

Public Report Sustainable Forest Management System

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CLIENT NAME: PT ITCI Hutani Manunggal

TOTAL HECTARES: 161,127

SCOPE OF REGISTRATION: Sustainable Forest Management of 161,127 hectares of Plantation Forest in East Kalimantan Province

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Surveillance 1

AUDIT START DATE: November 27, 2019
 AUDIT END DATE: December 04, 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

LEAD AUDITOR: Abdullah Mujahid


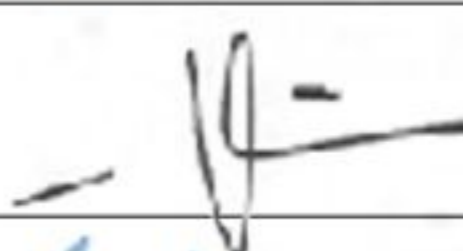

SIGNATURE:

AUDIT TEAM: Amin Kadeni

SIGNATURE:

Warsito

SIGNATURE:

MAJOR CARS: 0

MINOR CARS : 4

SITE NAME (Legal Name):	ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY	DATE OF EACH SITE VISIT:
MO PT IHM	Loa Kulu District, Penajam Paser Utara Regency, East Kalimantan Province, Republic of Indonesia	27 November and 4 December 2019
Senoni Sector	Kota Bangun District, Muara Muntai District, Muara Wis District, Sebulu District, Tenggarong District, Kutai Kartanegara Regency, East Kalimantan Province, Republic of Indonesia	November 28 to 30, 2019
Sepaku Sector	Loa Kulu District, Kutai Kartanegara Regency, East Kalimantan Province, Republic of Indonesia	December 1 to 3, 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	
Terunen Sector	Sepaku District, Penajam Paser Utara Regency, East Kalimantan Province, Republic of Indonesia	

Brief Description of the concession

The total area of PT ITCI Hutani Manunggal based on forest management permit by Decree of the Minister of Forestry of the Republic of Indonesia Number 184/Kpts-II/1996, on April 23, 1996 was 161,127 ha. There has been no conversion of natural forest to plantation forest since December 31, 2010, so the scope of IFCC certification is for an area of 161,127 ha.

The company performs its operations based on RKUPHHK-HTI 2018 to 2027, which was ratified by Decree of the Minister of Environment and Forestry SK 4940/MenLHK-PHPL/HPL.1/9/2017 on September 26, 2017. Based on the RKUPHHK-HTI, The Management Unit made spatial layout as 1) Local Protected Area and Other Protected Area of 18,826 ha (11.68%), 2) Staple Plants area of 95,605 ha (59.34%), and 3) Livelihood Plants area of 46,696 ha (28.98%); difference in total of individual areas due to rounding. PT ITCI Hutani Manunggal in its forest management, divides its work area into three (3) management units namely: Senoni Sector (61,590 ha), Sepaku Sector (58,051 ha) and Terunen Sector (41,486 ha).

PT ITCI Hutani Manunggal is geographically located between 00° 23' 04" to 01° 06' 29" South, and 116° 25' 21" to 116° 52' 15" East. The geographical location by sector is as follows:

- Terunen Sector at 00° 47' 15.35" to 01° 06' 21.93" South and 116° 34' 59.87" to 116° 52' 13.75" East,
- Sepaku Sector at 00° 32' 42.39" to 00° 50' 46.91" South and 116° 34' 27.10" to 117° 03' 01.26" East,
- Senoni Sector at 00° 16' 56.57" to 00° 39' 10.78" South 116° 24' 59.00" to 117° 00' 18.92" East

with the boundaries as follows:

- North side: Mahakam River, Other Use Areas (APL)
- South side: Bukit Bangkirai Penajam Road, Production Forest (HP), Other Use Areas (APL)
- West side: IUPHHK-HA PT ITCIKU, Other Use Areas (APL)
- East side: Balikpapan Bay, Production Forest (HP), Other Use Areas (APL)

According to the governmental administration, the work area of PT ITCI Hutani Manunggal is included in two (2) regencies namely Kutai Kartanegara Regency and Penajam Paser Utara Regency, with details as follows

- Senoni Sector: Kota Bangun District, Muara Muntai District, Muara Wis District, Sebulu District, Tenggarong District, Kutai Kartanegara District, East Kalimantan Province, Indonesia
- Terunen Sector: Loa Kulu Subdistrict, Penajam Paser Utara Regency, East Kalimantan Province, Indonesia
- Sepaku Sector: Sepaku District, Kutai Kartanegara Regency, East Kalimantan Province, Indonesia

The topography of the work area of PT ITCI Hutani Manunggal consists mainly of ramps (44.93%), flat (29.41%), rather steep (21.80%), steep (3.22%) and very steep (0.64%) at an altitude of 0 - 800 meters above sea level. The Climate per Schmidt/Ferguson classification is type A with a value of Q = 0% to 4.3% and average rainfall 1,998 mm/year.

Based on the foregoing, the species of plants developed are *Acacia mangium* and *Eucalyptus* sp.

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

Residents living around the PT ITCI Hutani Manunggal concession area are local people, their livelihoods being dominated by agriculture, plantations, forestry and fisheries. Based on Statistical Data of Penajam Paser Utara Regency 2017, the population who made a living in the agricultural sector was 48.85%, while for the district of Sepaku, 55.96% of residents worked in the agricultural sector. The population of Sepaku District is currently dominated by transmigrant communities who began occupying the district in 1970. The villages around Sepaku District are the largest labor supplier for PT ITCI Hutani Manunggal.

PT ITCI Hutani Manunggal has made conflict resolution efforts between the company and the community. There is an organizational structure to conduct conflict resolution, and PT ITCI Hutani Manunggal has completed 32.7% of land claims. The area of claim with the community in the concession area seeks cooperation in livelihood plants. The pattern of livelihood plants consists of two categories, namely Community Forest Management (PHBM) and

Agroforestry. The Joint Community Forest Management Program is carried out by planting staple plants (acacia), while Agroforestry is carried out by planting barley, fruits, sengon and other plants in accordance with the agreement between the company and the community. Land issues with companies, meanwhile, are resolved through legal channels.

PT ITCI Hutani Manunggal has entered into an agreement with the surrounding village community in forest management for Livelihood Plant Development. The whole area of Livelihood Plant area is 3,600.50 ha, split between the Terunen Sector of 328.70 ha, Sepaku Sector of 1,159.00 ha and Senoni Sector of 2,112.80 ha.

In addition to the livelihood plant agreement, PT ITCI Hutani Manunggal has also established cooperation with local contracting partners, of which there are 38 contractor partners working. PT ITCI Hutani Manunggal provides access to the surrounding community to utilize non-timber forest products from within the concession. These include honey, rattan, bamboo, bird's nests, palm sugar and charcoal.

PT ITCI Hutani Manunggal has implemented a corporate social responsibility (CSR) program covering the construction of basic social facilities and infrastructure, basic infrastructure, improving the quality of human resources, youth and sports, fire-affected communities, non-timber forest products, and other assistance. In addition to the corporate social responsibility program, the company also recruits local employees and local contractor partners in implementing forest management.

Description of the ecological conditions of the concession

PT ITCI Hutani Manunggal has identified forest management activities that have significant impacts and conducted an environmental impact assessment to analyze the potential impacts on the environment. Activities undertaken include: 1) Identification of significant impacts in the EIA document, include a. Physical-Chemistry, including: microclimate, soil physiography (physical and chemical properties, subsidence, erosion), hydrology (surface water flow, level fluctuations, sedimentation), water quality; b. Biological components including: vegetation (potential and non-timber forest products), wildlife (habitat, type of property, density and range), aquatic biota (abundance and diversity). 2) Evaluation of potential impacts includes both positive and negative impacts and their sources. 3) The Environmental Impact Statement includes: estimated major and important impacts at all stages of production from planting through growth to cutting and preparing post-harvest land for replanting; evaluation of important and major impacts such as ecologically sustainable functions and production functions.

Environmental management and monitoring are documented in the RKL (Environmental Management Plan) and RPL (Environmental Monitoring Plan) Implementation Report, which is periodically submitted to the relevant agencies. Environmental management includes: managing soil fertility, controlling water management, controlling pollution, controlling fire, managing pests and plant diseases, managing protected areas. Environmental monitoring includes monitoring soil fertility, water tables, water levels, peatland subsidence, river water quality, hot spots, pests and plant diseases, and monitoring of protected areas. The latest RKL and RPL Implementation Reports are semester 2 of 2017 and semester 1 of 2018.

Forest protection measures include: inspection teams for forest protection, routine patrols, information / dissemination to the public, increased CD programs, installation of warning signs. Meanwhile, local species are protected by rehabilitation and enrichment planting.

Results of the Public Consultation

Prior to undertaking the Surveillance 1 Audit, PT AJA Sertifikasi Indonesia conducted Public Consultation commencing November 17, 2019, requesting stakeholders to provide input and information on PT ITCI Hutani Manunggal. 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 PT ITCI Hutani Manunggal, such reported cases being given

material consideration in the audit process conducted by PT. AJA Sertifikasi Indonesia.

PT ITCI Hutani Manunggal has identified all necessary requirements for this certification process, comprising legal aspects that include compliance with international regulations and conventions. The established management system includes all field activities for certification, which is registered for an area of 161,127 hectares.

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

The results of surveillance 1 audit identified four (4) Non-Conformities of a Minor category:

No	Non-Conformities	Corrective Action Performed	Category
1	The company has rehabilitation plans for plants damaged due to disease and pests. One area covering 23.7 ha that was planted on August 15, 2019 with Eucalyptus species was not listed in the Implementation Progress Report RKTUPHHK on Plantation Forests in August and October 2019. Clause Ref. I.1.2	The Management Unit incorporates every plan and realization of harvesting and planting in the rehabilitation area in the Progress Report on the Implementation of RKTUPHHK in Plantation Forest consistently as long as the area is still present.	Minor
2	Based on interviews with medical officers at the company's clinic, the medical staff did not yet have a employment contract with a contractor in accordance with stipulations in Labor Law No. 13 of 2003. Clause Ref. I.12.2	The Management Unit ensures that every employee of the contractor has a work contract.	Minor
3	Based on field visits, there were spraying officers and chain-saw operators who did not wear and use the PPEs properly. Clause Ref. I.12.4	The Management Unit ensures that the use of PPE is carried out in operations according to the type of activity	Minor
4	Based on field visits, there was mixing of organic, inorganic and LB3 waste in the contractor's and employee housing, and scattered rubbish burning around the housing. It is necessary to increase the number of trash bins (organic and inorganic) as well as increase the awareness of the occupants so that the waste can be managed according to the stipulations in the SOP for waste management and LB3. Clause Ref. 12.6	The Management Unit provides trash bins in the main camp and for the contractor. It also provides understanding regarding the prohibition of burning garbage. It will provide awareness to workers and contractors regarding environmental cleanliness, LB3 management and waste separation according to their characteristics, and that waste must not be burned.	Minor

Conditions under which the certificate is issued

Certificate is valid until December 16, 2021, provided that PT ITCI Hutani Manunggal 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 visit, the certificate will be suspended until such time as AJA is able to perform a closeout visit.

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PUBLIC AUDIT REPORT – SFM

TO BE SUBMITTED TO THE CLIENT, IFCC AND TO AJA EUROPE

