

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



JOB NUMBER: AJA/IFCC-015

CLIENT NAME: PT SUNTARA GAJAPATI

TOTAL HECTARES: 27,807 ha

SCOPE OF REGISTRATION: Sustainable Forest Management in Plantation Forest Covering an area of 27,807 hectares in Riau Province

STANDARD/CRITERIA: IFCC ST 1001:2014

TYPE OF AUDIT: AUDIT STAGE 2 - IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

AUDIT START DATE: FEBRUARY 25, 2016

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

AUDIT END DATE: FEBRUARY 28, 2016

LEAD AUDITOR: ADE NURSYAF PUTRA

SIGNATURE:

AUDIT TEAM: ONIRANTO ADI FAJARI

SIGNATURE:

AGUNG UTAMA LUBIS

SIGNATURE:

MAJOR CARS: 0

MINOR CARS: 2

RECOMMENDATION FOR CERTIFICATION/CONTINUED CERTIFICATION (No CARs raised or CARs closed out on site):

RECOMMENDATION FOR CERTIFICATION/CONTINUED CERTIFICATION FOLLOWING OFF-SITE VERIFICATION OF CAR RESPONSES (CARs raised):

RECOMMENDATION FOR CERTIFICATION/CONTINUED CERTIFICATION FOLLOWING ON-SITE VERIFICATION OF CAR RESPONSES (CARs raised):

NON-RECOMMENDATION FOR CERTIFICATION/CONTINUED CERTIFICATION (Evidence Of Major System Failure):

SELECT OPTION

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SITE NAME (Legal Name):	ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY (If more than four (4) sites have been visited please add additional rows):	DATE OF EACH SITE VISIT:
PT. Suntara Gajapati	Basilam Baru Sub District, Batu Teritip Sub District, Sungai Sembilan District, Dumai City, Riau Province, Indonesia	February 25 – 28, 2016
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 (If more than four (4) additional sites have been registered please add additional rows)	
	N/A	
REF No:	ADDRESSES OF INSTALLATION SITES (CLIENT'S CUSTOMER SITES) VISITED AND NOT COVERED DIRECTLY BY THE COMPANY REGISTRATION INCLUDING COUNTRY (If more than two (2) installation sites have been visited please add additional rows)	
	N/A	

Brief Description of the concession and its natural and socio-economic conditions.

PT Suntara Gajapati was established by Deed of Establishment No. 99 dated June 17, 1993 of Notary Koesen, SH., and published in the State Gazette of the Republic of Indonesia dated March 3, 1972 Supplement No. 18 81. Articles of Association were last modified by the Minutes of Meeting of PT Suntara Gajapati No. 35 dated December 8, 2009 of Notary Fery Bakti, SH., which has been approved by the Minister of Law and Human Rights per Letter No. AHU-07756.AH.01.02 In 2011, dated February 16, 2011 on Approval of Amendment to the Articles of Association.

PT Suntara Gajapati is holder of IUPHHK-HTI by Ministerial Decree No. 71 / KPTS-II / 2001 dated March 15, 2001 on the Granting of HPHT To PT Suntara Gajapati Upper Forest Area covering an area of 34, 792 hectares in Riau Province, which is valid for a period of 45 years from the date March 15, 2001.

Within the framework of sustainable forest management (SFM), the Management Unit of PT Suntara Gajapati already has commitments as outlined in the Vision, Mission and Environmental Policy, as follows:

<u>Vision</u>	To be a world-class company that practices sustainable forest management, by developing harmonious social relationships that are economically viable and environmentally friendly.
<u>Mission</u>	1) Develop a sustainable forest industry plantation producing high-quality pulp as raw material, at the best price and at the lowest risk.

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	<ol style="list-style-type: none"> 2) Providing employment and business opportunities for the community and related industries, which can improve the welfare of the local community. 3) Protecting forest areas that have conservation value and improving the environmental sustainability of the forest. 4) Generate adequate profit to contribute to the tax revenues of the state.
<p><u>Environmental Policy</u></p>	<p>The following actions help implement improved environmental performance:</p> <ol style="list-style-type: none"> 1) Conduct environmental management by complying with the law - laws and environmental regulations and other applicable environmental requirements 2) Continuous monitoring of environmental performance 3) Improve efficiency in the use of resources 4) Improve the environmental awareness of all employees through education and continuous training, plus provide environmental information to the public and the government 5) Maintain preparedness and response to emergencies 6) Increase participation and contribution to the welfare of the local communities through the Forest Village Community Development program

PT Suntura Gajapati has prepared a spatial plan of the effective working area, consisting of staple plant area of 24,136 ha (69.37%); indigenous feature plant of 3,480 ha (10.00%); livelihood plant area of 1,740 ha (5%); protected areas covering 4,422 ha (12.71%); and infrastructure area of 1,014 ha (2.91%). In reference to the foregoing spatial plans, the Management Unit of PT Suntura Gajapati has prepared and implemented the following management plans taking into account the principle of conservation of forests:

- 1) Taking into account the peat bog soil type, *Acacia crassicarpa* is the species cultivated as the staple crop, divided into working plots of 25 hectares and having a five-year cutting cycle. The scope of field operational activities carried out by the Management Unit includes arrangement of working area, land preparation, planting, plant husbandry, inventory of planted forest, environmental management, and implementation of the CSR / CD program.
- 2) In meeting its ecological responsibilities the company has established and maintains protected areas such as the riparian zones (areas bordering rivers) and the Senepis Buluhala tiger conservation area. Establishment of these conservation area is in consideration that part of this work area is also the habitat of the Sumatran tiger (*Panthera tigris sumatrae*) a protected and critically endangered species for which 3,850 hectares has been set aside; and the river border areas along the Buluhala River (529 ha), Teras River (20 ha) and Santahulu River (23 ha). In addition, through inventory the Management Unit has identified and mapped the distribution of flora and fauna that are endemic, protected, rare and endangered / endangered and their habitats throughout the whole working area of PT Suntura Gajapati. Moreover, these forest protection activities have been carried out in accordance with identification by the Management Unit of potential areas of interference that include pests & plant diseases, encroachment / illegal occupation of land, and land & forest fires.
- 3) The local communities that surround the working area live in the villages of Desa Batu Teritip and Desa Basilam Baru. In order to improve the welfare of society in these villages and implement the CSR / CD program, the Management Unit has allocated an area for livelihood plants. In addition, it has made efforts to create employment for local people, either as permanent employees or on a daily basis. In carrying out its sustainable forest management, the Management Unit has also been careful to build a positive relationship with the people in the surrounding communities, recognizing and respecting their rights, not just related to occupational health and safety and other employee rights but also through

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other activities designed to foster equitable relations.

In accordance with the requirements of the IFCC Standard, the Management Unit of PT Suntura Gajapati has excluded from certification areas of plantation forest (6,985ha) that were established through conversion of natural forest after Dec. 31, 2010. The final scope of certification is thus 27,807 hectares.

Prior to audit stage 2, PT AJA Sertifikasi Indonesia conducted public consultation, commencing February 11, 2016, for the purpose of requesting input from all relevant stakeholders in regard to Sustainable Forest Development (SFM) Management Unit PT Suntura Gajapati, whereby the request for public consultation was uploaded to the website of PT AJA Sertifikasi Indonesia (www.ajaindonesia.com), sent to the parties via e-mail and / or mail, and published in local newspapers.

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

Based on the audit results of Stage-2, there were two (2) non-conformity issues classified as minor. In relation to the non-conformity, the Management Unit of PT Suntura Gajapati has completed corrective action on all issues in accordance with the timetable that had been determined.

Non-conformity and corrective actions (CARs Action) to be carried out were as follows:

No	Non-conformity	Corrective Action to be performed	Category
1	Audit of financial statements by public accountants was based on the outdated Financial Accounting Standards. Standard requirements: I.1.7	The audit of the financial statements for 2015 will be carried out by public accountants in accordance with the updated Financial Accounting Standard.	Minor
2	Management Unit of PT Suntura Gajapati had not completed the construction of the concession boundaries, which must be carried within two (2) years of the publication of IUPHHK-HTI. Standard requirements: I.4.1	Construction of working area boundaries currently underway and expected to be completed in April 2016.	Minor

Conditions under which the certificate is issued

PT Suntura Gajapati IFCC SFM Certificate may be issued and is valid until 01/07/2019, with the following notes:

1. PT Suntura Gajapati has completed all corrections of the minor non-conformity issues in accordance with the timetable that had been determined.
2. Compliance will be verified during Surveillance Audit, at which time non-conformity must not reoccur.
3. If compliance cannot be verified then the Certificates will be suspended until further verification shows corrective action has been taken and non-conformity no longer exists..