

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 Arara Abadi

TOTAL HECTARES: 294.915.86
ha

SCOPE OF REGISTRATION: Sustainable Forest Management of 294,915.86 hectares of Plantation Forest in Riau Province

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Surveillance 1

AUDIT START DATE: April 09, 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

AUDIT END DATE: April 15, 2019

LEAD AUDITOR: Andri Wibisono

SIGNATURE:

AUDIT TEAM: Abdullah Mujahid

SIGNATURE:

Warsito

SIGNATURE:

MAJOR CARS: 0

MINOR CARS: 1

SITE NAME (Legal Name):	ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY	DATE OF EACH SITE VISIT:
Minas District	- Minas District, Sungai Mandau District, Kandis District, Tualang District, and Koto Gasib District, Siak Regency, Riau Province, Republic of Indonesia - Tapung District and Tapung Hilir District, Kampar Regency, Riau Province, Republic of Indonesia - Rumbai Pesisir District, Pekanbaru City, Riau Province, Republic of Indonesia	April 09 to 10, 2019
Sorek District	Bunut District, Bandar District, Pelalawan District and Kerumutan District, Pelalawan Regency, Riau Province, Republic of Indonesia	April 11 to 12, 2019
Merawang District	- Teluk Meranti District, Pelalawan Regency, Riau Province, Republic of Indonesia - Gaung District, Indragiri Hilir Regency, Riau Province, Republic of Indonesia	April 13 to 14, 2019
Branch Office	Jl. Teuku Umar, Pekanbaru City, Riau Province, Republic of Indonesia	April 15, 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	

Nilo District	Pangkalan District, Kura District, Ukui District and Langgam District, Pelalawan District, Riau Province, Republic of Indonesia
Bukit Kapur (Duri III) District	Pinggir District, Bengkalis Regency, Riau Province, Republic of Indonesia
Melibur (Duri I) District	Sungai Mandau District and Siak District, Siak Regency, Riau Province, Republic of Indonesia Pinggir District, Bengkalis Regency, Riau Province, Republic of Indonesia
Siak District	Pusako District, Sungai Apit District, Mempura District and Dayun District, Siak Regency, Riau Province, Republic of Indonesia
Sebanga District	Pinggir District, Bengkalis Regency, Riau Province, Republic of Indonesia

Brief Description of the concession

PT Arara Abadi received the first concession permit based on the Minister of Forestry Decree No.743 / Kpts-II / 1996 date. November 25, 1996, for an area of 299,975 ha. The last decree was Minister of Forestry Decree No. 703 / Menhut-II / 2013 date. October 21, 2013, for an area of 296,262 ha.

The location of the PT Arara Abadi work area sites based on geographical location and administration:

No.	District	Geography	Administration	Forest Block
1	Minas	00° 34' to 00° 56' North 101° 07' to 101° 42' East	<ul style="list-style-type: none"> - Siak Regency (District of Minas, Sungai Mandau, Kandis, Tualang, and Koto Gasib) - Kampar Regency (Tapung and Tapung Hilir District) - Kota Pekanbaru (Rumbai Pesisir District) 	Siak
2	Sorek	00° 00' to 00° 23' North 101° 58' to 102° 23' East	<ul style="list-style-type: none"> - Pelalawan Regency (District of Bunut, Bandar Pelalawan and Kerumutan) 	Kampar
3	Siak	00° 43' to 01° 09' North 102° 04' to 102° 18' East	<ul style="list-style-type: none"> - Siak Regency (District of Pusako, Sungai Apit, Mempura and Dayun) 	Siak – Rawa
4	Nilo	00° 08' to 00° 16' North 101° 47' to 101° 58' East	<ul style="list-style-type: none"> - Pelalawan Regency (District of Pangkalan Kura, Ukui and Langgam) 	Kampar
5	Melibur (Duri I)	00° 54' to 01° 05' North 101° 37' to 101° 48' East	<ul style="list-style-type: none"> - Siak Regency (District of Sungai Mandau and Siak) - Bengkalis Regency (District of Pinggir) 	Siak Kecil
6	Sebanga (Duri II)	01° 06' to 01° 20' North 101° 17' to 101° 30' East	<ul style="list-style-type: none"> - Bengkalis Regency (District of Pinggir) 	Siak – Siak Kecil
7	Bukit Kapur (Duri III)	01° 25' to 01° 39' North 100° 42' to 101° 31' East	<ul style="list-style-type: none"> - Bengkalis Regency (District of Bukit Batu) - Rokan Hilir Regency (District of Tanah Putih) - Dumai City (District of Bukit Kapur) 	Siak Kecil - Rokan
8	Merawang	00° 06' to 00° 13' North 102° 38' to 102° 54' East	<ul style="list-style-type: none"> - Pelalawan Regency (District of Teluk Meranti) - Indragiri Hilir Regency (District of Gaung) 	Kampar - Kateman

PT Arara Abadi has the latest RKUPHHK-HTI document ratified based on the Decree of the Minister of Environment and Forestry of the Republic of Indonesia Number: SK.7847 / MenLHK-PHPL / UHP / HPL.1 / 10/2018 dated 30

October 2018 concerning Approval on Adjusting the Business Work Plan Utilization of Industrial Timber Forest Products (RKUPHHK-HTI) for 2017 to 2026 Year Activities 2018 to 2019 On behalf of PT Arara Abadi in Riau Province.

This has also resulted in changes to spatial planning. The revision of RKUPHHK-HTI in 2018 for Staple Plants that was initially 123,256 ha (41.60%) became 198,436 ha (66.98%), the initial area of Livelihood Plants that was 48,527 ha (16.38%) became 61,006 ha (20.59%) and the initial area of Protected Area that was 124,479 ha (42.02%) became 36,820 ha (12.43%).

Spatial Planning of PT Arara Abadi based on the Revised RKUPHHK-HTI of 2018

Tata Ruang	Grand Total
PT Arara Abadi	296,262.00
Protected Area	20,260.98
Protected Area FBEG & FLEG Non-Dome	16,355.02
Protected Area Peat Dome	204.00
Protected Area	36,820.00
Livelihood Plants	46,228.00
Livelihood Plants FBEG & FLEG Non-Dome	14,778.00
Livelihood Plants	61,006.00
Staple Plants	107,033.00
Staple Plants FBEG & FLEG Non-Dome	89,334.00
Staple Plants Peat Dome	2,069.00
Staple Plants	198,436.00

There had been conversion of 1,346.14 ha of natural forest to plantation forest since December 31, 2010, thus the scope of the IFCC certification was for an area of 294,915.86 ha. The management unit is committed to not converting natural forest in the future. The staple plant species cultivated are *Acacia mangium*, *Acacia crassicarpa*, and *Eucalyptus sp.*

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

The Management Unit of PT Arara Abadi conducted a Social Impact Assessment (SIA) in 2017 to ascertain the social conditions (community livelihoods, health, education, environment) of the community around the concession and analyze the social impact of the company's activities and existence on the community.

The AMDAL study brings into focus the status of land ownership under which property rights are legally recognized through government registration and the issuance of certification. Customary rights, meanwhile, have no legal standing per se, but concern land traditionally used by the community and verbally handed down from generation to generation. In this area, the local community recognizes the grasslands and shrubs traditionally used to accommodate their shifting fields of agriculture or grazing livestock as being property rights. Where this falls within the concession area, the company normally satisfies community expectations through compensation.

The Management Unit of PT. Arara Abadi has a conflict resolution procedure itemizing the steps taken to resolve land conflicts that occur within the concession. Based on reports of conflict mapping and resolution received by the Forestry and Environment Office of Riau Province, the area of land still controlled by the community is 46,116.54 hectares spread across 8 districts, with indicative maps of land claims available for each district.

Collaboration between the Management Unit and the local community in forest management comes in two forms. The livelihood crop cooperation agreement involves allocating land from the PT Arara Abadi concession to be managed by the community itself, while there is also cooperation on the production of staple crops (eucalyptus and acacia) that is managed by the company. As of March 2019, the total realization of the livelihood plant cooperation involved 13,931.31 hectares with 33 separate cooperatives. Other forms of cooperation include the formation of the

Fire Care Society (MPA).

PT Arara Abadi's operational plan (RO) for empowering the village communities in 2018 is available. Based on the RO and report on the realization of the CD-CSR program, in 2018, the budget was almost 90% realized in the areas of religious activities, community economics, infrastructure, partnership, education, and social culture.

Description of the ecological conditions of the concession

The Management Unit of PT Arara Abadi undertakes activities to minimize negative environmental effects in accordance with the AMDAL documents, which include RKL (Environmental Management Plan) and RPL (Environmental Monitoring Plan), the results of which are reported to the requisite authorities on a periodic basis.

Among the impacts monitored are various indicators relating to the health of the soil and the quality of the air and water. Items that are managed and monitored across the whole of the concession working area consist of physical and chemical components that include microclimate, air quality, soil fertility, soil erosion, water quality and sedimentation, among others.

To reduce the impact of its operations, the Management Unit implements reduced impact logging activities, which are carried out in three distinct phases, pre-harvest, during harvesting and post-harvest.

Areas that function as soil protection and as water protection are found within the total protected area of 36,830 ha (12.43% of total concession), which also includes a peat ecosystem protected area of 16,559 ha (5.59%).

The protected areas also feature in the Management Unit's biodiversity management activities, under which it has identified and mapped an inventory of protected endemic, rare flora and fauna and threatened / endangered species and their habitat in the area in accordance with applicable regulations / provisions. While a map of the protected species of flora and fauna and their locations is maintained, observations have revealed no key species in the concession area.

The Management Unit also carries out forest protection activities, be these from natural or human threat. It has standard procedures to protect the forest from disease or infestation by pests, using natural control methods where possible in preference to chemical pesticides. Nevertheless, PT. Arara Abadi does have a documented procedure for the controlled use of hazardous and toxic materials (B3) and their waste management.

To counter negative human activities, meanwhile, the Management Unit has erected and maintains boundary and warning signs forbidding the lighting of fires, marking protected areas, etc. It also carries out regular patrols to inhibit illegal encroachment, logging, grazing of livestock and the like. Among the measures it has taken to protect against forest/land fires is the setting up of a Fire Care Society (MPA) with the local community whereby the company provides equipment and training to best utilize their combined efforts against fire hazards.

Results of the Public Consultation

Prior to undertaking the Surveillance 1 Audit, PT AJA Sertifikasi Indonesia conducted Public Consultation commencing February 18, 2019, which asked stakeholders to provide feedback and information on PT. Arara Abadi. 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 Arara Abadi, such reported cases being given material consideration in the audit process conducted by PT. AJA Sertifikasi Indonesia.

PT Arara Abadi 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, where the area registered for certification is 294,915.86 ha.

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

Results of Surveillance 1 Audit of PT Arara Abadi, one (1) Minor Non-Conformity (NC) was identified as listed below. No critical issues were identified

No	Non-Conformities	Corrective Action Performed	Category
1	The two-monthly PAT implementation in the field was not in accordance with Standard Operating Procedure for Plantation Assessment, Indicator : I.4.2	<ul style="list-style-type: none"> - The Standard Operating Procedure for Plantation Assessment to be revised. - The revised Standard Operating Procedure to be socialised the PAT team 	Minor

Conditions under which the certificate is issued

Certificate is valid until June 15, 2021, provided that PT Arara Abadi completes all corrective actions according to the time schedule proposed in their 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.