

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
ha

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

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Surveillance 2

AUDIT START DATE: November 28, 2017

AUDIT END DATE: December 1, 2017

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: Abdullah Mujahid

SIGNATURE:

AUDIT TEAM: Ence Hedi Hasan Zubaedi

SIGNATURE:

Taryanto Wijaya

SIGNATURE:

MAJOR CARS: -

MINOR CARS: 2

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 Regency, Riau, Province, Indonesia	November 28 - December 1, 2017
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 forest management permit according to Decree of Natural Timber Forest Production License for Production Forest in accordance with Decree of Minister of Forestry Number 109 / Kpts-II / 2000 dated December 29, 2000 covering 44,595 ha. In 2013, the Decree of the Minister of Forestry of the Republic of Indonesia No. SK.59/Menhut-II/2013 dated January 23, 2013 issued "Determination of Work Permit for Timber Utilization in Natural Forest PT Mutiara Sabuk Khatulistiwa covering 44,433.66 hectares in Riau Province

Based on its RKUPHHK-HA document, the spatial arrangement of the 44,595 ha as stipulated in the original decision is as follows: 1) TPTI (Selective Indonesian cutting and planting) of 11,450 ha (25.68%), 2) THPB (clear cutting with artificial regeneration) of 20,760 ha (46.55%), 3) Protected area of 7,820 ha (17.54%), 4) Non-rehabilitation forests of 1,987 ha (4.46%), 5) Area Unsuitable For Production of 2,578 ha (5.78 %). The protected area of 7,820 ha (17.54%) consists of: a) Gaung riparian area of 1,796 ha (4.03%), b) Simpang Kanan river area of 1,747 ha (3.92%), c) germplasm conservation area covering 535 ha (1.20%), d) wildlife protection area of 3,742 ha (8.39%). The RKUPHHK-HA Document PT Mutiara Sabuk Khatulistiwa includes a forest management plan that includes the planning, implementation, monitoring and evaluation of the principle of continuous improvement.

Based on Letter No 03 / MSK / VIII / 2015 dated 20 August 2015, an area 10,759 ha of natural forest was converted to plantation forest after December 31, 2010 and thus cannot be registered for IFCC Certification. The scope of the certification, therefore, 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 into plantation forest. This can be seen from the silvicultural system of natural forests, i.e. TPTI (logging and selective planting of Indonesia) without logging permits, but only the cultivation and maintenance of local plant species.

PT Mutiara Sabuk Khatulistiwa is geographically located between 01° 05' to 01° 51' South and 102° 03' to 103° 03' East. The working area is bounded to the east and west by State Forest, to the north by PT Bhara Induk, and to the south by Sungai Gaung River and PT Bina Duta Laksana. PT Mutiara Sabuk Khatulistiwa falls under the governmental administration of in the region of Gaung District, Indragiri Hilir Regency, Riau Province.

PT Mutiara Sabuk Khatulistiwa belongs to Forest Group: Gaung River - Sungai Simpang Kanan. DAS Gaung (DAS). The species 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 peoples around the concession area of PT Mutiara Sabuk Khatulistiwa as defined in law (Law No. 27 of 2007 and Presidential Decree No. 111 of 1999). The people who live around the plantation area are ethnic Malay, Javanese, Sundanese, Banjar, Minang, Bugis, and Chinese, with the livelihood of the community being mostly as farmers.

Although PT Mutiara Sabuk Khatulistiwa has a set of documented procedures for conflict resolution, at the time of the audit, the Management Unit did not have any cases of conflict with the local community.

PT Mutiara Sabuk Khatulistiwa provides access to local communities to utilize non-timber forest products (NTFP) that are beneficial to their economic interest. The use of NTFP is in the form of fish and honey and a Memorandum of Understanding has been signed between the Company and certain groups in a number of villages for the exploitation of these items.

PT Mutiara Sabuk Khatulistiwa has implemented a corporate social responsibility program in the villages around the working area. Realization of the 2016 program included assistance in agriculture through the provision of quality seeds for coconut and banana plantations, as well as young cattle for livestock breeding groups. These are all part of the Prosperous Village Care program associated with the Fire Program. Other CSR channels are largely charitable in nature,



supporting religious practices and other humanitarian efforts in the villages of Gaung District. These efforts were acknowledged in interviews with village heads, who also appreciated the temporary payment of teachers' salaries by the Company.

Description of the ecological conditions of the concession

PT Mutiara Sabuk Khatulistiwa has identified forest management activities that have significant impacts and conducted an environmental impact assessment 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), hydrology (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 and production functions.

Environmental management and monitoring are documented in RKL (Environmental Management Plan) and RPL Report (Environmental Monitoring Plan), which are submitted to 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 covers, 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.

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

Results of the Public Consultation

Prior to carrying out the Surveillance 2 Audit, PT AJA Sertifikasi Indonesia conducted a public consultation, commencing on November 20, 2017, requesting stakeholders to provide feedback and information on PT Mutiara Sabuk Khatulistiwa, The public consultation was uploaded to PT AJA Sertifikasi Indonesia website (www.ajaindonesia.com), sent to parties by email or regular mail, and published in local newspapers.

PT AJA Sertifikasi Indonesia received no input from stakeholders during the public consultation. The audit team also gathered information from the mass media about PT Mutiara Sabuk Khatulistiwa, which was given material consideration in the audit process conducted by PT AJA Sertifikasi Indonesia.

The 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 to the conformity.

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Result of Surveillance 2 Audit of PT Mutiara Sabuk Khatulistiwa have identified two (2) Minor Non-Conformities (NC) as listed below. No critical issues were identified.

No	Non-Conformities	Corrective Action Performed	Category
1	On field verification center plots and tree numbering were not clear in some plots, which is not in compliance with the applicable SOP. Clause Ref : I.4.2	The Management Unit has updated the SOP in accordance with field operations, refining and clarifying the center plots and tree numbering. The Management Unit ensures the implementation in the field is in accordance with the procedure.	Minor
2	The Management Unit has not been able to show proof of membership of BPJS for staff of some of its contractors. Clause Ref : I.11.1	The Management Unit has provided evidence of registration and membership of BPJS (Employment and Health) for all its staff and those of its contractors.	Minor

Conditions under which the certificate is issued

SFM Certificate IFCC PT. Mutiara Sabuk Khatulistiwa certificate number: AJA/IFCC-PEFC/FMC-HT/00019/V/2016 remains valid until 10/05/2019