

# **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-008

**CLIENT NAME:** PT ARARA ABADI

**TOTAL HECTARES:** 294,915.86  
 hectares

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

**STANDARD/CRITERIA:** IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

**TYPE OF AUDIT:** Surveillance 1

**AUDIT START DATE:** May 23 2016

**AUDIT END DATE:** June 1, 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

**LEAD AUDITOR:** Andri Wibisono

**SIGNATURE:**

**AUDIT TEAM:** Ardi Prasetyo

**SIGNATURE:**

Warsito

**SIGNATURE:**

Abdullah Mujahid

**SIGNATURE:**

Utomo

**SIGNATURE:**

Taryanto Wijaya

**SIGNATURE:**


**MAJOR CARs:** 0

**MINOR CARs:** 10

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

**SELECT OPTION**

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<b>SITE NAME (Legal Name):</b>	<b>ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY (If more than 4 sites have been visited please add additional rows):</b>	<b>DATE OF EACH SITE VISIT:</b>
Tapung District	Kampar Regency, Riau Province	May 23-26, 2016
Gelombang District	Siak Regency, Riau Province	May 27-28, 30-31, 2016
Bukit Kapur District	Bengkalis, Dumai, and Rokan Hilir Regency, Riau Province	May 23-26, 2016
Sebanga District	Bengkalis Regency, Riau Province	May 27-28, 30-31, 2016
<b>SITE NAME (Legal Name):</b>	<b>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 4 additional sites have been registered please add additional rows)</b>	
Berbari District	Siak Regency, Riau Province	
Nilo District	Pelalawan Regency, Riau Province	
Merawang District	Pelalawan Regency, Riau Province	
Pusaka District	Siak Regency, Riau Province	
Sorek-Malako District	Pelalawan Regency, Riau Province	
Melibur District	Siak Regency and Bengkalis Regency, Riau Province	
Rasau Kuning District	Siak Regency, Riau Province	
<b>REF No:</b>	<b>ADDRESSES OF INSTALLATION SITES (CLIENT'S CUSTOMER SITES) VISITED AND NOT COVERED DIRECTLY BY THE COMPANY REGISTRATION INCLUDING COUNTRY (If more than 2 installation sites have been visited please add additional rows)</b>	
NA		

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

PT Arara Abadi obtained its forest management permit per Forestry Ministerial Decree No. 743 / Kpts-II / 1996 dated 25 November 1996 for a total area of 299,975 ha. and new Forestry Ministerial Decree No. 703 / Menhut-II / 2013 dated 25 November 2013 for a total area of 296,262 ha. Of this work area, PT Arara Abadi has converted 1,346.14 ha of natural forest to plantation forest after December 31, 2010, and thus this area is not registered for IFCC certification, leaving an area of 294,915.86 hectares registered for certification.

PT Arara Abadi undertakes the management of combined operations in 11 Districts, namely: District Tapung (in Kampar regency), District Gelombang (in Siak regency), District Bukit Kapur (in Bengkalis regency), District Sebanga (in Bengkalis regency), District Rasau Kuning (in Siak and in Pekanbaru Regency), District Berbari (in Siak regency), District Nilo (in Pelalawan regency), District Merawang (in Pelalawan regency), District Pusako (in Siak regency), District Sorek Malako (in

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Pelalawan regency), District Melibur (in Siak regency).

In carrying out its forest operations, PT Arara Abadi has a management plan in the form of Revised Work Plan for Utilization of Forest Wood Industrial Plantation Forest (RKUPPHK- HTI) for a 10-year period from 2011 through 2020 for operations in Bengkalis, Siak, Pelalawan, Kampar, Rokan Hilir, Kota Dumai and Pekanbaru of Riau province, which was passed by Decree No. 171 / VI-BPHT / 2010 dated December 22, 2010 on behalf of the Minister of Forestry Director General of Forest Utilization. In 2013, these documents for the Revised Work Plan for Utilization of Forest Wood Industrial Plantation Forest (HTI-RKUPPHK) for the 10-year period from 2011 through 2020 were approved by Decree No. 91 / VI-BUHT / 2013 dated December 10, 2013. The Management Unit has prepared the following spatial plan for the working area: protected areas covering 36,980 ha (12.5%), the principal crop areas covering 212,523 ha (71.7%), seed crop areas covering 16,802 ha (5.7%), the area of plant life covering 19,580 hectares (6.6%), facilities covering an area of 10,377 ha (3.5%). The total area for the spatial plan is based on the new Forestry Ministerial Decree No. 703 / Menhut-II / 2013 dated 25 November 2013 for a total area of 296,262 ha.

PT Arara Abadi has recently changed its system of administration of timber forest and since January 1, 2016, issuance of all documents is conducted online. These include L-KHP (wood reports on the results of the logging) and publishing SKSHHK (Letter of Legal Timber Forest Product Specification). This is the first surveillance audit that has been carried out since the change in the administration system.

In conducting its environmental management, PT Arara Abadi has identified those forest management activities that have an important impact and conducted environmental impact assessment. The impact parameters are managed and monitored, i.e. in the construction phase of clearing forest areas, the affected parameters include land subsidence, fire hazards, hydrology and water quality, and wildlife habitat. For land preparation activities, the affected parameters are the physical properties of the soil, its chemical properties, soil subsidence, fire hazard of the land, protected species and wildlife habitat changes. Meanwhile, the affected parameters of planting activities include the chemical properties of soil, together with plant pests and diseases.

The Management Unit undertakes its environmental management responsibilities through the Environmental Management Plan (RKL) and Environmental Monitoring Plan (RPL) to minimize the negative impacts and enhance environmental quality in the work area, the documentation being reported to the Regional Environmental Agency (BLHD) each semester. In so doing, the Management Unit carries out the following activities: monitoring of protected areas; monitoring of erosion and soil quality; monitoring of discharge and water quality; management of hazardous and toxic waste (B3); and management and monitoring of protected wildlife and flora.

PT Arara Abadi has conducted three studies in order to ensure that industrial plantation management does not have a negative impact on society, as follows:

1. Social Impact Assessment
2. Diagnostic studies to determine the basis of potential in the community and the direction for future development.
3. Participatory Mapping of Conflict, to develop a framework for joint settlement of problems arising from occupation of land by local parties.

PT Arara Abadi has set a Vision, Mission, and new overall policies, which were signed by the Director on January 1, 2016. Among the new policies are a social policy and human resources, and a policy on the basic principles of labor.

The overall management system of PT Arara Abadi ensures sustainable forest management and sustainable production. Production and investment by PT Arara Abadi in 2015 and 2016 consisted of production and planting of both Acacia and Eucalyptus.

Prior to performing its Surveillance 1 Audit, PT. AJA Sertifikasi Indonesia conducted public consultation commencing May 2, 2016, asking stakeholders to provide feedback on PT Arara Abadi. The public consultation was uploaded to the website of PT. AJA Sertifikasi Indonesia. ([www.aja-indonesia.com](http://www.aja-indonesia.com)), sent to the parties via email or postal mail, and published in a local newspaper. All responses from stakeholders were input for consideration in conducting the Surveillance 1 Audit,



and suggestions and feedback were followed up by the audit team during the field validation.. The audit team also gathered information from the mass media on PT Arara Abadi, which was considered as material during the audit process.

PT Arara Abadi registered its concession to be certified in an area of 294,915.86 hectares. The Management Unit has identified all the necessary requirements for this certification process, comprising legal aspects that include compliance with local regulations and international conventions.

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

The results of this Surveillance 1 Audit identified 10 minor items of non-compliance (NC) . The Management Unit has already taken remedial action to address these non-conformities, which have already been closed. There were no critical issues to report.

NO	Non-conformities	Corrective Action performed	Category
1.	The first revision of the Work Plan for Utilization of Forest Wood Industrial Plantation Forest (RKUPHHK-HTI) in 2013 does not match the actual conditions that should result from a reduction in the total area, after the new Forestry Ministerial Decree No. 703 / Menhut-II / 2013 dated 25 November 2013 for a total area of 296,262. Thus the setting of the harvesting is not appropriate..  Clause Ref. I.2.2.	- Revise the Work Plan for Utilization of Forest Wood Industrial Plantation Forest (RKUPHHK-HTI) that was in accordance with an area of 296,262 ha - Management Unit has conducted a second revision of the Work Plan for Utilization of Timber Forest Products in Forest Plantation for the 10-year period 2011-2020. Ratification has been obtained from the Directorate of Sustainable Forest Management..	Minor
2.	The SOP for implementation of evaluation activities for the aspects of production, and ecological and social aspects had not been effective, especially the SOP for planting..  Clause Ref. I.3.1.	The Management Unit has made improvements to the dissemination of SOP, especially the SOP for planting,	Minor
3.	PT Arara Abadi has not monitored and built consensus with the community to utilize non-timber forest products (NTFPs), fish sustainably.  Clause Ref. I.5.4.	Management Unit will monitor and evaluate the use of NTFPs, especially the fish for the public to ensure utilization of sustainable fish harvesting	Minor
4.	Rehabilitation of the protected area Regional Wildlife Protection (DPSL), covering an area of 50 hectares, by planting the former burned area using local plants. This was planned to begin in March 2016, but as of May 26, 2016 there had been no actual implementation.  Clause Ref. I.6.5.	- Conducting Rehabilitation of protected areas Wildlife Protection area (DPSL) previously burned area - This has been placed under protected area rehabilitation budget details DPSL and Rehabilitation Plan Map DPSL Protected Area.	Minor
5.	In the area of employment the Management Unit's B3 waste storage was environmentally unfriendly with droplets of used oil on the ground.	- Socialization to labor contractors on managing and handling in accordance with the procedures and documented evidence of its implementation - Conduct periodic inspections of the handling of B3 in the work area by	Minor



	Clause Ref. I.6.6.	<p>contractors and documented evidence of implementation</p> <ul style="list-style-type: none"> <li>- Routinely monitor and evaluate the management and handling of B3 waste.</li> </ul>	
6.	<p>Lack of clarity on the rights of indigenous people and the obligations of the Management Unit in regard to livelihood plants. The information boards at the site of livelihood plants had already collapsed, and the plant life were not being maintained.</p> <p>Clause Ref. I.9.3.</p>	<ul style="list-style-type: none"> <li>- Conduct regular meetings on the rights of the indigenous people and the obligations of the management in regard to livelihood plants, so as to avoid any misunderstanding between them.</li> <li>- Cooperation Agreements have already been signed in regard to livelihood plant crops.</li> <li>- Minutes will be recorded of negotiations on the clarity of rights and obligations in respect to livelihood plants management and re-installation of damaged signboards in the livelihood plant area.</li> </ul>	Minor
7.	<p>The indigenous people have not been receiving the full benefits of the cooperation in regard to the rubber tree plantation of 300 ha. Facts on the ground show that these benefits are being utilized by the Chairman of the Foundation. The purpose of the cooperation on livelihood plants is for the welfare of the indigenous people and this is not being achieved.</p> <p>Clause Ref. I.9.4</p>	<p>Meet regularly to discuss the rights and obligations of the management of the livelihood plants so there is no misunderstanding between the parties and the utilization of plant life is perceived as being helpful to many people.</p>	Minor
8.	<p>The contractor's workers still do not have SPK (Labor agreement letter) that guarantees the rights and obligations between the worker and the contractor. Moreover, PT Arara Abadi is still failing to ensure the existence of an SPK between the workers and the contractors.</p> <p>Clause Ref. I.11.1.</p>	<ul style="list-style-type: none"> <li>- Supervise the work force in regard to new contractors and ensure labor administration is entirely fulfilled according to the regulations</li> <li>- Evaluate the administration of the labor contractors over their workers</li> </ul>	Minor
9.	<p>The excavator operators on maintenance of roads and harvesting, and nursery workers do not properly use PPE (personal protective equipment),</p> <p>Clause Ref. I.12.4.</p>	<ul style="list-style-type: none"> <li>- The Management Unit will create documentation for monitoring and evaluation of the implementation of K3, under which all employees and contractors' workers will be monitored, evaluated and analyzed, and which will serve as remedial measures and planning for K3</li> <li>- Supervise and issue strict sanctions to those violating correct use of PPE</li> </ul>	Minor
10.	<p>The Management Unit failed to produce the K3 evaluation report on implementation of the K3 internal audit documents for 2015.</p>	<p>The Management Unit will create documentation for monitoring and evaluation of the implementation of K3,</p>	Minor

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	Clause Ref. I.12.7.	whereby all employees and contractors' workers will be monitored, evaluated and analyzed, which will serve as remedial measures and planning for K3	
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**Conditions under which the certificate is issued**

The certificate is valid until 01/06/2018, provided that PT. Arara Abadi complete all corrective actions according to the proposed time schedule and does not have the same problem on the next surveillance visit. If 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.