

Public Report Sustainable Forest Management System

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



CLIENT NAME: PT MUTIARA SABUK KHATULISTIWA

TOTAL HECTARES: 33,674.66

SCOPE OF REGISTRATION: Sustainable Forest Management of 33,674.66 hectares of Plantation Forest in Riau Province

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Recertification

AUDIT START DATE: December 12, 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: December 15, 2018

LEAD AUDITOR: Andri Wibisono

SIGNATURE:

AUDIT TEAM: Abdullah Mujahid

SIGNATURE:

Warsito

SIGNATURE:

MAJOR CARS:

MINOR CARS:

SITE NAME (Legal Name):	ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY	DATE OF EACH SITE VISIT:
PT Mutiara Sabuk Khatulistiwa	Gaung District, Indragiri Hilir Regency, Riau Province, Republic of Indonesia	December 12 to 15, 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	
N/A		



Brief Description of the concession

PT Mutiara Sabuk Khatulistiwa obtained its forest management permit per Decree of Natural Timber Production Forest Business Permit for Production Forest in accordance with the Decree of the Minister of Forestry Number 109/Kpts-II/2000 on December 29, 2000 covering an area of 44,595 ha. In 2013, the Decree of the Minister of Forestry of the Republic of Indonesia Number: SK.59/Menhut-II/2013 on January 23, 2013 was issued concerning "Determination of Permit for Timber Forest Utilization Working Areas in Natural Forest of PT Mutiara Sabuk Khatulistiwa covering an area of 44,434.66 hectares in Riau Province.

There has been conversion of 10,759 hectares of natural forest to plantation forest after December 31, 2010, and thus the scope of the IFCC Certification is for an area of 44,434.66 hectares – 10,759 hectares = 33,674.66 hectares.

Since then, PT. Mutiara Sabuk Khatulistiwa has made a commitment not to further convert natural forest into plantation forest. This can be seen from the silviculture system of natural forests, namely the TPTI (Indonesian Selective Logging and Planting) without logging permits, but only planting and maintaining of local plant species.

PT Mutiara Sabuk Khatulistiwa has management plan RKUPHHK-HA PT Mutiara Sabuk Khatulistiwa Revised Document, SK Number. SK.1202/menLHK-PHPL /UHP/HPL.1/3/2018. dated March 20, 2018. Spatial planning consists of: TPTI area covering 23,711 ha, consisting of non-productive protected areas (for infrastructure, livelihood plants and indigenous plants), protected area of 7,820 ha (consisting of 700 ha riparian and 7,120 ha of in situ conservation area) and THPB area of 20,723 ha consisting of Effective Area of 18,243 ha, Ineffective Area of 1,270 ha and Infrastructure covering 775 ha. Spatial planning based on governance of peat is the TPTI area consisting of KFLEG 6,131 ha (13.80%) and FBEG covering 17,580 ha (39.56%). THPB area consisting of KFLEG 14,374 ha (32.35%) and FBEG covering 6,349 ha (14.29%)

The PT Mutiara Sabuk Khatulistiwa concession is geographically located between 00° 05' 51" to 00° 14' 39" South and 102° 41' 39" to 102° 59' 34" East, and falls under the governmental administration of Gaung District, Indragiri Hilir Regency, Riau Province. The work area is located in the Gaung sub-watershed, and is part of the Gaung Simpang Kanan River Forest Group. The work area is bordered as follows:

North	- IUPHHK- HA PT. Bhara Induk
East	- IUPHHK-HTI PT. Bina Duta Laksana
South	- IUPHHK – HTI PT. Bina Duta Laksana
West	- State Forest

The soil types consists of Tropohemist Tropofibrists (8.70%), Fluvaquents, Tropaquents Tropohemists (10.05%), and Tropofibrists Tropohemists (81.18%), while the geological formation is alluvium and coastal sedimentation (Qac) and swamp deposits (Qs). The area is mostly flat (0-8% Slope) and the species of plant cultivated is *Acacia crassiparpa*.

Based on a 1: 250,000 scale Peat Ecosystem Function Map issued by the Ministry of Environment and Forestry (Appendix of Minutes No. BA.046/UHP/RKUPHT/HPL.1/3/2017 on March 20, 2017) the entire work area is peat soil.

Peat Ecosystem Function Restoration Plan.

Plantation forest operational activities on peatlands raise fears of causing damage to the peat ecosystem, characterized by the presence of artificial drainage, exposure of pyrite sediments and the reduction of land cover area. In peat areas identified as having been damaged, recovery activities will be carried out based on PermenLHK No. P.16/Menlhk/Setjen/Kum1/2/2017 concerning Technical Guidelines for Peat Ecosystem Function Restoration.

A majority of PT. Mutiara Sabuk Khatulistiwa concession is Peat Protection Function Area of 26,636 ha (59.95%). Specific guidelines have been prepared for recovery of damaged peak ecosystems, which include no replanting of staple or livelihood plants, taking measures to maintain water levels, no further clearing but re-vegetation with right type, species and process for the specific area in accordance with research results..The detailed plan for restoring the functions of peat



ecosystems is explained in the Peat Ecosystem Function Restoration Plan Document that is being consulted with the Directorate General of Pollution Control and Environmental Damage of the Ministry of Environment and Forestry.

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

There are no indigenous peoples to be found in the concession area, the surrounding communities consisting of local Indragiri, Kuantan, Mamak and Talang peoples, along with Javanese and Banjar immigrants.

In forest management, the Management Unit involves the surrounding community in the form of cooperation in the formation of the Fire Care Community (MPA) and community empowerment program in the form of the Desa Makmur Peduli Api (DMPA). In addition, there is cooperation in the utilization of Non-Timber Forest Products (HHBK) mainly fish from the Gaung River and the company-owned canals, plus forest honey from within the PT Mutiara Sabuk Khatulistiwa concession area.

The Management Unit of PT Mutiara Sabuk Khatulistiwa has documented planned CD/CSR programs together with realization reports, which in 2018 provided assistance in the cultivation of chili, corn and fisheries, provided compensation for orphans, undertook maintenance of roads and bridges, and covered teacher salaries and school operations, as well as sporting events.

Description of the ecological conditions of the concession

The Management Unit has identified forest management activities that have important impacts, and conducts environmental impact assessments through: EIA documents and their completeness (KA-Andal, Andal, RKL & RPL), which were ratified in accordance with the Decree of the Regent of Indragiri Hilir Number Kpts.18/I/HK-2011 on January 20, 2011. Activities include:

- Reduced Impact Logging activities, which are carried out in stages: pre-harvesting, during harvesting, and post-harvesting
- Identification of areas that function as soil protection, namely the Peat Ecosystem Protection Area, KPPN/KPSL
- Identification of areas that function for water protection, namely areas designated as having protected area function of the Gambut ecosystem, KPPN/KPSL
- PT. Mutiara Sabuk Khatulistiwa has documented procedures that guide the monitoring of negative impacts due to forest management activities in these protected areas
- PT. Mutiara Sabuk Khatulistiwa also has documented procedures for the controlled use of B3 (Hazardous and Toxic Materials), waste management, fuel spill handling, lubricants and chemicals, weed control, and countermeasures for invasive pests and diseases,

The Management Unit has carried out biodiversity management activities to identify and inventory protected, endemic, rare and endangered flora & fauna in the area. However, while there is a fauna distribution map, there is no flora distribution map at present. No key species have been identified in the area. The type of staple plant cultivated is not a genetically modified tree species, but *Acacia crassicarpa*.

The Management Unit carries out forest protection activities, which include regular patrols and the erection of warning notices that forbid illegal incursion, lighting of fires, clearing of ground, grazing of livestock by the community within the concession area. Protective measures have also been taken against fire hazards, with fire prevention also involving members of the local community.

Results of the Public Consultation

Prior to conducting the Recertification Audit, PT AJA Sertifikasi Indonesia carried out public consultation commencing November 27, 2018, requesting stakeholders to provide feedback and information on PT Mutiara Sabuk Khatulistiwa. 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 inputs from stakeholders as a result of the public consultation.

The audit team also gathered information from the mass media about PT Mutiara Sabuk Khatulistiwa, the reported cases

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being given material consideration in the audit process carried out by PT AJA Sertifikasi Indonesia.

Management Unit has identified all the requirements required for this certification process, comprising 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 33,674.66 hectares.

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

Results of the Recertification Audit of PT Mutiara Sabuk Khatulistiwa, three (3) Minor Non-Conformities were identified. The management system of PT Mutiara Sabuk Khatulistiwa is operating effectively. No critical issues of time were identified:

No	Non-Conformities	Corrective Action Performed	Category
1	The daily checklist of fertilizing activities was not completely filled out as it should be. Moreover, the form also lacks information: about the balance of material usage, and work plan per plot (per day). Indicator : I.1.11	- Ensure that the daily fertilization activity form is properly filled out by employees - Prepare draft of daily fertilization activity form	Minor
2	Not all the operators of the heavy equipment used in the PT Mutiara Sabuk Khatulistiwa concession area hold the requisite SIO operating license. Indicator : I.1.13	Ensure that all heavy equipment operators working in the concession area have the requisite SIO license.	Minor
3	Based on field visits during harvesting activities it was noted that not all workers used the full personal protection equipment as prescribed for their operation. Indicator: I.12.1	Ensure that usage of PPE in the field is in accordance with the PPE Management SOP.	Minor

Conditions under which the certificate is issued

Certificate is still valid until dd/mm/yyyy provided that PT Mutiara Sabuk Khatulistiwa 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 non-conformities are not closed at the next Surveillance, the certificate will be suspended until such time as AJA is able to perform a closeout visit.