

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



JOB NUMBER: AJA/IFCC-016

CLIENT NAME: PT SURYA HUTANI JAYA

TOTAL HECTARES: 156,398
hectares

SCOPE OF REGISTRATION: Sustainable Forest Management in Plantation Forest Covering an area of 156,398 hectares in East Kalimantan Province

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Stage 2

AUDIT START DATE: February 16, 2016

AUDIT END DATE: February 25, 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: Zaenal Arifin

SIGNATURE:

Warsito

SIGNATURE:

MAJOR CARS: 5

MINOR CARS: 12

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 4 sites have been visited please add additional rows):	DATE OF EACH SITE VISIT:
Office Site PT SRH	Sebulu district, Kutai Regency, East Kalimantan Province, Indonesia	February 16, 2016
Muara Bengkal District	Muara Bengkal District, East Kutai Regency of East Kalimantan Province, Indonesia	February 17-20, 2016
Santan District	Muara Kaman Distric, Kutai Regency and Muara Bengkal District, East Kutai Regency of East Kalimantan Province, Indonesia	February 22-25, 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 (If more than 4 additional sites have been registered please add additional rows)	
	NA	
REF No:	ADDRESSES OF INSTALLATION SITES (CLIENT'S CUSTOMER SITES) VISITED AND NOT COVERED DIRECTLY BY THE COMPANY REGISTRATION INCLUDING COUNTRY (If more than 2 installation sites have been visited please add additional rows)	

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

PT Surya Hutani Jaya received a business license for forest management by Decree Granting Plantation Forest covering an area of 183,300 hectares in the Province of East Kalimantan, per Minister of Forestry Decree No. 156 / Kpts-II / 1996 dated April 8, 1996.

PT Surya Hutani Jaya falls under the governmental administration of the Sebulu district and Muara Kaman district, Kutai Kertanegara Regency, and Muara Bengkal district, East Kutai regency. The geographic location of the working area lies between 116°67' to 117°14' East and 00°17' to 00°32' South. The boundaries of the working area are: to the north, the former HPH Kiani Lestari and Kutai National Park; to the east, PT Sumalindo Hutani Jaya II and the Kutai National Park; to the south, the Mahakam River; and to the west, the oil palm plantations of PT Khaleda. Site conditions of the working area are mineral soil and the silvicultural system applied is Clear Cutting of Artificial Regeneration (THPB) with the type planted being *Acacia mangium*, *Acacia crassicarpa*, and *Eucalyptus*.

The Management Plan of PT Surya Hutani Jaya is the revised Work Plan Utilization of Wood Forest Plants (RKUPHHK-HT) for the Period 2009-2018, which was approved by the Minister of Forestry Decree No. SK. 90 / VI-BUHT / 2012 dated December 21, 2012. The spatial planning of the working area of 156,398 hectares as contained in the Revised RKUPHHK-HT comprises: staple plants area of 105,433 ha (67.4%); seed plant area of 17,017 ha (10.9%); natural plant life area of 7,898 ha (5.0%); protected area of 22,725 ha (14.5%); ineffective for production (infrastructure) area of 3.325 ha (2.1%).

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Per the revision of RKUPHHK-HT, the Management Unit is tasked with implementing the principle of continuous improvement, which includes planning, implementation, monitoring and evaluation aspects of production, as well as ecological and social aspects. Document Revision RKUPHHK-HT of PT Surya Hutani Jaya includes the preservation of its production, preservation of the environment and the preservation of the social function. The RKUPHHK-HT document was revised for a period of 10 years. In the short-term it is implemented through the Annual Work Plan document.

PT Surya Hutani Jaya has identified the impact of forest management in the document EIA, which was approved by EIA Commission of the Forestry Department dated January 19, 1995. Management of environmental activities and significant impacts are documented in the Environmental Management Plan (RKL) and Environmental Monitoring Plan (RPL) of PT Surya Hutani Jaya. The Management Unit conducts environmental management and monitoring to minimize the negative impacts and enhance positive impacts as a result of sustainable forest management. The Management Unit has implemented the existing criteria in sustainable forest management standards, which include: hydrological management and management of ecosystem functions, biodiversity and forest protection.

Assessment of social impact was addressed in the EIA document as approved by the Ministry of Forestry in 1995. The document discussed the socioeconomic and cultural components that have positive and negative effects, namely:

- Positive impact: employment opportunities, business opportunity, institutional economics, public revenue, public education, public perception of the HTI and the environment, cultural value orientation, communication, openness, rural areas, and the dynamics of local economic activity.
- Negative impact: public health, farming and forest encroachment.

Based on the existing documents PT Surya Hutani Jaya has integrated the results of the studies into the Diagnostic Study Work Plan for Community Empowerment (CD CSR) 2011-2015. The field is being developed by two of the studies and includes the following five aspects:

1. Economic Development
2. Education and Health
3. Religious and Cultural Affairs
4. Infrastructure Development Division
5. Division of Social Assistance

The Management Unit has implemented the existing criteria in sustainable forest management standards, which include: the rights of indigenous and local communities to forest resources, their relationship with the Management Unit, workers' rights and occupational health and safety.

Sustainable production is shown by the continuance of actual production to meet realized targets and investment through guaranteed production.

The Management Unit has been running the SIPUHH Online administration system of forest products. Wood can be traced clearly from the compartment (pile number) through to the transport industry. The Management Unit has a system that can clearly identify the origins of wood timber from its felling through all stages of its transportation.

Prior to performing its Stage 2 Audit, PT AJA Sertifikasi Indonesia conducted public consultation commencing January 2, 2016, asking stakeholders to provide feedback on PT Surya Hutani Jaya. The public consultation was uploaded to the PT AJA Sertifikasi Indonesia website (www.aja-indonesia.com), sent to the parties via e-mail and / or postal mail, and published in local newspapers.

Feedback received from the public consultation was input and considered during the audit process. Suggestions and feedback were followed up by the audit team for validation in the field.

PT Surya Hutani Jaya has registered its concession to be certified in an area of 156,398 ha. The Management Unit has identified all the necessary requirements for this certification process, comprising legal aspects that include compliance with the provisions of national legislation and international conventions.



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

The results of the Stage 2 Audit identified 12 minor items and 5 major items of non-compliance. The Management Unit has already addressed all minor items and improved the major items so that they have been downgraded to minor. No critical issues were found.

NO	Non-conformities	Corrective action performed	Category
1.	The Management Unit had no trained K3 expert on site so that the implementation of K3 in the field could not be monitored and evaluated. Clause Ref: I.1.8	<ul style="list-style-type: none"> - Recruitment process relating to the fulfillment of AK3 in progress. - The Management Unit has appointed a K3 Officer who has been trained AK3 2009. 	Minor
2.	Excavator Operator could not show Operator Permit (SIO) of heavy equipment as required. Clause Ref: I.1.13	<ul style="list-style-type: none"> - Ensuring consistent monitoring and evaluation of Contractors (SIO, performance, etc.) is conducted regularly by the HSE Department. - Procurement of SIO for all heavy equipment operators 	Minor
3.	Evaluation reveals that that the activities involving the plantation assessment team (PAT) and permanent sample plots (PSP) are not being carried out in an optimal manner. Clause Ref: I.3.1	<ul style="list-style-type: none"> - Socialization of the revision of WI-Plantation Assesment Team 01 to the PIC and implementers, and consistent implementation as well as in periodic monitoring. - Make name plates for permanent sample plots (PSP) and carry out periodic monitoring. 	Minor
4.	The numbering of trees in the PAT (Plantation Assessment Team) plot was not standard Making it difficult to determine the number of trees in the plot. Clause Ref: I.4.2	Socialization of the revisions for WI-Plantation Assesment Team 01 to the PIC and implementers, and consistent implementation, as well as periodic monitoring.	Minor
5.	Installation of the nameplates for PSP (Permanent Sample Plots) on the side of the road to the plot and the plot was ineffective. Clause Ref: I.5.2	<ul style="list-style-type: none"> - Creating and installing nameplates for plot PSP (Permanent Sample Plot) - Monitor that implementation is in accordance with SOP. 	Minor
6.	The Management Unit had not set up facilities for the measurement of soil erosion in full compliance with the provisions of the SOP. In some districts, only plants of a single age and/or only two slopes were used, while in others lack of personnel meant that even the measurement tubs had not been set in place.	<ol style="list-style-type: none"> 1. Sufficient personnel have been recruited to enable measurement of soil erosion to be carried out in all districts. 2. Where previously facilities existed these have been expanded to incorporate all three age classes and all three slopes as required in the SOP. 3. Where some facilities existed these have been enhanced to permit future measurement of all three age classes and all three slopes as per the SOP 	Major

	Clause Ref: I.6.3	<p>4. Where no facilities for measurement existed at all, the necessary tubs have been installed as per the SOP</p> <p>5. In future, all districts will be able to implement monitoring of soil erosion in accordance with the SOP.</p>	
7.	<p>The Management Unit has not yet installed the equipment for measuring water discharge and sediment burden on the inlet-outlet of Menamang river, and inlet of Bluwit Rivers and Beluhi Rivers.</p> <p>Clause Ref: I.6.4</p>	<p>1. The necessary personnel have been recruited to handle the environmental monitoring on the water flows and sedimentation.</p> <p>2. Provisions have been made for the security and maintenance of facilities and infrastructure of the environmental monitoring tools.</p> <p>3. Gauges have been installed to measure flow and sedimentation of the rivers</p> <p>4. In future, monitoring of flow and sedimentation of the rivers will be carried out in accordance with the SOP</p>	Major
8.	<p>The Management Unit had no planning for rehabilitation of areas, planting and enrichment or implementation with local species in vacant / open / degraded (burned) land areas. The Management Unit was not monitoring the condition of plant growth the rehabilitation areas.</p> <p>Clause Ref: I.6.5.</p>	<ul style="list-style-type: none"> - The Management Unit is preparing a plan, including costing, for rehabilitation / enrichment of the protected areas of PT Surya Hutani Jaya. - The Management Unit is identifying areas within the protected area that are open for the rehabilitation program in 2016 (approx.. 50 ha) 	Major
9.	<p>The Management Unit had not made a plot of observations of flora and fauna, measurement and mapping of the distribution of protected flora, plus endemic, rare and endangered species / endangered species and their habitats in the protected areas</p> <p>Clause Ref: I.7.1.</p>	<ul style="list-style-type: none"> - The Management Unit is recruiting and training an Environment Officer. - The Management Unit is making a plot of flora and fauna observations, measurement and mapping of the distribution of protected flora, plus endemic, rare and endangered species / endangered species and their habitats in the protected areas. 	Major
10.	<p>The Management Unit had no plans for rehabilitation of areas through enrichment planting and implementation with local species in the protected areas.</p> <p>Clause Ref: I.7.2.</p>	<ul style="list-style-type: none"> - Carrying out ground check of the identify of areas in the protected area that are open to the rehabilitation program in 2016 (approx.. 50 ha) - Conducting rehabilitation planting and enrichment in the protected areas of PT Surya Hutani Jaya 	Major
11.	<p>The Management Unit had not entered the management and monitoring of key species in the Implementation Report and Environmental Management and Monitoring Evaluation.</p> <p>Clause Ref: I.7.3.</p>	<p>Management and monitoring of the orang utan have been reported to the relevant agencies by including management and monitoring activities report on the orang utan in Environmental Management and Monitoring Plans (RKL-RPL) from the</p>	Minor

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		second half of 2015.	
12.	Signs for the protected area boundaries in most areas did not exactly correspond with the map, the boundary markers being installed up to 25 meters from the actual boundary. Clause Ref: I.7.6.	The Planning Survey has provided insight to the District that every installation of signs for Pal Boundary Zone (protected area, etc.) should be adapted to the actual conditions in the field according to the SOP.	Minor
13.	- The Management Unit had not realized the full payment of benefit sharing for the period 2009 to 2014 with two villages in accordance with the agreement signed in 2008. - Interviews with village heads and community leaders reveal benefit-sharing funds managed by Koperasi had not been received for the period 2013 to 2015. Clause Ref: I.9.2.	- Payment of the outstanding funds from benefit sharing for the period 2009 to 2014 will be made to the two villages in accordance with a new agreement to be agreed between the parties. - Periodic inspection and evaluation will be carried out on the implementation of the benefit sharing program	Minor
14.	The Management Unit had not reached an agreement with the local communities about the provision of livelihood plants. Clause Ref: I.9.3.	An agreement has been reached with the surrounding community for the provision of livelihood plants in one district.	Minor
15.	The Management Unit had not built a warehouse for the storage of fertilizer, provided facilities for the storage of TPS B3 waste, K3 warehouse facilities (including fire extinguishers), or health clinics Clause Ref: I.11.8.	Building of a fertilizer warehouse, facilities for storage of TPS B3 waste, K3 warehouse facilities (including fire extinguishers), and health clinics are being carried out as planned.	Minor
16.	<ul style="list-style-type: none"> The Management Unit had not ensured periodic medical examinations have been carried out on all employees or special examinations for those who work in the high-risk areas (sprayers, warehouseman, etc.) The Management Unit was unable to show the results of medical examinations of employees for 2015 period. The Management Unit was unable to show the K3 inspection report for the corporate environment and environmental contractor. Clause Ref: I.12.1.	<ul style="list-style-type: none"> The Management Unit will ensure medical check-ups are performed on a regular basis for all employees and special examinations for those working in high-risk areas (sprayers, warehouseman, etc.) K3 inspections will be carried out and results reported for the corporate environment and environmental contractor. 	Minor
17.	The working environment was not entirely safe and healthy for employees across the whole operation. Verifications carried out in several areas found a lack of fully stocked first aid boxes, while fire extinguishers were also inoperable in some areas, thus not being in	Procurement of the required fire and safety equipment has been made for each work area of operations in accordance with the SOP, including complete first aid boxes and fully charged fire extinguishers.	Minor

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	accordance with the requirements of the applicable SOP. Clause Ref: I.12.2.		
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Conditions under which the certificate is issued

The certificate is valid until 29/09/2019 provided that PT. Surya Hutani Jaya has completed all corrective actions according to the proposed time schedule and does not have the same problem on the next surveillance visit. If 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.