeds, which it handles as follows:

- Outreach to employees and local communities
- Examination at the Entrance (Security Post) by security
- Installation of signboards prohibiting logging, burning forests and encroachment on land
- Daily patrols
- Making incident reports or minutes if there are cases of illegal activities
- Report to the competent authorities if activities occur without permission.

Results of the Public Consultation

Prior to undertaking the Surveillance 2 Audit, PT AJA Sertifikasi Indonesia conducted Public Consultation commencing July 02, 2020, which asked stakeholders to provide feedback and information on PT. Selaras Abadi Utama. The public consultation was uploaded to the PT AJA Sertifikasi Indonesia website (www.ajaindonesia.com), sent to related parties via email or postal mail, and announced in local newspapers.

PT AJA Sertifikasi Indonesia received no input from stakeholders during the public consultation. The audit team also collected information from the mass media about PT Selaras Abadi Utama, such reported cases being given material consideration in the audit process conducted by PT. AJA Sertifikasi Indonesia.

PT Selaras Abadi Utama has identified all necessary requirements for this certification process, comprising legal aspect that include compliance with international regulations and conventions. The established management system includes all field activities for certification, which is registered for an area of 13,600 hectares.

Findings on the certified client conformity with the certification requirements and description of critical issues in relation to the conformity.

The results of the Surveillance 2 Audit of PT Selaras Abadi Utama identified two (2) Non-Conformities of a minor nature. No critical issues were identified by the audit team.

| No. | Non-Conformities | Corrective Action Performed | Category |
|-----|--|---|----------|
| 1 | There were workers who do not use safety shoes and masks in the field as required in by regulation. Indicator I.12.4 | Sanctions will be applied to officers who do not use complete PPE during work time. | Minor |
| 2 | There was a contractor's worker who could not show his welder's certificate as stated in government regulations. Indicator I.1.13. | Provide warning and sanction contractors who allow welding activities to be carried out without having a permit or certification according to applicable regulations. | Minor |

Conditions under which the certificate is issued

Certificate is valid until December 13, 2021, provided that PT Selaras Abadi Utama completes all corrective actions according to the time schedule proposed in its corrective action responses and does not have the same problems at the next Surveillance visit. If the non-conformities are not closed at the next Surveillance, the certificate will be suspended until such time as AJA is able to perform a closeout visit.