

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



JOB NUMBER: IFCC/AJA-014

CLIENT NAME: PT MUTIARA SABUK KHATULISTIWA

TOTAL HECTARES: 33,674.66

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

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Stage 2

AUDIT START DATE: December 2, 2015

AUDIT END DATE: December 5, 2015

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 two (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:

Taryanto Wijaya

SIGNATURE:

SIGNATURE:	
SIGNATURE:	
SIGNATURE:	

MAJOR CARS: 0

MINOR CARS: 5

RECOMMENDATION FOR CERTIFICATION/CONTINUED CERTIFICATION (No CARs raised or CARs closed out on site):	<input type="checkbox"/>
RECOMMENDATION FOR CERTIFICATION/CONTINUED CERTIFICATION FOLLOWING OFF-SITE VERIFICATION OF CAR RESPONSES (CARs raised):	<input checked="" type="checkbox"/>
RECOMMENDATION FOR CERTIFICATION/CONTINUED CERTIFICATION FOLLOWING ON-SITE VERIFICATION OF CAR RESPONSES (CARs raised):	<input type="checkbox"/>
NON-RECOMMENDATION FOR CERTIFICATION/CONTINUED CERTIFICATION (Evidence Of Major System Failure):	<input type="checkbox"/>

SELECT OPTION

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SITE NAME (Legal Name):	ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY (If more than four (4) sites have been visited please add additional rows):	DATE OF EACH SITE VISIT:
Site PT Mutiara Sabuk Khatulistiwa	Teluk Kabung Village, Gaung District, Indragiri Hilir Regency, Riau Province, Indonesia	December 2 - 5, 2015
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 (If more than four (4) additional sites have been registered please add additional rows)	
	N/A	
REF No:	ADDRESSES OF INSTALLATION SITES (CLIENT'S CUSTOMER SITES) VISITED AND NOT COVERED DIRECTLY BY THE COMPANY REGISTRATION INCLUDING COUNTRY (If more than two (2) installation sites have been visited please add additional rows)	
	N/A	

Brief Description of the concession and its natural and socio-economic conditions.

PT Mutiara Sabuk Khatulistiwa was granted a forest management operating license by the Decree of the Business License Timber Forest Products in Natural Forest of the Forestry Minister: Minister of Forestry Decree 109 / Kpts-II / 2000 date. December 29, 2000, with an area of 44, 595 ha. Spatial consist of: effective area TPTI 11,450 ha, effective area THPB 20,760 ha, protected area 7,820 ha (border Gaung River 1,796 ha, border Simpang Kanan River 1,747 ha, KPPN / germplasm conservation areas 535 ha, DPSL / wildlife protection area 3,742 ha), non-forest rehabilitation of 1,987 ha, area unsuitable for operation 2,454 ha.

In 2013, by the Decree of the Minister of Forestry of the Republic of Indonesia Number: SK.59 / Menhut-II / 2013 dated January 23, 2013 on "The determination of the working area permit the results of Utilization of Timber Forest in Natural Forest PT Mutiara Sabuk Khatulistiwa measuring 44,433.66 (forty-four thousand four hundred and thirty-three point sixty-six) hectares in Riau Province.

Under the requirements of the IFCC Standard, PT Mutiara Sabuk Khatulistiwa has excluded from certification the areas of plantation forest (10,759 ha) that were established through conversion of natural forest after Dec 31, 2010. The final scope of certification is thus 33,674.66 hectares. PT Mutiara Sabuk Khatulistiwa has since made a commitment to stop deforestation.

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PT Mutiara Sabuk Khatulistiwa is in the public administration of Echoes sub-district, Indragiri Hilir district, Riau Province. Geographically located 00°05' - 00°51' S ; 102°03' - 103°03' E, including the watershed (DAS) Gaung, forest group Gaung-Sungai Simpang Kanan. Working area boundaries: North: PT Bhara Induk, East: the State Forest, West: the State Forest and South of the Gaung River and PT Bina Duta Laksana.

Based on the Social Impact Assessment Report (2014) the people living around the working area of PT Mutiara Sabuk Khatulistiwa consist of Malay (15%), Javanese and Sundanese (3%), Banjar (75%), Minang (1%), Bugis (2%), Tionghoa, Batak, Palembang (4%). There are eight (8) village built MU namely: Teluk Kabung village, Simpang Gaung village, Pungkat village, Belanta Raya village, Lahang Baru village, Kuala Lahang village, Pintasan village, and Semambu Kuning village.

MU efforts made to minimize the negative impact on the social aspects are:

1. Watering of the roads
2. Assistance by means of the provision of a water pump
3. Open access for the local community to take advantage of non-timber forest products
4. An opportunity for people to work in forest management activities (planting, harvesting, security, firefighting team), or also as a supplier.

PT Mutiara Sabuk Khatulistiwa has developed the following institutional groups:

1. Farmers, comprising four (4) groups for the cultivation of curly chili, areca nuts and fruit tree cultivation, and fisheries.
2. Cooperative, three (3) groups comprising plantation and management, building construction, and road watering.
3. Business partner, consisting of one (1) group in the tailoring business.
4. One group consisting the livestock cultivation of goats.

PT Mutiara Sabuk Khatulistiwa has entered into agreements with the local communities for Activity Local Communities, such as access to roads, access to canal, P3K clinic, mosque and church facilities, sports hall, land and air transport, together with watering of the road, effective January 1, 2014 until September 31, 2017.

Sustainable forest management will have an impact on environmental components, Component / Sub-Component / Environmental Parameters affected being as follows:

- Physical-Chemical, including micro-climate, land physiography, soil (physical and chemical properties, subsidence, erosion), hydrology (run-off current, water fluctuation, sedimentation), water quality.
- Biological Component: including vegetation (potential and non-timber forest products), wildlife (habitat, species, concentration, range), aquatic biota (abundance & diversity)

Management and monitoring efforts conducted MU PT Mutiara Sabuk Khatulistiwa, include among others:

1. Management of protected areas (KPPN/Germplasm conservation areas, DPSL/ wildlife protection area, river border)
2. Management of important impacts: ecosystem function, physical-chemical nature of soil and water quality, waste B3, protection of forests, flora and fauna
3. The management of waste materials and B3

Efforts are being made to implement the Report of the Environmental Management Plan (RKL) and Environmental Monitoring Plan (RPL) are conducted each semester and reported regularly to the Regional Environmental Agency (BPLHD). MU is committed to minimizing the environmental impact caused by its forest management.

Before performing its Stage 2 audit, PT AJA Sertifikasi Indonesia made a public announcement and public consultation through its website www.ajaindonesia.com on November 20, 2015.

In addition to its website announcement, public consultation was also carried out through the local print media and direct invitations to stakeholders. The print media used was the Riau Pos issue of October 11, 2015 on page 5. Stakeholders were invited for public consultation through letter No. 548-588 / AJAINDO / DIRUT / X / 2015 dated October 12, 2015.

Prior to the audit stage 2, the stakeholders had the opportunity to provide input from December 2 to 5, 2015. Their suggestions related to: developing the villages surrounding MU's working area, providing business opportunities through

CSR, distribution of levy from TPK Antara / dock loading and unloading for donation to (SMK development, early childhood development [early childhood education], scholarships, construction of student dormitories, and research funding for local institutions).

In the stage 2 audit verification of stakeholder input, the policy directive of PT Mutiara Sabuk Khatulistiwa contains policies to: 1) give priority to local workers; 2) an attitude of non-discrimination; 3) not employ child labor; 4) provide freedom of assembly and association, and; 5) not use forced labor. In addition, PT Mutiara Sabuk Khatulistiwa also ensures that workers' rights are properly fulfilled in accordance with the ILO and the regulations of the Indonesian Ministry of Labor. Some of the activities conducted MU include: watering of the roads; cultivation of chili; development of a tailoring business; goat raising program, venture capital assistance, health / medicine. The provision of funds to meet the expectations expressed by the stakeholder, however, remains within the province of the government.

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

The results of stage 2 audit revealed non-conformities in five (5) minor categories. MU has committed to rectify these matters by taking corrective action:

NO	Non-conformities	Corrective Action to be performed	Category
1	PT Mutiara Sabuk Khatulistiwa had not put in place a mechanism for separation, either physical or documentary, of timber coming from that under the scope of the IFCC certification and that which does not Clause Ref: I.4.1	PT Mutiara Sabuk Khatulistiwa must prepare and implement a mechanism for separation, both physical and documentary, of the timber coming from that under the scope of the IFCC certification and that which does not.	Minor
2	Verification carried out in two compartments revealed that the implementation of micro-planning in the field was not in accordance with the relevant SOP on Harvesting HTI Wetland. Clause Ref I.5.1	<ul style="list-style-type: none"> - Set up specific procedures / SOP for micro-planning or incorporate it in SOP for Harvesting - Monitor the implementation of micro-planning in conformity with the SOP 	Minor
3	There was no trash in Basecamp TPTI. Disposal of garbage on the forest floor can potentially pollute water bodies. This is not in accordance with the waste management WI Clause Ref: I.6.6	<ul style="list-style-type: none"> - Monitor and evaluate the handling of household waste in Base Camp TPTI - Provide adequate bins in the area of the base camp TPTI 	Minor
4	<ol style="list-style-type: none"> 1. There was a lack of mapping of the distribution of flora and fauna that are protected, endemic, rare and endangered species / endangered species and their habitats (border River Mudung, KPPN, DPSL and border River Simpang Kanan) 2. There were observation plots of vegetation and wildlife that represent blocks TPTI Clause Ref: I.7.1	<ul style="list-style-type: none"> - Monitor the distribution of flora and fauna in protected areas of MU on an annual basis - Conduct observations of the biodiversity in the TPTI area - Create a distribution map of flora and fauna in the protected areas of MU, and TPTI 	Minor
5	PT Mutiara Sabuk Khatulistiwa has not entered into agreements for the control of the	<ul style="list-style-type: none"> - Monitor the utilization of NTFPs and economic impact on society 	Minor



	<p>utilization of non-timber forest products:</p> <ol style="list-style-type: none">1. In the form of the honey bees where the beekeepers were divided into three groups all disputing ownership of the 93 primary beehives, and2. Fishing around the concession area in the Gaung border river and the production plot canal of the TPTI region and protected areas <p>Clause Ref: I.9.4</p>	<p>- Make use of the NTFP management plan so that continuity can be maintained.</p>	
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Conditions under which the certificate is issued

The certificate is valid until 10-05-2019 provided that PT. Mutiara Sabuk Khatulistiwa completes all of corrective action 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 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.