

Public Report Sustainable Forest Management System

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AJA EUROPE

PUBLIC AUDIT REPORT - SFM

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



CLIENT NAME: PT Sumatera Sylva Lestari

TOTAL HECTARES: 33,390

SCOPE OF REGISTRATION: Sustainable Forest Management in Plantation Forest Area of 33,390 hectares in North Sumatra Province, Republic of Indonesia

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Surveillance 1

AUDIT START DATE: April 10, 2017

AUDIT END DATE: April 13, 2017

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

LEAD AUDITOR: Abdullah Mujahid

SIGNATURE:

AUDIT TEAM: Ence Hedi Hasan Zubaedi

SIGNATURE:

Warsito

SIGNATURE:

MAJOR CARS: -

MINOR CARS: 2

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| SITE NAME (Legal Name): | ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY | DATE OF EACH SITE VISIT: |
|----------------------------------|--|-----------------------------|
| PT. Sumatera Sylva Lestari | Padang Lawas – Kecamatan Barumon Tengah, Lubuk Barumon, Kabupaten Padang Lawas, Propinsi Sumatera Utara | April 10-13, 2017 |
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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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Document: Report Format Public – IFCC

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Date: 15 September 2016



Brief Description of the concession

PT. Sumatera Sylva Lestari (Unit Padang Lawas) was granted a forest plantation business permit under Decree of the Minister of Forestry No. 82 / Kpts-II / 2001, dated 15 March 2001 concerning the Granting of Timber Forest Concession Right to PT Sumatera Sylva Lestari for forest area of approximately 42,530 hectares in North Sumatra Province and Riau Province. The Padang Lawas Unit is located in Province of North Sumatra with an area of 33,390 ha.

In its forest management, PT. Sumatera Sylva Lestari (Unit Padang Lawas) has made spatial arrangement of its work area of 33,390 ha as follows: Staple Plants Area of 23,151 ha (69.34 %); Indigenous Plants Area of 4,397 ha (13.17%); Livelihood Plants Area of 1,671 ha (5.00%); Protected Area of 3,593 ha (10.76%) and; Area Unsuitable for Production of 578 ha (1.73%).

No natural forest has been converted to plantation forest since December 31, 2010. Thus, the area to be certified under the IFCC's Sustainable Forest Management scheme is 33,390 hectares.

The working area of the Management Unit of PT. Sumatera Sylva Lestari Padang Lawas is located at 99° 45' 53" to 100° 01' 00" East and 01° 03' 38" to 01° 31' 06" South. The working area falls under the administration of the Sub-Districts of Sosa, Lubuk Barumun, Barumun Tengah, Huriktak and Simangambat, Districts of Padang Lawas and Padang Lawas Utara, North Sumatra Province.

The topography condition of PT Sumatera Sylva Lestari Unit Padang Lawas is mostly flat (0-8%) with an elevation of 50 - 200 m above sea level. The soil type is yellow podsollic with geological data that include farmers, minsa and alluvium formations. Climate based on Schmidt Fergusson classification is Type A, with an annual rainfall of 2,259 mm with rain highest in December and lowest in June. Hydrology includes the catchment areas of the Hampasang and Marbuaya Menek rivers.

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

There are some 32 villages spread around the concession, which was originally customary pago-pago land and around 1981 some 30,000 hectares was transferred to the North Sumatra Provincial Forestry Office for reforestation.

The communities living around the concession are indigenous Batak Mandailing who are predominantly Muslim. Based on village data in Lubuk Barumun subdistrict, 98% of the population is Batak Mandailing and most gain their livelihood from farming (65%) while the rest are laborers, traders and civil servants.

The Management Unit of PT Sumatera Sylva Lestari Unit Padang Lawas has standard procedures / mechanisms related to conflict resolution. Given the historical background of the concession it is perhaps not surprising that there are reports of land claimed by villagers, cooperatives, private coconut plantation companies, and others located in Padang Lawas Utara and Selatan Padang Lawas. Land acquisition / occupation by the community around the concession is caused by, among others: the concession area before the issuance of the definitive decree had overlapped with other companies (oil palm plantation), The people's desire to plant oil is very strong because the results are more promising, and this is assisted by unscrupulous village officers and the lack of synergy by relevant agencies or entities on the status, granting of rights or designation of the area.

Management Unit's efforts to resolve land claims and incursions include the following: prepare identification map / claims of encroachment within the concession area, settlement efforts in the form of: warning letters, reports to relevant agencies, safeguard areas frequently encroached upon by communities and report cases of land encroachment to the authorities up to Padang Sidempuan District Court where necessary

In general, however, the Management Unit of PT. Sumatera Sylva Lestari Padang Lawas Unit has found cooperation with the local communities around the concession area pays better dividends. As such it has entered into a series of livelihood plant cooperation agreements with cooperatives representing a number of village communities. It also encourages members of local communities to fill its employment vacancies, while five of nine companies contracted to the company are locally owned.

PT. Sumatera Sylva Lestari Padang Lawas Unit also undertakes a number of activities under its Corporate Social Responsibility (CSR) programs that are aimed at assisting local communities to improve their economic and social welfare.



Besides infrastructure improvement programs such as maintenance of road facilities, it also provides assistance to facilitate religious programs.

Description of the ecological conditions of the concession

PT. Sumatera Sylva Lestari Padang Lawas Unit has environmental documents that serve as guidance in environmental management, which include: RKL (Environmental Management Plan) and RPL (Environmental Monitoring Plan). The results of its environmental monitoring and management are reported to the requisite authorities on a periodic basis.

Among the impacts monitored are micro-climate changes and air quality (carbon emissions), as well as various indicators relating to the health of the soil and the quality of the water. PT. Sumatera Sylva Lestari Padang Lawas has allocated a Protected Area of 3,593 ha (10.76%), consisting of border areas of 3,363 ha (10.07%) and a germplasm conservation area of 230 ha (0.69%), that serves to protect ecosystem and hydrological functions. The Management Unit has also undertaken biodiversity management activities that include identification and monitoring of flora and fauna, as well as enrichment planting of local species.

Results of the Public Consultation

Prior to performing the Surveillance Audit 1, PT. AJA Sertifikasi Indonesia conducted Public Consultation, commencing March 29, 2017, asking stakeholders to provide feedback and information on PT Sumatera Sylva Lestari Unit Padang Lawas. The Public Consultation was uploaded to the PT AJA Sertifikasi Indonesia website (www.ajaindonesia.com), sent to the parties via email and / or postal mail, and announced in the local newspaper (Batak Post). PT AJA Sertifikasi Indonesia received no input from stakeholders during the public consultation.

The audit team also collected information from the media about the evacuation of PT. Sumatera Sylva Lestari Padang Lawas unit. Such reported cases are considered to be part of the audit process implemented by PT. AJA Sertifikasi Indonesia.

The Management Unit has identified all the requirements required for this certification process, both legal aspects, including compliance with international / convention rules. The management system has covered all the activities in the field for certification, which is registered for certification of 33,390 ha.

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

The results of Surveillance Audit 1 of PT Sumatera Sylva Lestari Unit Padang Lawas revealed two (2) minor non-conformities as follows:

| NO | Non-conformities | Corrective Action performed | Category |
|----|--|---|----------|
| 1. | There are still roads that have no culverts / bridges on the Sarunding river, which could potentially lead to contamination of the river body. Clause ref I.6.4. | The Management Unit has proposed construction of a durable permanent bridge construction to the director of PT. SSL. | Minor |
| 2. | Based on field visits to employee and contractor housing, organic and inorganic waste is not segregated. Clause ref I.12.6 | - Improved waste management system by revising SOP Waste Management for housing areas. - Disseminate the SOPs on waste management to employees and contractors living in the camp. | Minor |



Conditions under which the certificate is issued

Certificate is valid until 05/08/2019, provided that PT Sumatera Sylva Lestari Unit Padang Lawas 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.