

Public Report Sustainable Forest Management System

**Ownership of this report and the information
contained herein remains the property of AJA Europe**



AJA EUROPE
PUBLIC AUDIT REPORT - SFM
TO BE SUBMITTED TO THE CLIENT, IFCC AND TO AJA EUROPE



JOB NUMBER: AJA/IFCC-002

CLIENT NAME: PT SUMATERA RIANG LESTARI

TOTAL HECTARES: 25,320
Hectares

SCOPE OF REGISTRATION: Sustainable Forest Management in Plantation Forest covering 25.320 Hectares in North Sumatera Province.

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: SURVEILLANCE 1

AUDIT START DATE: 18 SEPTEMBER 2015

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: 21 SEPTEMBER 2015

LEAD AUDITOR: AGUNG UTAMA LUBIS

SIGNATURE:

[Handwritten Signature]

AUDIT TEAM: ROY ADAM

SIGNATURE:

[Handwritten Signature]

IGN AGUS EKA PUTERA

SIGNATURE:

[Handwritten Signature]

MAJOR CARS: 5

MINOR CARS: 10

RECOMMENDATION FOR CERTIFICATION/CONTINUED CERTIFICATION (No CARs raised or CARs closed out on site):	<input type="checkbox"/>
RECOMMENDATION FOR CERTIFICATION/CONTINUED CERTIFICATION FOLLOWING OFF-SITE VERIFICATION OF CAR RESPONSES (CARs raised):	<input checked="" type="checkbox"/>
RECOMMENDATION FOR CERTIFICATION/CONTINUED CERTIFICATION FOLLOWING ON-SITE VERIFICATION OF CAR RESPONSES (CARs raised):	<input type="checkbox"/>
NON RECOMMENDATION FOR CERTIFICATION/CONTINUED CERTIFICATION (Evidence Of Major System Failure):	<input type="checkbox"/>

SELECT OPTION

AJA EUROPE

PUBLIC AUDIT REPORT - SFM

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



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:
Block 1 Sei Kebaro	Torgamba District, South Labuhan Batu Regency, Simangambat District, North Padang Lawas Regency, North Sumatra Province, Indonesia.	September 18-21, 2015
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	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	N/A	

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

- PT Sumatera Riang Lestari Block I Sei Kebaro is part of PT Sumatera Riang Lestari, originally named PT Sumatera Sinar Plywood Industries (PT SSPI), with the legal basis being the Decree of the Minister of Forestry No. SK.640/Kpts-II/1992 of June 23, 1992 on Concession Rights for Industrial Plantation Forest (provisional) to PT Sumatera Sinar Plywood Industries for approximately 143,205 ha in the provinces of North Sumatra and Riau.
- PT. Sumatera Riang Lestari (PT. SRL) Blok I Sei. Kebaro has SOPs (*Standard Operating Procedures*) and WIs (*Work Instructions*) in order to manage forest management from land preparation through planting to harvesting. PT. Sumatera Riang Lestari Blok I Sei. Kebaro has implemented RIL (*Reduced Impact Logging*) and WI (*Work Instruction*) Technical Guidance for Manual Harvesting. The Management Unit of PT. Sumatera Riang Lestari Blok I Sei Kebaro has optimized resources with high exploitation factor and reduction in waste. This is achieved through flattening of the bark and branches in previously harvested area, which will reduce damage to the soil and erosion, through solidification of the dust and biomass that is returned to the forest.
- The initial legalization underwent certain changes when the name was changed to PT Sumatera Riang Lestari on the legal basis of the Decree of the Minister of Forestry No. SK.99/Menhut-II/2006 April 11, 2006 regarding changes to the heading of the Decree of the Minister of Forestry No. SK.262/Menhut-II/2004 in regard to granting a business license for Utilization of Timber Forest Product (IUPHHK) from the Plantation Forest to PT. Sumatera Sinar Plywood Industries (SSPI) covering an area of approximately 65,000 ha in North Sumatra Province.
- The amended decree was in regard to the change in name of the original legal entity, PT. Sumatera Sinar Plywood Industries (PT. SSPI) to become PT. Sumatera Riang Lestari. All rights and obligations that were formerly the



responsibility of PT Sumatera Sinar Plywood Industries thereby became the responsibility of PT Sumatera Riang Lestari. The associated area of certification in PT Sumatera Riang Lestari Block I Sei Kebaro is based on the Decree of the Minister of Forestry No. SK.208/Menhut-II/2007, May 25, 2007 regarding changes to the Decree of the Minister of Forestry No. SK.262/Menhut-II/2004 jo No. SK.99/Menhut-II/2006 regarding granting a business license for Utilization of Timber Forest Product (IUPHHK) from the Plantation Forest to PT Sumatera Riang Lestari, covering an area of approximately 65,000 ha in North Sumatra Province. The decree concerned the changes in the area of employment of IUPHHK-HTI PT. SRL to become approximately 215,305 ha, which consists of approximately 67,230 ha located in North Sumatra Province and approximately 148,075 ha in Riau Province. The working area of PT. Sumatera Riang Lestari Block I Sei Kebaro based on SK No 208/Menhut-II/2007 May 25, 2007 covers an area of 25,320 hectares.

- Administratively, the working area falls under: Torgamba District, South Labuhan Batu Regency and Simangambat District, North Padang Lawas Regency, both being in the North Sumatra Province. Topography of the forest block Sei Kebaro shows 20,631 ha being flat (0-8%) and 4,689 ha sloping (8-15%), while the altitude ranges from 75 – 280 m above sea level.
- In its operations the Management Unit performs:
 - Inventory activities conducted by PT. SRL Block I:
 - a. Available Permanent Sample Plots (PSP),
 - b. Plant Inventory - Activities PMA (Plantation Monitoring Assessment) Age 6 months .
 - c. Plant Inventory - Activities PMA (Plantation Monitoring Assessment) Age 18 months .
 - d. Plant Inventory - Activities PMA (Plantation Monitoring Assessment) Age 30 months or MRI (Mid-Rotation Inventory / P-30).
 - e. Plant Inventory - Activities PMA (Plantation Monitoring Assessment) Age 42 months or PHI (Pre-Harvest Inventory / P-42).
 - f. Plant Inventory - Activities PMA (Plantation Monitoring Assessment) Age 54 months or PHI (Pre-Harvest Inventory / P-54).
- The RWA (Residual Wood Assessment) document ensures the quality of harvesting work in accordance with the standards and the area to be handed over (Handover Area) through effective harvesting of the Plantation to meet the following conditions:
 - a. Commercial timber disadvantaged: commercial timber left in the plot / compartment of minimum length 4.2 m, and diameter 40 cm.
 - b. Trees / Stand Behind: no trees left standing, except those forbidden to be harvested
 - c. Stump: a maximum of 30 cm in the ground or buttresses above
 - d. Trails Clean: clean lane width greater than 9 meters
 - e. Tree saplings in clean lines: there are saplings in clean lines
 - f. Trails trash: trash line width of less than 3 meters
 - g. Timber harvesting activities: In carrying out harvesting, the Management Unit uses the SOP Timber Harvesting Crops dated June 1, 2009 issue second revision dated January 6, 2015, and has embraced the principles of RIL (Reduced Impact Logging).
- HQA (Harvest Quality Assessment) activities are performed, which consist of monitoring the harvesting activities to ensure harvesting is carried out according to the established procedures, and is conducted efficiently and optimally.
- The Management Unit has been carrying out monitoring and recording growth of forest stands through periodic measurement of permanent sample plots (PSP) for each type of ecosystem, which will be used in determining the AAC so that later (at the time of harvesting of acacia) this will not exceed the forest increment (growth).
- There are five (5) villages around PT Sumatera Riang Lestari Block I Sei Kebaro: Torganda Village, Sei Meranti Village Torgamba District, South Labuhan Batu Regency, North Sumatra Province; ; Kosik Putih Village, Simangambat District, North Padang Lawas Regency, North Sumatra Province; Bagan Makmur Village, Bagan Sinembah District, Rokan Hilir Regency, Riau Province; and Tanjung Sari Village, Pujud District, Rokan Hilir Regency, Riau Province.
- Protected areas such as river banks in the working area of the Management Unit have been recorded on the Map of Protected Areas in the work area IUPHHK-HTI PT SRL Block I with a scale of 1: 65,000. Actions taken are:
 - Demarcation in the field completed in 2015.

AJA EUROPE
PUBLIC AUDIT REPORT - SFM
TO BE SUBMITTED TO THE CLIENT, IFCC AND TO AJA EUROPE



- Installation of information boards
 - Socialization of protected areas to local communities and employees
 - Forest patrols conducted on a daily basis.
 - Rehabilitation of degraded areas by planting trees and types of local vegetation.
- The Management Unit has monitored the impact of forest management activities on the environment in reference to the documents RPL Space Impact I (including forest groups Garingging and Kabar) covering an area of 116, 500 hectares wherein the area management units are made based on the results of the EIA for PT SSPI in 2001. Monitoring activities of the impact on the physical and biological environment are performed periodically covering: condition of vegetation covering protected areas, density and diversity of vegetation in protected areas and areas of production, type and diversity of wildlife in protected areas, presence of wildlife in the areas of production, pests and plant diseases, forest protection, including monitoring of forest fires, encroachment, and illegal logging.
 - The Management Unit has identified, taken inventory and mapped areas of swamp and river border as well as natural forest ecosystems that are areas for Genetic Resources (ASDG). These areas have become an important part of the landscape for they have distribution and abundance of natural species of flora and fauna and are designated germplasm preservation regions (KPPN). The entire area has been designated by the Management Unit as protected / conservation areas excluded from production logging activities and have been recorded on the map as " Protected Area in the Work Area" with a scale of 1: 65,000.
 - Components of the social, economic and cultural parameters included in the Environmental Management Plan and Environmental Monitoring Plan (RKL/RPL) of PT Sumatera Riang Lestari Block I Sei Kebar are as follows:
 - Employment opportunities: of the 1,223 employees of contractors, some 750 (62%) are local residents, as are 288 (77%) of PT Sumatera Riang Lestari's 375 own employees.
 - Seek opportunities and economic development, by the development of Warung Akasia food court, office canteen, canteen for the Administration Office, tire repair facility, grocery shop, transport rental of Colt diesel, workshop for rattan craftsmen group of non-timber forest products of PT Sumatera Riang Lestari Block I Sei Kebar.
 - Community Development Programs: program for the provision of electricity in the hamlet of Tanjung Rejo, Village Tanjung Sari.
 - Educational assistance programs and school infrastructure.
 - Handling of overlapping land with PT Torganda and claims of Cooperative Village Unit (KUD) Sei Meranti.
 - PT Sumatera Riang Lestari has registered its employees in the government social security program (Jamsostek / BPJS) registering their membership on August 1, 2001. PT Sumatera Riang Lestari has proof of payment of social security of employees in July, August, September 2015. PT Sumatera Riang Lestari has been paying wages above the minimum provisions as stipulated by the provincial governor.
 - In its sustainable forest management PT Sumatera Riang Lestari Block I Sei Kebar is applying the principles of production, ecological and social sustainability. Application of the silviculture system already considered the characteristics of the forest resources, the site condition and the species. The condition of PT Sumatera Riang Lestari Block I Sei Kebar is mineral soil which is broken up by soil ripping, while the selected species is *Eucalyptus pellita*.
 - Monitoring and evaluation of PT Sumatera Riang Lestari Block I Sei Kebar forest management is carried out through the monitoring and evaluation work plan (RKT) in the annual work plan, which covers production, ecological and social aspects. Quarterly reports of implementation mark the progress of the annual work plan, and six-monthly RKL/RPL reports contain details of the management and monitoring of the environment.
 - There have been no areas of conversion since December 31, 2010 in PT Sumatera Riang Lestari Block I Sei Kebar.

Prior to conducting the Surveillance 1 audit, PT AJA Sertifikasi Indonesia conducted public consultation, commencing September, 2015, asking stakeholders to provide feedback on PT SRL Sei Kabar. The Public Consultation was uploaded to the website of PT AJA Sertifikasi Indonesia (www.ajaindonesia.com), sent to the parties via e-mail and / or postal mail, and published in local newspapers. PT AJA Sertifikasi Indonesia received no input from the public consultation. The audit team also gathered information from media reports about PT SRL Sei Kabar. Such reported cases are considered to be part of the audit process carried out by PT. AJA Sertifikasi Indonesia.



The Management Unit has identified all the necessary requirements for this certification process, comprising legal aspects that include compliance with international rules and regulations and conventions. The management system has been built to cover all activities in the field of certification, which is registered for certification of an area of 25,320 ha

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

The results of the Surveillance 1 Audit of PT Sumatera Riang Lestari Block I Sei Kebaro in 2015 revealed 5 major and 10 minor non-conformities. PT Sumatera Riang Lestari Block I Sei Kebaro has conducted corrective actions for all findings, and thus the certificate granted in the previous year can still be maintained by PT Sumatera Riang Lestari Block I Sei Kebaro because it is still in compliance with the standard (IFCC ST 1001:2014).

The non-conformities identified in Surveillance 1 Audit of PT Sumatera Riang Lestari Block I Sei Kebaro in 2015 were as follows:

NO	Non-conformities	Corrective Action performed	Category
1	Data of permanent sample plots (PSP) cannot be used for the determination of AAC, In the SOP permanent sample plots (PSP) did not clearly state the method for determining the amount of the plot, the intensity of sampling, or the dispersion pattern of permanent sample plots. Clause Ref. I.5.2.	PT Sumatera Riang Lestari Block I Sei Kebaro has revised its SOP for permanent sample plots (PSP) by adding a section with a description of the method of determination, amount and distribution of samples.	Major
2	The format of the financial statements, work plan and budget of the Company was not in accordance with the official guidelines. Clause Ref. I.1.7.	The components of the balance sheet on the financial statements refer to adjustments in the regulations of the Minister of Forestry by presenting physical information and posting costs of activities in the description of the Industrial Plantation Forest.	Minor
3	1. The Scope of the SOP for harvesting activities was for an area of lowland canal system, whereas the area of PT Sumatera Riang Lestari Blok I Sei Kebaro has mineral soil and thus the SOP was not applicable. 2. In the activity Inventory of Plants, the SOP was not appropriate for all actual types of inventory. Clause Ref. I.1.11	The Management Unit has addressed this matter by: 1. Withdrawal of the SOP for harvesting in lowland areas, and provision of SOP for harvesting in mineral land 2. The SOP for Inventory of Plants has been revised to fully cover all actual types of inventory.	Minor
4	- PT Sumatera Riang Lestari Sei Kabaro does not have information about research on primary plants with PT. RAPP, so the staff lacks sufficient information. - PT Sumatera Riang Lestari Sei Kabaro could not provide the research cooperation letter with PT RAPP. Clause Ref. I.1.16	- Management of PT Sumatera Riang Lestari has identified the type of research that has been done, and the results will be published through the Management Summary document. - Management Unit provided the Research Cooperation Agreement document between PT RAPP and PT Sumatera Riang Lestari in August 2015	Minor

5	<p>The Management Unit has not been fully effective in implementing management of hazardous, toxic material waste in the nursery area, B3 temporary storage and incinerator areas.</p> <p>Clause Ref. I.6.6.</p>	<ul style="list-style-type: none"> - Management Unit has implemented the management of toxic hazardous material waste according to the relevant SOP. - Training plan has been provided, correction has been implemented and relevant personnel have been provided with the personnel protective equipment. 	Major
6	<ul style="list-style-type: none"> - List of names of fauna/wildlife that have been mapped needs to include their scientific name in Latin, as well as their conservation status (according to prevailing regulations, IUCN Redlist, CITES). - There is no information on the distribution of fauna habitat protected. - There is no information on the distribution of the flora that are protected. <p>Clause Ref. I.7.1.</p>	<ul style="list-style-type: none"> - FCHSE division has completed the list of flora and fauna identified with the scientific name as well as the conservation status. The map of distribution of protected flora and fauna has now been provided. 	Major
7	<p>There is no document on identification of habitat and the distribution of key species in the working area of the Management Unit.</p> <p>Clause Ref. I.7.3.</p>	<p>The Management Unit has provided a reference to the habitat of Kuau birds and has provided a map of identification on the existence of kuau birds as a key species with a scale of 1:25,000.</p>	Minor
8	<ul style="list-style-type: none"> • Villages that have livelihood plants cooperation do not have original copies of agreement documents. • Villages who have livelihood plants agreements do not know the location of the plants agreed upon with PT Sumatera Riang Lestari Block I Sei Kebaro. <p>Clause Ref. I.9.3.</p>	<ul style="list-style-type: none"> • The Management Unit has sent an original copy of the livelihood plants agreement to the related villages, supported by the minutes of the handover. • The Management Unit has confirmed with the related village the location of the livelihood plants under the cooperation agreement and supported by the statement letter from the head of village. 	Minor
9	<p>The Management Unit has not been provided with proof of membership and payment of BPJS (social security) by all contractors who work for PT SRL Sei Kebaro.</p> <p>Clause Ref. I.11.1</p>	<ul style="list-style-type: none"> - The Management Unit has provided proof of membership and payment of BPJS (social security) by the contractors. - The Management Unit has conducted a meeting with all contractors to urge compliance with the provisions of BPJS (social security) 	Major
10	<p>Based on interviews with employees of one of the daily partner contractors of PT Sumatera Riang Lestari, the daily wages were below the regional minimum wage.</p> <p>Clause Ref. I.11.3.</p>	<p>The Management Unit of Department of Common Service has monitored the payment of wages in compliance with the regulation and sent a director's letter to the contractors that the payment of wage must comply with the regional minimum wage.</p>	Major

AJA EUROPE
PUBLIC AUDIT REPORT - SFM
TO BE SUBMITTED TO THE CLIENT, IFCC AND TO AJA EUROPE



11	In the list of workers, there is no data of date of birth of some of contractors' workers so the minimum age of workers cannot be monitored. Clause Ref. I.11.7.	The Management Unit has completed the list of workers data to include date of birth data and there are no under-age workers.	Minor
12	The condition of the Contractors' Mess was unusable due to leaks from the tin roof, damage to the plywood wall, and minimal air circulation. Clause Ref. I.11.8.	PGA instructed the contractor to clear the mess identified as uninhabitable, and make a plan / time frame for building maintenance. New housing now exists for contractors.	Minor
13	Some of the fire extinguishers (APAR) have not been checked on a routine basis. Clause Ref. I.12.2.	The Management Unit has ensured that all fire extinguishers (APAR) have been checked on a routine basis according to the SOP.	Minor
14	The evaluation report on the implementation and effectiveness of OHSAS/K3 was not available. Clause Ref. I.12.7.	The Management Unit has provided the evaluation report of P2K3 (Safety Committee) as the evaluation of K3 implementation each month.	Minor
15	The Management Unit did not have information about the results of the evaluation and assessment of the negative impact of the use of certain Eucalyptus clone types. Clause Ref. III.3.2.	FCHSE division has provided a reference on the results of scientific studies and impact of Eucalyptus stands, which is available on site	Minor

Conditions under which the certificate is issued

IFCC certificate for PT Sumatera Riang Lestari Block I Sei Kebaro is valid until April 20, 2018. The Management Unit is requested to complete all the corrective actions in accordance with the time frame submitted in the response to the corrective actions, and not have the same problems at the next Surveillance visit.

If there are non-conformities that are not closed on the next surveillance audit activities, the IFCC certificate will be suspended.