

Public Report Sustainable Forest Management System

Ownership of this report and the information contained within remain the property of
AJA Europe



CLIENT NAME: PT SEBANGUN BUMI ANDALAS WOOD INDUSTRIES

TOTAL HECTARES: 136,524.68

SCOPE OF REGISTRATION: Sustainable Forest Management of 136,524.68 hectares of Plantation Forest in South Sumatra Province

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

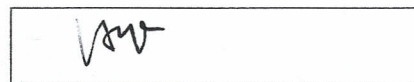
TYPE OF AUDIT: Recertification

AUDIT START DATE: November 21, 2019
 AUDIT END DATE: November 27, 2019

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: Andri Wibisono

SIGNATURE:



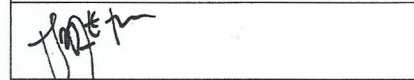
AUDIT TEAM: Ardi Prasetyo

SIGNATURE:



Mashari

SIGNATURE:



MAJOR CARS : 1

MINOR CARS : 3

SITE NAME (Legal Name):	ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY	DATE OF EACH SITE VISIT:
HO PT SBAWI	Tulung Selapan District, Air Sugihan District, Ogan Komering Ilir Regency, South Sumatra Province, Republic of Indonesia	November 21, 2019
District of Lebong Hitam	Tulung Selapan District, Air Sugihan District, Ogan Komering Ilir Regency, South Sumatra Province, Republic of Indonesia	November 22 to 23, 2019
District of Teluk Daun	Tulung Selapan District, Air Sugihan District, Ogan Komering Ilir Regency, South Sumatra Province, Republic of Indonesia	November 24 to 25, 2019
District of Teluk Pulau	Tulung Selapan District, Air Sugihan District, Ogan Komering Ilir Regency, South Sumatra Province, Republic of Indonesia	November 26 to 27, 2019
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	
District of Kuala Lumpur	Tulung Selapan District, Air Sugihan District, Ogan Komering Ilir Regency, South Sumatra Province, Republic of Indonesia	
District of Sungai Riding	Tulung Selapan District, Air Sugihan District, Ogan Komering Ilir Regency, South Sumatra Province, Republic of Indonesia	

Brief Description of the concession

PT Sebangun Bumi Andalas Wood Industries obtained an IUPHHK-HTI (Business Permit for Utilizing Timber Forest Product of Industrial Plantation Forest) by Decree of the Minister of Forestry Decree No. 125 / Kpts-II / 1998 dated February 18, 1998 concerning Granting of Concessions of Industrial Plantation Forests over Forest Areas ± 40,000 (forty thousand) hectares in the Level I Regional Province of South Sumatra to PT Sebangun Bumi Andalas Wood Industries.

In 2004 there was a decree on amendment to the Decree of the Minister of Forestry Decree No. 347 / Kpts-II / 2004 dated September 10, 2010 concerning Forestry Amendment Decree No. 125 / Kpts-II / 1998 dated February 18, 1998 concerning Granting of Concessions of Industrial Plantation Forests to Forest Areas ± 40,000 (forty thousand) hectares in the Level I Regional Province of South Sumatra to PT Sebangun Bumi Andalas Wood Industries which made changes to the working area becoming approx. 142,355 ha.

There was a Decree of the Minister of Environment and Forestry No SK.563 / Menlhk / Setjen / PLA.2 / 10/2017 dated October 18, 2017 concerning the Determination of the Work Area of Business Permit for the utilization of Timber Forest Products in Industrial Plantation Forest PT Sebangun Bumi Andalas Wood Industries covering an area of 136,524.68 (one hundred thirty six five hundred twenty four and sixty eight) in Ogan Komering Ilir Regency.

In the Management Unit area there was no conversion of natural forest over December 31, 2010, so the area certified is 136,524.68 ha.

In implementing forest management operations, the Management Unit has the RKUPHHK-HTI document (Work Plan for Utilizing Timber Forest Products in Industrial Plantation Forests). During the period of Surveillance 2 Audit to the current Recertification audit, the Management Unit has 2 RKUPHHK-HTI documents:

1. Decree of the Minister of Environment and Forestry Number SK.1984 / MenLHK-PHPL / UHP.1 / 4/2018 dated 17 April 2018 concerning Approval of Adjustment of Work Plan for Utilization of Timber Forest Products in Industrial Plantation Forests (RKUPHHK-HTI) for a period 10 (Ten) Years period 2017-2026 year Activity 2018-2019 On Behalf of PT Sebangun Bumi Andalas Wood Industries in South Sumatra Province
2. Decree of the Minister of Environment and Forestry Number SK.6048 / MenLHK-PHPL / UHP.1 / 6/2019 dated June 28, 2019 concerning Approval of Revised Work Plan for Utilization of Timber Forest Products in Industrial Plantation Forests (RKUPHHK-HTI) for a Period 10 (Ten) Years 2017-2026 period on behalf of PT Sebangun Bumi Andalas Wood Industries in South Sumatra Province

Then, for the RKT UPHHK-HTI document (Annual Work Plan for Timber Forest Product Utilization in Industrial Plantation Forests) in 2019s there are 2 RKTs:

1. Decree of the President Director Number SK.168 / SBAWI / XII / 2018 dated December 28, 2018 concerning Ratification of the Annual Work Plan for Utilization of Timber Forest Products in Industrial Plantation Forests (RKT UPHHK-HTI) 2019 on behalf of PT Sebangun Bumi Andalas Wood Industries in the province of South Sumatra
2. President Director Decree Number SK.112 / SBAWI / VIII / 2019 dated August 15, 2019 concerning Ratification of the Annual Work Plan for Utilization of Timber Forest Products in Industrial Plantation Forests (RKT UPHHK-HTI) 2019 Revised on behalf of PT Sebangun Bumi Andalas Wood Industries in the province of South Sumatra

Spatial planning of work areas in the Revised RKUPHHK-HTI document for 2019 are: Local Protected Areas and Other Protected Areas of 21,007.04 ha (15.39%), Staple Plant area of 87,054.05 ha (63.76%), Livelihood Plant area of 28,463.59 ha (20.85%) with the total area of 136,524.68 ha (100%). Local Protected Areas and Other Protected Areas consist of River Border of 5,620.58 ha (4.12%), Germplasm Conservation Area of 422.66 ha (0.31%), Wildlife Conservation Area of 8,276.99 ha (6.06%), and Peat Dome Area of 6,686.81 Ha (4.90%).

Generally, based on the government administration, PT Sebangun Bumi Andalas Wood Industries is located in Tulung Selapan District and Air Sugihan District, Ogan Komering Ilir Regency, South Sumatra Province. Geographically located at 105 ° 34 '54.284 " to 105 ° 55' 41.263" East and 2 ° 47 '51.834 " to 3 ° 19' 39.702" South. Based on forestry administration it is entered KPH Sungai Lumpur. Watershed Location: Batang Watershed, Riding Watershed, Lebong Hitam Watershed, Lumpur Watershed, Pedada Watershed. Forest Group Lumpur - Tanjung Koyan River. Altitude 0-8 m above sea level, 0-8% flat topography, Rawa Sediment geological formation. Soil type: 84% mineral and 16% peat. Organosol, Podsolik, alluvial soils. The plants developed for production are *Acacia crassicarpa*, *Acacia mangium* and *Eucalyptus* sp.. The work area boundaries are as follows:

- North side: PT. Bumi Andalas Permai Unit I and Protection Forest

- East side: PT. Bumi Andalas Permai Unit II
- Southern side: Other use area (APL) and Mud River
- West side: PT. Bumi Andalas Permai Unit I and PT. Bumi Mekar Hijau

Details of per-district are as below:

- District of Kuala Lumpur: 5,045,86 ha of Conservation Area; 12,647.36 ha of Livelihood Plant area; 11,073.44 ha of Staple Plant area; with a total of 28,766.65 ha. Located at 105° 34' 54,284" to 105° 46' 34,669" East and 3° 1' 33,519" to 3° 19' 39,702" South. The species planted are *Acacia crassicarpa*, *Acacia mangium*, and *Eucalyptus* sp. Bordered by Lebong Hitam District (North); APL, HTI of PT Bumi Mekar Hijau (South); HTI of PT Bumi Mekar Hijau (West); and APL, HTI PT Bumi Mekar Hijau (East).
- District of Lebong Hitam: 6,545.44 ha of Conservation Area; 11,138.53 ha of Livelihood Plant area; 20,320.59 ha of Staple Plant area; with a total of 38,004.56 ha. Located at 105° 34' 54,284" to 105° 48' 1,121" East and 2° 53' 41,014" to 3° 15' 44,629" South. The species planted are *Acacia crassicarpa*, *Acacia mangium*, and *Eucalyptus* sp. Bordered by Teluk Daun and Sungai Riding District (North); APL, Kuala Lumpur District (South); HTI PT Bumi Mekar Hijau and HTI PT Bumi Andalas Permai (West); APL, Sungai Riding District (East).
- District of Sungai Riding: 2,554,34 ha of Conservation Area; 4,677,70 ha of Livelihood Plant area; 25,685.98 ha of Staple Plant area; with a total of 32,918.02 ha. Located at 105° 43' 22,587" to 105° 55' 41,263" East and 3° 1' 48,951" to 3° 14' 35,592" South. The species planted are *Acacia crassicarpa*, *Acacia mangium*, and *Eucalyptus* sp. Bordered by Teluk Pulau District (North); APL (South); APL, Lebong Hitam District (West); HTI PT Bumi Andalas Permai (East).
- District of Teluk Daun: 174,58 ha of Conservation Area; 8,120.05 ha of Staple Plant area; 6,686.81 ha of Peat Dome, with a total area of 14,981.44 ha. Located at 105° 35' 0,238" to 105° 46' 13,786" East and 2° 47' 51,834" to 2° 56' 24,183" South. The species planted are *Acacia crassicarpa*, and *Acacia mangium*. Bordered by HTI PT Bumi Andalas Permai (North); HTI PT Bumi Andalas Permai, Lebong Hitam District, Teluk Pulau District (South and west); HTI PT Bumi Andalas Permai, Teluk Pulau District, Permanent Production Forest (East).
- District of Teluk Pulau; 21,854.01 ha of Staple Plant area. Located at 105° 40' 24,608" to 105° 55' 41,263" East and 2° 55' 52,014" to 3° 1' 49,076" South. The species planted are *Acacia crassicarpa*, *Acacia mangium*, and *Eucalyptus* sp. Bordered by Lebong Hitam District, Teluk Pulau District (North); Lebong Hitam District, Sungai Riding District (South); Lebong Hitam District (West); HTI PT Bumi Andalas Permai, Permanent Production Forest (East).

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

Based on AMDAL documents, High Conservation Value Assessment Report (HCV), Social Impact Assessment Report and interviews with the village governance, no indigenous peoples were found in accordance with the requirements of the law (Law No. 27 of 2007 and Presidential Decree No. 111 of 1999).

The operational areas of PT Sebangun Bumi Andalas Wood Industries are administratively included in Tulung Selapan Subdistrict which covers several village areas as follows:

1. Simpang Tiga Makmur Village (in the Lebong Hitam District)
2. Simpang Tiga Sakti Village (in the Lebong Hitam District)
3. Kuala Dua Belas Village (in Sungai Riding District)
4. Rantau Straight Village (in the Kuala Lumpur District)
5. Simpang Tiga Abadi Village (in the Kuala Lumpur District)
6. Simpang Tiga Village (Matyasin Village) (in the Kuala Lumpur District).

The people who live around the concession area consist of migrants from indigenous Malays, Javanese, Bugis, Sundanese and others who are scattered in the villages. The daily livelihoods of the people in the 6 (six) villages are mostly fishermen, farmers, others occupy as teachers, employees of surrounding companies, health workers, security officers, etc.

Related to conflict resolution, The Management Unit has a conflict resolution mechanism, namely Standard Operating Procedure (SOP) for Land Conflict Resolution, No. Document: SBA-SS-SOP-11204 Rev.2, dated May 23, 2018, which has

referred to several references to applicable laws and regulations. This procedure is used as a reference if there is a conflict so that the resolution or resolution of social conflicts is resolved by the principle of free, prior and informed consent (FPIC).

Efforts to resolve conflicts with surrounding communities have been carried out by The Management Unit which formed a Conflict Resolution Institution or Conflict Resolution Team which involves parties such as Village, District, District and Provincial Government Officials as well as other related parties in accordance with the following documents:

- 2018 Semester II Land Claim Mapping Report. This report contains the results of mapping the potential and conflict resolution as well as the development of conflict resolution in the working area. Report submitted to the Forest Service of South Sumatra Province and BPHP Region V Palembang, March 13, 2019.
- 2019 Semester I Land Claim Mapping Report. This report contains the results of mapping the potential and conflict resolution as well as the development of conflict resolution in the working area. Report submitted to the Forest Service of South Sumatra Province and BPHP Region V Palembang, July 15, 2019.

Based on the Conflict Mapping Report, the Conflict Status in the concession area is classified as Controlled up to Beware with values ranging from 36% to 68%.

The conflict resolution efforts that have been carried out during 2018 to 2019 are as follows:

- Reconfirm the location of the conflict.
- Meetings with stakeholders at the village level and key figures.
- Coordination with forestry / regional KPHP 4.
- Continuing conflict resolution meetings.
- Communication and mediation towards conflict resolution.
- Socialization of settlement options.
- MoU on conflict resolution.

The company has made a cooperation agreement with the community and with its partners in accordance with a participatory and fair agreement by considering the rights and obligations of the parties. Some of the agreements that have been made are agreements on the management of livelihood plants, providing support to the Desa Makmur Peduli APi Program (DMPA), with the scope of this collaboration covering the development of productive economies based on forestry, agriculture, fisheries and others, participatory village mapping, transfer of agricultural technology. Resolving conflict responsibly, building marketing partnerships, strengthening community participation in forest and land protection.

Related to the certainty of the area boundaries, it is known that the realization of the boundaries of the working area of IUPHHK-HTI has been compromised and has been determined by the Minister of Environment and Forestry through the Decree of Inauguration Boundary Number SK.563 / Menlhk / Sekretariat General / PLA.2 / 9/2017 dated 18 October 2017 covering an area of 136,524.68 Ha and recognized by the public.

Based on the RKUPHHK-HTI, it is known that there are social management principles developed by the company namely:

1. Increase community participation.
2. Based on local resources.
3. Community independence.
4. Changes in positive social behavior that encourages the growth and maintenance of social capital.

In developing the capacity of the surrounding community, social management activities are realized through the CD / CSR program which covers aspects of Economy, Health, Education, Socio-Culture and Infrastructure. In addition, social management activities are also developed in the context of preventing forest and land fires, including:

- a. Increased public understanding and awareness of forest and land fires.

- b. The implementation of the DMPA (Desa Makmur Peduli Api) Program which was planned for 2016 to 2020 in various villages.

Description of the Ecological conditions of the concession

The working area of PT Sebangun Bumi Andalas Wood Industries has a peat swamp forest ecosystem, riparian zone and an ecotone zone. Some of the original ecosystems are retained and become protected areas and some are converted into plantations with tree species planted are *Acacia crassicarpa*, *A. mangium* and *Eucalyptus pellita*. The Management Unit has provided a portion of its area for protected areas, namely:

1. Germplasm Protection Area (KPPN) covering an area of 422.66 ha, part of which is 248 hectares of non-peat land that functions for soil protection.
2. Wildlife Conservation Area (KPSL) covering 8,276.99 ha. This area is an ecotone zone which also serves to withstand sea water abrasion if the mangrove area outside is opened or damaged.
3. River Border Protected Area covering an area of 5,620.58 ha, consisting of River Border of Lebong Hitam, Riding River, Pidada River and Lumpur River.
4. Peat Ecosystem Function Area, covering an area of 6,686.81 ha.

The KPPN and KPSL areas function to protect threatened or protected flora and fauna and their habitats. In that area there are not too many types of flora, including: *Stenochlaena palustris*, *Nypa fruticans*, *Ficus* sp., *Melaleuca cajuputi*, *Barringtonia racemosa*, etc. While the types of flora that are protected are meranti (*Shorea* sp.).

The types of protected fauna found are Elephant (*Elephas maximus*), Honey bear (*Helarctos malayanus*), Sambar deer (*Cervus unicolor*), beach otter (*Lutra-lutra*), estuary crocodile (*Crocodylus porosus*), etc. The key species in the area is the Elephant (*Elephas maximus*).

The Management Unit has installed a protected area name plate and arranged the boundaries of the area. Signboard installations have also been carried out in production and protected areas which contain: prohibition of cutting down trees, hunting, burning, fishing with poison and electrocution.

The efforts of the Management Unit in preventing soil damage in the area of work, namely:

- Implement Reduced Impact Logging (from planning, implementation to after activities) on harvesting activities.
- Preventing pollution of pesticides and oil to the ground
- Scattering of cutting waste to maintain soil moisture so as not to damage the physical chemical properties of the soil and maintain soil microbes.
- Land preparation without burning
- Prevents forest and land fires that cause soil damage.
- Making trenches or fire breaks so that fires do not spread.
- Select the types of staple plants that are suitable for the characteristics of the land
- Adjust the spacing according to the type of land
- Rehabilitating land in degraded forest areas.
- Enrich plants in protected areas with low growth.
- The use of chemical pesticides that are not prohibited so that it does not damage the soil
- Making LB3 TPS for B3 Waste and disposing it out through LB3 transporter.
- Making oil traps and or Containment at LB3 TPS, BBM Warehouse and Generator Set so that oil spills do not pollute the environment.

Whereas in preventing water damage, the Management Unit has taken steps, namely:

- Maintenance of protected areas as water catchments
- Changing the Peat Dome from the production area into a protected area
- The use of pesticides and fertilizers that are not prohibited thus damaging the waters
- Preventing pollution of pesticides and oil to waters (rivers and canals)
- Development of canal networks by following the principles of eco-hydro

- Manage water systems to prevent floods, droughts and fires.
- Prohibiting the felling of trees on the border of rivers and other protected areas
- Prohibiting the disposal of domestic and B3 waste into rivers
- Providing bins for domestic waste
- Make a public toilet at the disposal of the septic tank rather than the river.
- Monitoring and evaluating water quality, water discharge and water level regularly.

PT Sebangun Bumi Andalas Wood Industries in handling pests and diseases as well as staple crop weeds using the type of pesticides permitted in this standard. The Management Unit also has a LB3 TPS for B3 waste temporary accommodation. The Management Unit also monitors and manages the negative impacts of plantation forest management activities on water and soil.

In the prevention and control of forest and land fires, PT Sebangun Bumi Andalas Wood Industries applies the Policy: "Preparation of Land without Burning". The Management Unit has provided infrastructure, facilities and infrastructure as well as human resources for forestry prevention and mitigation activities. The Management Unit has compiled various Documented Procedures (SOPs) and Work Instructions (WI) related to environmental management in their work area.

Results of the Public Consultation

Prior to carrying out the Recertification Audit, PT AJA Sertifikasi Indonesia conducted public consultations commencing November 6, 2019, asking stakeholders to provide feedback and information about PT Sebangun Bumi Andalas Wood Industries. The public consultation was uploaded to the PT AJA Sertifikasi Indonesia website (www.ajaindonesia.com), sent to parties via e-mail or postal mail, and published in local newspapers. PT AJA Sertifikasi Indonesia did not receive any input from stakeholders during the public consultations.

The audit team also collected information from the mass media about PT Sebangun Bumi Andalas Wood Industries, the reported cases being given material consideration as part of the PT AJA Sertifikasi Indonesia audit process.

The Management Unit has identified all the requirements needed for this certification process, consisting of legal aspects that include compliance with rules and regulations, and international conventions. The management system has been established to cover all activities in the certification field, which is registered for an area of 136,524.68 hectares.

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

Based on the Recertification Audit results, one (1) Major and three (3) Minor Non-Conformities was identified by the audit team as follows.

No	Non-Conformities	Corrective Action Performed	Category
1	<ul style="list-style-type: none"> - The Management Unit has not marked the boundaries of livelihood plants in one of the district. Field verification of boundaries of staple and livelihood plants - The Management Unit has not yet created and installed a KPPN sign board / signpost in the KPPN area. <p>Indicator: I.4.1</p>	<ol style="list-style-type: none"> 1. Planning for the installation of the boundary pegs of livelihood plants and carry out the boundary arrangements according to the schedule 2. Coordinate with the infrastructure section to open access so that the KPPN area arrangement can be done 	Minor
2	The Management Unit has not conducted laboratory tests on liquid non-organic waste in the Nursery in one of the district	<ol style="list-style-type: none"> 1. Regulatory updates to include Minister of Forestry Regulation No.05 of 2014 	Minor

	Indicator : I.6.4	<p>2. Make an annual environmental monitoring schedule to ensure Nursery waste is monitored consistently</p> <p>3. Make a temporary pool before the WWTP is built</p>	
3	<p>The Management Unit has not conducted a Special MCU for high-risk employees (chemical pesticide / herbicide warehouse workers) in the form of Cholinesterase (CHE) tests to ensure that workers are not exposed to chemicals</p> <p>Indicator : I.12.2</p>	<p>Conduct an annual health monitoring schedule to ensure consistent a CHE or special MCU tests which will be held every 6 months</p>	Major
4	<p>Based on inspections in TDE 2690 and TPB 5300 plots, it was found that harvesting workers did not use PPE completely in their work. In addition, there is no first aid kit carried by mandated workers and field workers</p> <p>Indicator : I.12.4</p>	<ul style="list-style-type: none"> - Conduct a regular (monthly) monitoring of all contractor workers to ensure that PPE socialization has been given - Ensure that K3 inspections are carried out routinely including in the camps of field workers 	Minor

Conditions under which the certificate is issued

Certificate is valid until February 2, 2023, provided that PT Sebangun Bumi Andalas Wood Industries 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.