

Public Report Sustainable Forest Management System

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



CLIENT NAME: PT CITRA SUMBER SEJAHTERA

TOTAL HECTARES: 15,360 ha

SCOPE OF REGISTRATION: Sustainable Forest Management in Plantation Forest area of 15,360 hectares in Riau Province, Republic of Indonesia.

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Surveillance 2

AUDIT START DATE: March 25, 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: March 28, 2018

LEAD AUDITOR: Abdullah Mujahid

SIGNATURE:

AUDIT TEAM: Amin Kadani,

SIGNATURE:

Agung Utama Lubis

SIGNATURE:

MAJOR CARS:-

MINOR CARS: 1-

| SITE NAME (Legal Name): | ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY | DATE OF EACH SITE VISIT: |
|---------------------------------|--|-----------------------------|
| PT Citra Sumber Sejahtera | Peranap Estate, Peranap District, Indragiri Hulu Regency, Riau Province, Indonesia | March 25 to 28, 2018 |
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| 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 | |
| N/A | | |
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Date: 15 September 2016

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Brief Description of the concession

The total area of PT Bukit Batabuh Sei Indah's work area is based on SK Minister of Forestry Decree No. SK.67/MENHUT-II/2007 dated February 23, 2007 on PT. BBSI IUPHK-HTI Renewal in Production Forest Area of 13,420 hectares in Riau Province, located in Indragiri Hulu Regency,

There has been no natural forest conversion since December 31, 2010, therefore the scope for the IFCC certification is for the total area of; 13,420 ha.

Based on RKUPHHK-HTI for the ten-year period 2018 – 2027, as approved per LKK Decree No. SK.122/MenLHK-PHPL / UHP/HPL.1/1/2018 dated January 22, 2018, the spatial planning comprises: Protected Areas of 1,344 ha (10.01%), Staple Plant Areas of 9,386 ha (69.94%), and Livelihood Plant Areas of 2,690 ha (20.04%); difference in total percentage due to rounding.

The working area of PT Bukit Batabuh Sei Indah Management Unit is located between 0° 35' 43" to 0° 47' 52" South and 102° 00' 39" to 102° 08' 07" East. It lies under the governmental administration of the Peranap sub-district, Indragiri Hulu Regency, Riau Province, bounded by the following:

- North: PT Rigunas Agri Utama;
- South: PT Rigunas Agri Utama;
- East: Ex HPH PT Patriadi and SKPH Anak Talang; and
- West: KUD Serange Permai, Tani Pura Usaha, Rahma.

The working area has a mainly flat topography (slopes 0-8%) - 91.99% - with the remaining 8.01% having ramps (slopes 8-15%) at an altitude of 30 to 535 meters above sea level . According to Schmidt-Ferguson climate classification, PT. Bukit Batabuh Sei Indah is included in climate type A with a value of Q = 14.3%. The entire work area of PT. Bukit Batabuh Sei Indah is located in mineral soil of red yellow podsollic soil type (PMK). Given the foregoing, the Management Unit cultivates *Acacia mangium* and *Eucalyptus Sp* as staple crops.

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

PT Bukit Batabuh Sei Indah is located in the two sub-districts of Peranap District and Kecamatan Rakit Kulim with the villages of Talang Tujuh Buah Tangga, Durian Cacar, and Semelinang Tebing to be found around the concession. Among the local peoples is a community of 889 people belonging to the Talang Mamak tribe who claim to be indigenous to the area. Based on interviews with Batin Adat Talang Mamak Tribe, their initial origin was from Mecca in Saudi Arabia but after first settling on the west coast of Sumatra, they then migrated to the Indragiri region. The group is currently seeking government recognition as indigenous peoples and has submitted documentary evidence to support its claim.

Based on the RKUPHHK HTI) document, 42% of the surrounding population earn their livelihood from farming/ gardening, 5.8% work as traders, 5% are government employees, while the remaining 37.2% have other diverse sources of income.

PT Bukit Batabuh Sei Indah has made efforts to settle claims for areas within the company's concession and maintains detailed maps and records of such conflict resolution on an ongoing basis. While the company seeks amicable settlement where possible and enters into cooperation agreements with the parties, some cases have led to legal recourse. Among these was a 2010 Indonesian Supreme Court decision in favor of the company, under which it was ruled that this should act as precedent for settling similar claim cases by villages around the concession area.



Moreover, in accordance with instruction from the Riau Governor, the Regent of Indragiri Hulu has reminded local government officials that they have no authority to issue land certificates for forest areas, plus under the Forestry Act, everyone is prohibited from engaging in and using or illegally occupying forests.

PT Bukit Batabuh Sei Indah has identified, appreciated and recognizes the legal rights of local communities. PT Bukit Batabuh Sei Indah prioritizes the right of the surrounding community to work for the company, as recorded in the agreements with the surrounding villages of Semelinang, Talang Durian Cacar, Sei Ekok, and Talang Tujuh Buah Tangga.

As part of its interaction with the local community around the concession area, PT Bukit Batabuh Sei Indah has entered into a series of agreements and addenda to agreements with the individual villages. Such agreements set out the rights and responsibilities of the parties to most effectively cooperate in the utilization of the forest area for the economic benefit of all. These cover not only the livelihood plant areas, but also cooperation in the areas of security and operation.

In addition, PT Bukit Batabuh Sei Indah continues to provide support for community empowerment through its Community Development (CD) programs .

Description of the ecological conditions of the concession

Based on RKUPHHK-HTI for the ten-year period 2018 – 2027, as approved based on LKK Decree No. SK.122 / MenLHK-PHPL / UHP / HPL.1 / 1/2018 dated January 22, 2018. the company has allocated Protected Areas of 1,344 ha (10.01%) consisting of Bebek River riparian zone of 787 ha (5.86%), KPPN covering 59 ha (0.44%), KPSL area of 133 ha (0.99%), as well as Other Protected Area of 365 ha (2.72%).

In carrying out its environmental management, PT Bukit Batabuh Sei Indah has identified forest management activities that have significant impacts, and has carried out an environmental impact assessment. The impact parameters are managed and monitored, i.e. in the construction stage of the opening of the forest area, the parameters affected include land subsidence, fire hazard, hydrology and water quality, and wildlife habitat. For land preparation activities, the parameters affected are the physical properties of the soil, chemical properties, soil degradation, fire hazard, protected species and changes in wildlife habitat. Meanwhile, parameters affecting planting activities include soil fertility, pests and plant diseases.

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

Results of the Public Consultation

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Prior to carrying out the Surveillance 2 Audit, PT AJA Sertifikasi Indonesia conducted a public consultation commencing March 9, 2018, asking stakeholders to provide feedback and information about PT Bukit Batabuh Sei Indah. The public consultation was uploaded to the PT AJA Sertifikasi Indonesia website (www.ajaindonesia.com), sent to the parties via email or postal mail, and published in local newspapers. PT AJA Sertifikasi Indonesia received no input from stakeholders during the public consultation.

The audit team also gathered information from the mass media about PT Bukit Batabuh Sei Indah, such reported cases being given material consideration as part of the audit process of PT AJA Sertifikasi Indonesia.

The Management Unit has identified all the requirements required for this certification process, comprising legal aspects that include compliance with international rules and rules and conventions. The management system has been built to cover all activities in the field of certification, which is registered for an area of 13,420 hectares.

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

Based on the results of the Surveillance 2 Audit of PT Bukit Batabuh Sei Indah, no Non-Conformities of either a Major or Minor nature were identified by the audit team. The management system of PT Bukit Batabuh Sei Indah is operating effectively. No critical issues were identified.

Conditions under which the certificate is issued

SFM Certificate IFCC PT. Bukit Batabuh Sei Indah certificate number: AJA/IFCC-PEFC/FMC-HT/00023/VII/2016 remains valid until 30/06/2019