

CHAIN OF CUSTODY AT SABAN ENTERPRISES LIMITED

Policy Statement by Rimbunan Hijau (PNG) Group

Saban Enterprises Limited (Saban), a wholly owned subsidiary of Rimbunan Hijau (PNG) Group, is undertaking a pilot program to design, implement and maintain a chain of custody (CoC) system for its operations. The system will encompass Saban's timber harvesting operations at the Sagarai-Gadaisu forestry concession (TP 4-03), processing of timber at the Alotau Sawmill in Milne Bay Province, Papua New Guinea (PNG), and the sale of timber products to domestic and export markets.

The CoC pilot project for Saban is a component of Rimbunan Hijau (PNG) Group's commitment to a continuous integrated improvement in all dimensions of its business. Rimbunan Hijau (PNG) Group is committed to provide assurance to Saban's customers that activities associated with harvesting and processing of logs into timber products are undertaken in a manner consistent with legal requirements of PNG.

The design, implementation and on-going management of the CoC system for Saban will be supported by the following commitments by Rimbunan Hijau (PNG) Group:

- **Undertaking activities consistent with the legal requirements of PNG;**
- **Top management working collaboratively with staff, contractors, suppliers and customers to implement and maintain CoC requirements;**
- **Ensuring that Saban has sufficient resources (financial, personnel and infrastructure) to manage operations consistent with the requirements of the CoC system;**
- **Ensuring that a senior manager of Saban is assigned responsibility for on-going management and regular management review to provide evidence to continually improving the CoC system;**
- **Ensuring all staff understand specific responsibilities and have adequate training and supportive working environment to fulfil assigned tasks to maintain and retain the CoC system;**
- **Ensuring that verifiable records and record management systems are maintained and monitored to verify and track the origin and source of logs, processing of logs and sale of timber products to individual customers;**
- **Auditing the performance of CoC system for Saban by an independent certification body;**
- **Supporting any claims relating to the origin of wood products from Saban with a CoC Statement (when obtained).**

As an initial focus in demonstrating the legality of Saban's log procurement and timber processing activities, the Rimbunan Hijau (PNG) Group is committed to fulfilling the requirements of SGS's Timber Legality and Traceability Verification (TLTV) PNG Standard at Saban's operations in 2008.

Rimbunan Hijau (PNG) Group undertakes to review the implementation of the CoC system for Saban at the completion of the one-year trial period. Where the outcome is positive, the Rimbunan Hijau (PNG) Group will accordingly develop a strategy to design and implement CoC systems for other subsidiary operations.

I look forward to working with our staff, contractors, suppliers, customers and the PNG Government the successful implementation of the CoC system for Saban Enterprises Limited during 2008.


James Lau
Managing Director
Rimbunan Hijau (PNG) Group

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