

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 Plantation Forest covering 294,915.86 hectares in Riau Province, Republic of Indonesia

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: RECERTIFICATION

AUDIT START DATE: April 10, 2018

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 19, 2018

LEAD AUDITOR: Andri Wibisono

SIGNATURE:

[Handwritten Signature]

AUDIT TEAM: Riyadi Sigit Pamungkas

SIGNATURE:

[Handwritten Signature]

Warsito

SIGNATURE:

[Handwritten Signature]

MAJOR CARS: 0

MINOR CARS: 0

SITE NAME (Legal Name):	ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY	DATE OF EACH SITE VISIT:
Head Office	Jl. Teuku Umar No. 51 A, Pekanbaru, Riau Province, Indonesia	April 10 and 19, 2018
District Bukit Kapur (Duri III)	Bukit Kapur District - Bengkalis, Dumai & Rokan Hilir Regency, Riau Province, Indonesia	April 11 to 12, 2018
District Melibur (Duri I)	Siak & Bengkalis Regency, Riau Province, Indonesia	April 13 to 16, 2018
District Siak	Siak Regency, Riau Province, Indonesia	April 17 to 18, 2018
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 Nilo	Pelalawan Regency, Riau Province, Indonesia	
District Sorek	Pelalawan Regency, Riau Province, Indonesia	
District Merawang	Pelalawan Regency, Riau Province, Indonesia	

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District Minas	Siak & Kampar Regency, Riau Province, Indonesia
District Sebangka (Duri II)	Bengkalis Regency, Riau Province, Indonesia

Brief Description of the concession

PT Arara Abadi, is a Domestic Investment Company (PMDN), having its address at Jalan Teuku Umar No.51 A, Pekanbaru, Riau. PT Arara Abadi was granted the first concession permit based on Minister of Forestry Decree No. 743/Kpts-II /1996 dated. November 25, 1996, for an area of 299,975 ha. The latest decree is Minister of Forestry Decree No. 703/Menhut-II/2013 dated October 21, 2013, for an area of 296,262 ha. Details of the work area based on geographical location and administration are listed as follows:

No	District	Geography	Administration	Forest Block
1	Minas	00° 34' to 00° 56' N 101° 07' to 101° 42' E	- Regency Siak, Districts Minas, Sungai Mandau, Kandis, Tualang, and Koto Gasib - Regency Kampar, (Districts Tapung and Tapung Hilir - Kota Pekanbaru District Rumbai Pesisir	Siak
2	Sorek	00° 00' to 00° 23' N 101° 58' to 102° 23' E	- Regency Pelalawan, Districts Bunut, Bandar Pelalawan and Kerumutan	Kampar
3	Siak	00° 43' to 01° 09' N 102° 04' to 102° 18' E	- Regency District Pusako, Sungai Apit, Mempur and Dayun	Siak – Rawa
4	Nilo	00° 08' to 00° 16' N 101° 47' to 101° 58' E	- Regency Pelalawan, Districts Pangkalan Kura, Ukui and Langgam	Kampar
5	Melibur (Duri I)	101° 37' to 101° 48' E 00° 54' to 01° 05' N 101° 37' to 101° 48' E	- Regency Siak, Districts Sungai Mandau and Siak - Regency Bengkalis, District Pinggir	Siak Kecil
6	Sebanga (Duri II)	01° 06' to 01° 20' N 101° 17' to 101° 30' E	- Regency Bengkalis, District Pinggir	Siak – Siak Kecil
7	Bukit Kapur (Duri III)	01° 25' to 01° 39' N 100° 42' to 101° 31' E	- Regency Bengkalis, District Bukit Batu - Regency Rokan Hilir, District Tanah Putih - Kota Dumai. District Bukit Kapur)	Siak Kecil - Rokan
8	Merawang	00° 06' to 00° 13' N 102°38' to 102° 54' E	- Regency Pelalawan, District Teluk Meranti) - Regency Indragiri Hilir, District Gaung)	Kampar - Kateman

The boundaries of the concession of PT Arara Abadi are as follows:

Working area limits are as follows:

Pusaka District and Berbari

North : Construction of industrial estate location

South : Zamrud National Park

East : Sungai Rawa Village, the swamp river

West : Dosan Village, PTP V, community oil palm plantation

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Duri I and Duri II Districts

- North : Siak Kecil river
- South : Mandau river, PT Riau Andalan Pulp and Paper
- East : Siak river
- West : Community oil palm plantations

Area I (Bukit Kapur District)

- North : Ex PT Riau Tanah Putih and PT Sejati Riau Trad Coy
- South : PT New Union Timber
- East : PT Siak Raya and PT Rokan Timber
- West : Ex PT Murni Timber

PT Arara Abadi has the most recent RKUPHHK-HTI document authorized by Decree of the Minister of Environment and Forestry of the Republic of Indonesia No. SK.5026 / MENLHK-PHPL / UHP / HPL.1 / 9/2017 dated 29 September 2017 on Approval of Utilization Work Plan Forest Timber Forest Industry (RKUPHHK-HTI) in 2017-2026 In order to improve the governance of peatlands of PT Arara Abadi. details of the latest spatial planning are as follows:

Spatial Planning Plan of PT Arara Abadi based on RKUPHHK-HTI Year 2017

No	Allocation Plan	Area		Note
		ha	%	
1	Area of the Peat Ecosystem function	111,444	37.62	FLEG areas are allocated as other local protected areas 93,156 ha
a	Riparian zone/ River Border	8,889	3.00	FBRG areas are allocated as local protected areas and other protected areas 18,285 ha
	- Protective function of Peat ecosystem	1,253	0.42	The staple crops specified as FLEG can be harvested once and subsequently replaced with local crops Percentage of plant life
	- Cultural function of Peat ecosystem	7,636	2.58	
b	Peat ecosystem function	87,659	29.59	
	- Peat with protective function	83,448	28.17	
	Peat with unopened cultivation function	4,211	1.42	
c	Germplasm Conservation Area	425	0.14	
	- Protective functio of Peat ecosystem	244	0.08	
	- Cultural function of Peat ecosystem	181	0.06	
d	Wildlife Conservation Area	9,185	3.10	
	- Protective function of Peat ecosystem	4,940	1,67	
	- Cultural function of Peat ecosystem	4,245	1.43	
e	Buffer zone	5,286	1.78	
	- Protective function of Peat ecosystem	3,337	1,13	
	- Cultural function of Peat ecosystem	1,949	0.66	
2	Local protected areas and other protected areas (non-peat)	13,035	4.40	
	- Zone of Riparian	8,501	2.87	
	- Germplasm Conservation Area	421	0.14	
	- Wildlife Conservation Area	2,874	0.97	
	- Bufferzone	1,239	0.42	
3	Staple Plant Area	123,256	41.60	
4	Livelihood Plant Area	48,527	16.38	
	Total	296,262	100.00	

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There has been conversion of natural forest to plantation forest since December 31, 2010, the details of which are listed in the following table. Which also shows the scope of the IFCC certification:

No.	District	Area (ha)	Conversion	Area for IFCC certification
1	District Gelombang (District Minas)	19,560	-	19,560.00
2	District Rasau Kuning (District Minas)	25,472	171.04	25,300.96
3	District Tapung (District Minas)	17,595	-	17,595.00
4	District Pusaka (District Siak)	21,968	-	21,968.00
5	District Berbari (District Siak)	21,630	-	21,630.00
6.	District Melibur (Duri I)	35,058	292.00	34,766.00
7	District Sebang (Duri II)	36,882	195.00	36,687.00
8	District B. Kapur (Duri III)	14,649	-	14,649.00
9.	District Nilo	25,069	613.10	24,455.90
10.	District Sorek dan Malako	49,706	-	49,706.00
11	District Merawang	28,673	75.00	28,598.00
	Total	296,262	1,346.14	294,915.86

Total conversion area of 1,346.14 ha, leaving certified area of: 294,915.86 ha. The Management Unit has committed not to undertake further conversion of natural forest.

The species cultivated as main crops 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 has undertaken Social Impact Assessment (SIA), conducted in 2017, by examination of the social conditions (community livelihood, health, education, environment) of the communities residing around the concession and analyzing the social impacts of the company's activities and existence on the these communities.

Based on the AMDAL study, the status of land ownership is divided into property rights and customary rights, the legality of the former being marked by the government through registration and certification. Customary rights, meanwhile, relate to traditional use of lands by communities that are passed down from generation to generation. Although not officially registered by the government, customary rights are recognized as property rights in some regions. For community-owned land affected by the project, the company generally resolves the matter by the provision of compensation.

For its part, the Management Unit cooperates with the local communities around the concession area through, among others, livelihood plants agreements, as well as the establishment of Fire Awareness Community (MPA). The agreement on the livelihood plants cooperation is in the form of land allocation from the PT Arara Abadi concession either self-managed by the community or in the form of cooperation of staple crops (*Eucalyptus* and *Acacia*) managed by the company, and as of April 2018 covered 13,726.31 hectares involving 31 groups (cooperatives).

PT Arara Abadi is also strongly committed to its community empowerment program (CD-CSR) aimed at socio-cultural development and economic advancement of local society. Besides the provision of employment opportunities, this also takes the form of facilitation of education, health care and religious observance, as well as funding of infrastructure and



other projects.

Description of the ecological conditions of the concession

PT Arara Abadi has environmental documents (UKL UPL) and conducts environmental management and monitoring in respect to its obligations under these documents, submitting a series of reports to the requisite authorities on the required periodic basis.

Among the areas closely monitored are the physical and chemical properties of macro-climate change, soil fertility and water quality, together with biological components that include natural and protected vegetation, wildlife, pests and diseases, as well as other possible forest disruptions whether natural or man-made.

As part of its efforts to manage the protected areas, PT Arara Abadi has identified and monitors the species of flora and fauna existing native to the area, especially those that are rare or endangered. Management of these areas is integrated with high carbon value (HCV) management, which as with other areas is typified by regular patrols, installation and maintenance of boundary signs and socialization to the local community about the presence of such areas.

As an early warning system for its integrated pest management, PT Arara Abadi uses biological control agents by planting species that attract parasitoids and other pests. The Management Unit also has standards for the use and storage of hazardous substances, together with the collection, storage and transportation of hazardous waste (B3) and other waste materials.

Fire is an ever-present threat and PT Arara Abadi has formed fire awareness communities with local communities, providing both training and facilities to help counter the outbreak of any fires.

Results of the Public Consultation

Prior to conducting the Re-certification Audit, PT AJA Sertifikasi Indonesia conducted Public Consultation commencing March 28, 2018, in which stakeholders were asked to provide feedback or knowledge 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 and / or regular mail, and announced in local newspapers.

A response was received by PT AJA Sertifikasi Indonesia on April 11, 2018 from Pusako Sub-district in respect to claims that PT Arara Abadi was restricting access to the concession area by members of the Dosan Village community, Sei Api and Teluk Mesjid at the security guard post at Km 3 of the Doral Pusako Siak road.

Interviews with stakeholders revealed this was a long-running complaint dating from 1996 when PT Arara Abadi began operations around the community gardens that the Doral Hamlet community had bought from Dosan village in 1990. Friction began in 2004 when PT Arara Abadi denied access to the area to those carrying seeds for planting.

The road is owned by PT Caltex/ PT Bumi Siak Pusako-Pertamina Hulu Operating Body (BOB) who in 2012 granted permission to PT Arara Abadi to establish a guard post at Km 3 on the Doral Pusako Siak road to secure the area.

Interviews with PT Arara Abadi, meanwhile, reveal that there is no restriction on access for those collecting non-timber forest products such as fish, honey, resin, etc., or for those holding land as part of a cooperative agreement between a village or sub-district government and the company. Restrictions are only applied to those who are not part of such agreement and carry seeds of palm oil, rubber, etc. that they intend to plant after opening up new areas.

Such actions would be contra to the terms of PT Arara Abadi's operational permit, one of which requires the company to



protect the concession area from encroachment. Nevertheless, PT Arara Abadi is always willing to enter into discussions to reach agreement with the community in accordance with the permissible regulations.

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

Based on the results of the Re-certification Audit of PT Arara Abadi, No Non-conformities of either a Major or Minor nature were identified by the audit team.

Conditions under which the certificate is issued

Certificate is valid until 03/06/2021