

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 ITCI Hutani Manunggal

TOTAL HECTARES: 161,127
hectares

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

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Recertification

AUDIT START DATE: October 9, 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: October 15, 2018

LEAD AUDITOR: Abdullah Mujahid

SIGNATURE:

AUDIT TEAM: Utomo

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:
HO PT IHM	Loa Kulu District , Penajam Paser Utara Regency, East Kalimantan Province, Indonesia	October 9, 2018 and October 15, 2018
Sepaku Sector	Sepaku District , Kutai Kartanegara Regency, East Kalimantan Province, Indonesia	October 9 to 11 2018
Terunen Sector	Loa Kulu District , Penajam Paser Utara Regency, East Kalimantan Province, Indonesia	October 12 to 14, 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	
Senoni Sector	Kota Bangun District, Muara Muntai District, Muara Wis District, Sebulu District, Tenggarong District Kutai Kartanegara Regency, East Kalimantan Province, Indonesia.	

Document: Report Format Public - IFCC

Issue: D

Date: 15 September 2016

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Brief Description of the concession

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

The company's operations are based on RKUPHHK-HTI 2018-2027: legalized by Decree of the Minister of Environment and Forestry Number: SK 4940 / MenLHK-PHPL / HPL.1 / 9/2017 dated September 26, 2017. Based on the HTI RKUPHHK, the Management Unit has made spatial layout as follows: 1) Local Protected Areas and Other Protected Areas of 18,826 ha (11.68%), 2) Staple Plant Area of 95,605 ha (59.34%), and 3) Livelihood Plant area of 46,697 ha (28.98 %). In forest management, PT ITCI Hutani Manunggal divides its working 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, meanwhile, is as follows: Terunen Sector between 00° 47' 15.35" to 01° 06' 21.93" South and 116° 34' 59.87" to 116° 52' 13.75" East, Sepaku Sector between 00° 32' 42.39" to 00° 50' 46.91" South and 116° 34' 27.10" to 117° 03' 01.26", and Senoni Sector between 00° 16' 56.57" to 00° 39' 10.78" South and 116° 24' 59.00" to 117° 00' 18.92" East.

With the following borders:

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

The work area of PT ITCI Hutani Manunggal falls under the governmental administration of two regencies, Kutai Kartanegara Regency and Penajam Paser Utara Regency, as detailed below:

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

The physical condition of the working area of PT ITCI Hutani Manunggal has a mostly sloping (0 to 8%) topography of 44.93%, flat (29.41%), rather steep (21.80%), steep (3.22%) and very steep (0.64%) and is situated at 0 - 800 meters above sea level. It has a Climate type A with Q = 0% - 4.3%, and average rainfall of 1,998 mm / year. The species of plants cultivated 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 concession area of PT ITCI Hutani Manunggal are mainly local people, although the Sepaku Sub-District is currently dominated by trans migrants who began occupying the area from the 1970s. It is the villages from this area that are the biggest supplier of labor at PT ITCI Hutani Manunggal. Overall though, the livelihoods of the population surrounding the concession area are dominated by agriculture, plantation, forestry and fisheries.



PT ITCI Hutani Manunggal has conducted conflict resolution efforts with the local community. In dealing with community claims in the concession area, PT ITCI Hutani Manunggal attempts to arrange collaboration over livelihood plants. This takes two forms, Collaborative Forest Management (CBFM) and Agroforestry. The Collaborative Forest Management Program is carried out by planting staple plants (acacia), while Agroforestry involves planting barley, fruits, sengon or other crops according to the agreement between the company and the community. Problems in regard to land with the company are settled through legal channels.

PT ITCI Hutani Manunggal has a series of agreements with the surrounding village communities in forest management. The total area for all livelihood plants covers 3,600.50 ha consisting of 328.70 ha in the Terunen sector, 1,159.00 ha in the Sepaku sector and 2,112.80 ha in the Senoni sector.

In addition to the livelihood plant agreements, PT ITCI Hutani Manunggal has also collaborated with local contracting partners, some 38 in total. PT ITCI Hutani Manunggal also provides access to surrounding communities to utilize non-timber forest products from within the concession area. These non-timber forest products include honey, rattan, bamboo, bird nests, palm sugar, and charcoal.

PT ITCI Hutani Manunggal has implemented a Corporate Social Responsibility program covering the activities of building basic social facilities and infrastructure, improving the quality of human resources, youth and sports, and community fire-watch activities, and other assistance. In addition to corporate social responsibility programs, the company also recruits local employees and local contracting partners in the implementation of 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 environmental impact assessments to analyze potential environmental impacts. Activities undertaken include:

1. Identification of Significant Impacts in the AMDAL document, including the Component/Sub-Component Environmental Parameters, as follows: a. Physical-Chemical, including: microclimate, soil physiography (physical and chemical properties, subsidence, erosion), hydrological (surface water flow, fluctuation rate, sedimentation), water quality; b. Biological components include: vegetation (potential and non-timber forest products), wildlife (habitat, property type, density and range), aquatic biota (abundance and diversity).
2. Potential Impact Evaluation includes both positive and negative impacts and sources.
3. The Environmental Impact Statement includes: key and important impact estimates at all stages of production from livestock to cutting and post-harvest land preparation for replanting; evaluation of key and key impacts such as sustainable ecological functions and production functions.

Environmental management and monitoring is documented in the RKL Implementation Report (Environmental Management Plan) and RPL Report (Environmental Monitoring Plan), which are submitted to the relevant agencies on a periodic basis. Environmental management includes: soil fertility management, water management control, pollution control, fire control, pests and plant diseases management, protected area management. environmental monitoring, includes among others: soil fertility monitoring, water table, water level, peatland degradation, river water quality, hot spots, pests and plant diseases, and monitoring of protected areas. The latest RKL and RPL Implementation Reports are for the second semester of 2017 and the first semester of 2018.

Forest protection efforts include: inspection teams for forest protection, routine patrols, information / dissemination to the public, CD program enhancement, warning signing. Meanwhile, local species are protected by rehabilitation and enrichment planting.



Results of the Public Consultation

Before carrying out the Recertification Audit, PT AJA Sertifikasi Indonesia held a public consultation commencing September 17, 2018, asking stakeholders to provide feedback and information about PT ITCI Hutani Manunggal. The public consultation was uploaded to the PT AJA Sertifikasi Indonesia website (www.ajaindonesia.com), sent to parties via email or postal mail, and published in local newspapers. Input was received from two stakeholders. The letter from the first stakeholder outlined three items, livelihood plant problems, labor problems, and corporate social responsibility, while the letter from the second stakeholder raised the problem of the people's arable land within the concession.

Field investigation revealed that the Community Livelihood Plant Management was based on an agroforestry activities agreement made in 2017. This involved the development of barley plants, whereas the people wanted sengon plants. In this regard, PT ITCI Hutani Manunggal has prepared sengon plant seeds to be handed over to the villagers. Regarding the complaint from the second stakeholder, PT ITCI Hutani Manunggal explained that should there be a community garden within the company's concession, then the community will be invited to collaborate on livelihood plants or agroforestry. If the community garden area is located within the staple plant area, then the steps taken will be to involve the community in the community forest management program (PHBM) and find another alternative location for community plantations and agroforestry.

The audit team also collected information from the mass media about PT PT ITCI Hutani Manunggal, the 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, which consist of legal aspects that include compliance with international rules and regulations and conventions. The management system has been built to cover all activities in the field of 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 this Recertification Audit identified one (1) Minor Category of Non-Conformity

No	Non-Conformities	Corrective Action Performed	Category
1	In the terms of utilization set forth in the Statement of Agreement (MoU), it is not expressly provided that the local community, indigenous people, and other parties having the right to utilize NTFPs, will not exploit NTFPs beyond their level of sustainability. Clause Ref. III.3.1	The Management Unit has added a provision to the MoU between the Management Unit and the community whereby the community are responsible to utilize the NTFPs without exceeding their sustainability level.	Minor



Conditions under which the certificate is issued

Certificate is valid until 16/12/2021, provided that PT ITCI Hutani Manunggal completes all corrective actions according to the time schedule proposed in its corrective action responses and does not have the same problems at the next Surveillance visit. If the nonconformities are not closed at the next Surveillance, the certificate will be suspended until such time as AJA is able to perform a closeout visit.