

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

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

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Surveillance 1

AUDIT START DATE: November 28, 2016

AUDIT END DATE: December 04, 2016

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: Andri Wibisono

SIGNATURE:

AUDIT TEAM: Abdullah Mujahid

SIGNATURE:

Warsito

SIGNATURE:

MAJOR CARS: 0

MINOR CARS: 7

SITE NAME (Legal Name):	ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY	DATE OF EACH SITE VISIT:
PT Itci Hutani Manunggal	Sepaku - Loa Kulu Sub-District, Kutai Kartanegara Regency, East Kalimantan Province, Indonesia	November 29 to December 01, 2016
PT Itci Hutani Manunggal	Terunen - Sepaku Sub-District, Penajam Paser Utara Regency, East Kalimantan Province, Indonesia	December 02 to 04, 2016
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	
PT Itci Hutani Manunggal	Senoni - Sebulu Sub-District, Kota Bangun Sub-District, Muara Wis Sub-District, Muara Muntai Sub-District, Tenggara Sub-District, Kutai Kartanegara Regency, East Kalimantan Province, Indonesia	

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Date: 15 September 2016

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Brief Description of the concession

PT ITCI Hutani Manunggal received its forest management permit per Decree of the Minister of Forestry of the Republic of Indonesia Number 184 / Kpts-II / 1996 dated April 23, 1996. The operational implementation of the Company's working area is based on the Timber Forest Product Utilization Plan in Industrial Timber Plantations (RKUPHHK-HTI). This document may be revised in the case of changes in forest management. The latest document is RKUPHHK-HTI Revision of PT ITCI Hutani Manunggal based on IHMB Year 2012. The period of 2008 - 2017 and its attachment has been approved per Decree of Minister of Forestry No: SK.55 / VIBUHT / 2012 dated 14 August 2012 and revised again in 2014 through SK Kepmenhut Number SK.53 / VI-BUHT / 2014 dated September 26, 2014. Short-term implementation is per the Annual Work Plan of Timber Forest Product Utilization..

Management of PT ITCI Hutani Manunggal forest area of 161,127 ha divides the work area into three (3) management units, namely: Senoni Sector (76,204 ha), Sepaku Sector (43,437 ha) and Terunen Sector (41,486 ha). The Management Unit has determined the spatial arrangement of the total working area of 161,127 hectares to be: 1) Protected Areas of 17,443 ha (10.83%), 2) Production Areas, consisting of: Staple Crop Area of 91,887 ha (57.03%), Seed Plant Area of 19,261 ha (11.95 %) and Livelihood Plant Area of 20,873 ha (12.95%), 3) Area Unsuitable for Production of 11,663 ha (7.24%).

PT ITCI Hutani Manunggal is geographically located between 116° 25' 21" to 116° 52' 15" East and 00° 23' 04" to 01° 06' 29" South, bounded by:

North: Mahakam River, Other Use Areas (APL)

South: Bangkirai Penajam Hill Road, Production Forest (HP), Other Use Areas (APL)

West side: IUPHHK-HA PT ITCIKU, 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 the regencies of Kutai Kartanegara and Penajam Paser Utara, 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 Regency, East Kalimantan Province, Indonesia
- Sepaku Sector: Sepaku District, Kutai Kartanegara Regency, East Kalimantan Province, Indonesia

The physical condition of the work area of PT ITCI Hutani Manunggal has a mostly sloping topography (44.93%), with flat (29.41%), slightly steep (21.80%), steep (3.22%) and very steep (0.64%) areas at an altitude ranging from 0 to 800 meters above sea level. According to the Schmidt-Ferguson classification, the area has a Type A Climate with a Q value of 0% to 4.3% and average annual rainfall of 1,998 mm / year.

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

There are 28 villages around the PT ITCI Hutani Manunggal working area spread over 6 districts in 2 regencies. The communities surrounding the concession are mostly from the Kutai and Suku Pasir tribes, as well as Javan migrants from the transmigration program. The livelihoods of the population lie mostly in agriculture, plantations, forestry, hunting and fisheries. As well as the mining sector, others find livelihood in restaurants and accommodation services. Good relationships have been built between the Company and society with the development of life created through SPK (Letter of Cooperation Affairs)

The Management Unit has a conflict resolution process already in place that records chronological events, maps of conflict area maps and minutes of meetings. The mechanism of the conflict resolution was partially developed and agreed between the Management Unit and the local community

The Management Unit has a Community Development (CD) program in the areas of: economics (agriculture and



agroforestry, fisheries and animal husbandry, and small and medium enterprises), basic social services (education, health, religious, national holidays), and village infrastructure, culture and sport .

Description of the ecological conditions of the concession

The Management Unit has identified important forest management activities, and conducted an environmental impact assessment, as outlined in AMDAL environmental documents, RKL (Environmental Management Plan), RPL (Environmental Monitoring Plan). The impacts of forest management as affect the following areas: rate of erosion, sedimentation rate of water quality, structure and vegetation, non-timber forest products, wildlife and their habitats. Environmental monitoring activities include: monitoring of erosion, water quality, water discharge, sediment, vegetation, wildlife, and pests and diseases.

Management Unit has identified potential forest disturbances, one of which being forest fires. Mitigation efforts in respect to the potential of forest fires include:

- Preparation of maps of fire prone areas and monitoring of daily fire hazard indices
- Emergency team training
- Provision of adequate fire equipment
- Routine patrols.
- Maintenance of access to HTI concession areas
- Installation of fire warning signs and wildlife hunting boards in PT ITCI Hutani Manunggal
- Determination of water sources (water points) and water stations
- Direct fire outages in the field up to a 200 m radius from the concession boundary
- Establish forest fire posts in areas where there is a potential for fires
- Making fire breaks
- Socialization to the community about the burning of gardens / fields
- Use drone to monitor hotspots
- MPA - Socialization and formation of community groups concerning fire:
- Coordination of the parties in the handling of firefighting (forestry officers, police and other relevant agencies)

Results of the Public Consultation

Prior to conducting the Surveillance 1 Audit, PT AJA Sertifikasi Indonesia carried out public consultation, commencing November 1, 2016 in which stakeholders were invited to provide feedback on PT ITCI Hutani Manunggal. Announcement of the public consultation was published on the website of PT AJA Sertifikasi Indonesia (www.ajaindonesia.com), sent to the parties by email or letter and published in the local newspaper. All responses from stakeholders were input for consideration in conducting the Surveillance 1 Audit, and suggestions and feedback were followed up by the audit team during the field validation.

The audit team also gathered information from the mass media on PT ITCI Hutani Manunggal, which was considered as material during the audit process

PT ITCI Hutani Manunggal has identified all the necessary requirements for this certification process, comprising legal aspects that include compliance with regulations and international rules and conventions. The management system has been built to cover all activities in the field of certification, which is registered for certification of an area of 161,127 ha.

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

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The results of the Surveillance 1 Audit of PT Itci Hutani Manunggal revealed seven (7) Minor Non-Conformities (NC). The management system of PT Itci Hutani Manunggal is still running well and effectively. There were no critical issues when the audit of Surveillance 1 was conducted

No	Non-Conformities (NC)	Corrective Action Performed	Category
1	Some SOP's and WI have yet to be updated / revised following changes in implementation of activities in the field. Clause Ref: I.1.11	Such SOPs and WI's have been revised.	Minor
2	Following Residual Wood Assessment (RWA) in the field, saleable wood was not marked as such. Clause Ref: I.4.4	Following Residual Wood Assessment (RWA) in the field, saleable wood is now marked with a ribbon.	Minor
3	Implementation of Micro planning still not in accordance with SOP, e.g. tagging felling coupe, TPn, Main Trail Clause Ref: I.5.1	PT ITCI Hutani Manunggal has issued work instructions to counter former deficiencies in these operational areas.	Minor
4	There were heavy equipment operators who did not have SIO (Operator's License) Clause Ref: I.1.13	SIO Batch 1 2017 Training will be held on 27-28 April 2017 with 34 participants.	Minor
5	No Bipartite LKS has been established as required by law to serve as a communication forum between employers and representatives of trade unions Clause Ref: I.11.1	A Decree from the Board of Directors was issued on 14 March 2017 on Bipartite Cooperation Institution for PT Itci Hutani Manunggal	Minor
6	There are still employees who do not use the complete APD Clause Ref: I.12.4	Management Unit performed: - Safety Talk dated 23-12-2016 with proof of attendance attached. - The handover of APD (helmet) to the operators	Minor
7	The Management Unit has not properly managed the separation of waste into organic and non-organic waste. Clause Ref: I.12.6	Unit Management has now provided separate organic and non-organic waste bins	Minor

Conditions under which the certificate is issued

Certificate will be valid until 12/11/2018 provided that PT. Itci Hutani Manunggal has completed all corrective actions based on the time frame proposed in its corrective actions response and does not have the same problems at the next Surveillance visit. If the non-conformities are not closed out at the time of the next Surveillance, the IFCC certificate will be suspended until such time as AJA is able to perform a close out visit