

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 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, Republic of Indonesia

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Surveillance 1

AUDIT START DATE: December 13, 2016

AUDIT END DATE: December 16, 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: Ade Nursyaf Putra

SIGNATURE:

Agung Utama Lubis

SIGNATURE:

MAJOR CARS: 0

MINOR CARS: 1

SITE NAME (Legal Name):	ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY	DATE OF EACH SITE VISIT:
PT Mutiara Sabuk Khatulistiwa	Teluk Kabung Village, Gaung District, Indragiri Hilir Sub-District, Riau Province, Indonesia	December 13 to 16, 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	
N/A		

Brief Description of the concession

PT Mutiara Sabuk Khatulistiwa obtained permission for forest management per the Decree of the Business License for Production Timber Forest in Natural Forest per Minister of Forestry Decree 109/Kpts-II/2000 dated December 29, 2000, for 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 dated January 23, 2013 was issued on "The determination of the working area permit for Utilization of Timber Forest in Natural Forest PT. Mutiara Sabuk Khatulistiwa measuring 44,433.66 hectares in Riau Province

PT Mutiara Sabuk Khatulistiwa has management plan documents RKUPHHK-HA PT Mutiara Sabuk Khatulistiwa Period 2010 - 2019 and their attachments, which were approved by the Decree of Minister of Forestry No: SK.176 / VI-BPHA- / 2010 dated December 27, 2010. In the short term, there is the Annual Work Plan Timber Forest Product Utilization in Natural Forest (RKTUPHHK-HA) 2016 PT. Mutiara Sabuk Khatulistiwa: Endorsement by SK Director number: SK.08 / MSK / XII / 2015 dated December 31, 2015. Document RKUPHHK-HA contains the spatial arrangement of the 44,595 ha as stipulated in the original decree: 1) TPTI (Indonesian selective cutting and planting) of 11,450 ha (25.68%), 2) THPB (clear cutting with artificial regeneration) of 20,760 ha (46.55%), 3) Protected Areas of 7,820 ha (17.54%), 4) Non-forest Rehabilitation of 1,987 ha (4.46%), 5) Area Not Suitable For Production of 2,578 ha (5.78%%). The Protected Area 7,820 ha (17.54%) contains : a) riparian area Gaung river of 1,796 ha (4.03%), b) riparian area Simpang Kanan river of 1,747 ha (3.92%), c) germplasm conservation area of 535 ha (1.20%), d) wildlife protection area of 3,742 ha (8.39%). Document RKUPHHK-HA PT Mutiara Sabuk Khatulistiwa covers the forest management plan that includes planning, implementation, monitoring and evaluation of the principle of continuous improvement.

Based on Letter No 03 / MSK / VIII / 2015 dated August 20, 2015 of natural forest conversion areas after December 31, 2010 covering an area of 10,759 hectares which cannot be registered for IFCC Certification. So the scope for certification is 44,433.66 less 10,759 = 33,674.66 ha. PT. Mutiara Sabuk Khatulistiwa has since made a commitment not to further convert natural forest to plantation forest. This can be seen from the natural forest silviculture system, which is TPTI (Indonesian selective cutting and planting) with no clearance logging, but only the planting and maintenance of local plant species.

PT Mutiara Sabuk Khatulistiwa is geographically located between S 01° 05' to S 01° 51' and E102° 03' to E103° 03'. West working area boundary with State Forest, east with State Forest, north with PT Bhara Induk, and south with Sungai Gaung River, PT Bina Duta Laksana. Administratively the government of PT Mutiara Sabuk Khatulistiwa entered in the area of Gaung District, Indragiri Hilir Regency, Riau Province.

PT Mutiara Sabuk Khatulistiwa is included in the Forest Group: Sungai Gaung - Simpang Kanan River. Gaung Watersheds (DAS). The type of trees being cultivated in the peat working area is *Acacia crassicarpa*

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

There are no indigenous people as defined under the law (Law No. 27 of 2007 and Presidential Decree No. 111 of 1999) around the concession area of PT Mutiara Sabuk Khatulistiwa. People living around the plantation area are ethnic Malay, Javanese, Sundanese, Banjar, Minang, Bugis, and Chinese, with the livelihood of the community largely being as farmers.

PT Mutiara Sabuk Khatulistiwa has a series of documented procedures for conflict resolution, that cover the whole process.



At the time of this First Surveillance Audit, the Management Unit had no conflict with the public.

PT Mutiara Sabuk Katulistiwa provides access to local communities to exploit Non-Timber Forest Products (NTFP) that benefit the community's economy. NTFPs utilized are in the form of fish and honey and MOUs have been signed between the Company and specific groups in a number of villages for the exploitation of these products.

PT Mutiara Sabuk Khatulistiwa has been carrying out corporate social responsibility programs in the villages around the working area. These include: Teluk Kabung, Simpang Gaung, Pungkat, Belantaraya, Lahang Baru, and Kuala Lahang. Realization of the 2016 program included assistance in the agricultural field through the provision of quality seeds for coconut and banana plantations, as well as young livestock for the cattle raising group. This was all part of the Prosperous Villages Care About Fire program. Other CSR disbursements were largely charitable in nature, supporting religious practices and other humanitarian efforts in the villages of Teluk Kabung, Belantaraya, Simambu Kuning and Pintasan, in the Gaung District. These efforts were acknowledged by the village heads interviewed, while they were also appreciative of the Company's payment of the salaries of temporary teachers.

Description of the Ecological conditions of the concession

PT Mutiara Sabuk Khatulistiwa has identified the forest management activities that have an important impact and conducts an environmental impact assessment to analyze the potential impact on the environment. Activities undertaken include:

- 1) Identification of Significant Impacts in the EIA documents, covering Component / Sub-Component Environmental Parameters, as follows:
 - a. Physical-Chemical, include: micro-climate, physiography of the land (physical and chemical properties, subsidence, erosion), hydrology (surface water flow, fluctuation in levels, 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 positive and negative impacts and their sources..
- 3) Environmental Impact Statement includes: forecasts of major and important impacts at all stages of production from planting through husbandry to cutting and post-cutting land preparation for replanting; evaluation of important and major impacts such as sustainability ecological functions and production function.

The environmental management and monitoring is documented in RKL (Environmental Management Plan) and the Report of RPL (Environmental Monitoring Plan), which are submitted to the relevant authorities on a periodic basis. Environmental management includes: management of soil fertility, control of water management, pollution control, fire control, management of plant pests and diseases, management of protected areas. Environmental Monitoring, meanwhile, involves: monitoring of soil fertility, water table, water level, peat subsidence, river water quality, hot spots, plant pests and diseases, and monitoring of protected areas.

Forest protection efforts undertaken include: inspection squads for forest protection, routine patrols, information / dissemination to the public, increasing the CD program, installation of warning signs. Meanwhile, local species are protected by rehabilitation and enrichment planting.



Results of the Public Consultation

Prior to carrying out the First Surveillance Audit, PT AJA Sertifikasi Indonesia conducted public consultation, commencing November 23, 2016, asking stakeholders to provide feedback on PT Mutiara Sabuk Katulistiwa, The public consultation was uploaded to the PT AJA Sertifikasi Indonesia website (www.ajaindonesia.com), sent to the parties via email or letter, and published in a local newspaper Input received during the Public Consultation was given consideration by the audit team during the audit of PT Mutiara Sabuk Katulistiwa.

The audit team also gathered information from the mass media about PT Mutiara Sabuk Katulistiwa with such reported cases being considered part of the audit process.

The Management Unit 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 33,674.66 hectares.

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

The results of the Surveillance Audit 1 of PT Mutiara Sabuk Katulistiwa identified one (1) Minor Non-Conformity (NC). There were no time-critical issues identified.

No	Non-Conformities	Corrective Action Performed	Category
1	B3 Waste Management Performance Evaluation indicated that B3 waste has not been managed in accordance with the established procedure, whereby B3 waste was stored for longer than the permitted 90-day time period. Clause I.6.6	<ul style="list-style-type: none"> - Maintain communication and coordination with relevant agencies in regard to waste management and provision, especially when there is a change (BLH and Regent) - Introduce more comprehensive documentation for B3 waste management 	Minor

Conditions under which the certificate is issued

The Certificate is valid until 10/05/2019 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