

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 SURYA HUTANI JAYA

TOTAL HECTARES: 156,398 ha

SCOPE OF REGISTRATION: Sustainable Forest Management in Plantation Forest of 156,398 hectare in East Kalimantan Province, Republic of Indonesia

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Surveillance 1

AUDIT START DATE: February 20, 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

AUDIT END DATE: February 25, 2017

LEAD AUDITOR: Andri Wibisono

SIGNATURE:

AUDIT TEAM: Ardi Prasetyo

SIGNATURE:

Warsito

SIGNATURE:

MAJOR CARS: 0

MINOR CARS: 7

SITE NAME (Legal Name):	ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY	DATE OF EACH SITE VISIT:
PT Surya Hutani Jaya	Office Site PT Surya Hutani Jaya - Distrik Sebulu – Kecamatan Sebulu, Kabupaten Kutai Kertanegara, Provinsi Kalimantan Timur, Indonesia	February 20, 2017
PT Surya Hutani Jaya	Distrik Santan – Kecamatan Muara Kaman, Kabupaten Kutai Kertanegara dan Kecamatan Muara Bengkal, Kabupaten Kutai Timur, Provinsi Kalimantan Timur, Indonesia	February 21 & 22, 2017
PT Surya Hutani Jaya	Distrik Sebulu – Kecamatan Sebulu, Kabupaten Kutai Kertanegara, Provinsi Kalimantan Timur, Indonesia	February 23 to 25, 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	
PT Surya Hutani Jaya	Distrik Muara Bengkal – Kecamatan Muara Bengkal, Kabupaten Kutai Timur, Provinsi Kalimantan Timur, Indonesia	



Brief Description of the concession

PT Surya Hutani Jaya was granted a business permit for the utilization of industrial timber forest products (IUPHHK-HTI) per Decree on the Provision of Industrial Timber Plantation Concessions of an area of 183,300 hectares of forest in Dati I Province of East Kalimantan by the Minister of Forestry: SK Menhut No.156 / Kpts-II / 1996 dated 8 April 1996.

In carrying out the operational management of forest, the Management Unit prepared document of RKUPHHK-HTI (Working Plan of Utilization of Forest Timber for Forest Plantation Concession) Year 2009 for period 2009-2018. In 2011, however, the document was revised. The latest revision was in 2012, which was ratified by Minister of Forestry Decree SK 90/VI-BUHT/2012 dated December 21, 2012, for a total working area of 156,398 ha.

PT Surya Hutani Jaya Boundary Document:

a. Outer Boundaries:

- TBT report No/IV-2/PP/199 in 1999 along 104,886.60 meters
- TBT report No/IV-2/PP/199 in 1999 along 73,102.80 meters
- TBT report No/IV-2/PP/199 in 1999 along 167,133.50 meters

Outer Boundary Arrangement and Definitive owned/shared boundary of September 27, 1999 along 70,168 meters, conducted by the company with the local community.

b. Inner Boundaries:

TBT Report No 74 / BPKH IV-2/2011 in 2011 along 62,150.10 meters

The total length of the entire boundary of 457,576 meters, of which the 50,300 meters that has not been set is the boundary of the alliance with Kutai National Park. Based on the results of GPS measurement following the boundary arrangement (TBT Report No. 74 / BPKH IV-2/2011 in 2011 along 62,150.10 meters), PT Surya Hutani Jaya's working area is 156,398 ha. Following the boundary arrangement of 2011, the working area was officially recorded as 156,398 ha. In 2012, PT Surya Hutani Jaya revised the RKUPHHK-HTI document due to the change of area from 183,300 ha to 156,398 ha based on GIS measurement.

In forest management, the Management Unit is guided by the Revised RKUPHHK-HT (Plan of Timber Forest Timber Product Exploitation) of 2012, which was approved by SK Menhut SK 90 / VI-BUHT / 2012 dated December 21, 2012 and is valid for the 10-year period of 2009 - 2018. In the short term, guidance is provided by the RKTUPHHK-HTI (Annual Working Plan for Timber Forest Product Utilization) as approved by the President Director.

To manage the concession area, the Management Unit has developed the following spatial arrangement: Protected Areas of 22,725 ha (14.53%), Staple Plant Area of 105,433 ha (67.41%), Indigenous Plant Area of 17,017 ha (10.88%), Livelihood Plant Area of 7,898 ha (5.05%), and Areas Ineffective For Production / Infrastructure of 3,325 ha (2.13%).

The existing protected areas consist of the following: Slopes >40% of 1,851 ha (1.18%), Riparian Areas of 7,944 ha (5.08%), KPPN of 1,588 ha (1.02%), KPSL / animal corridor covering an area of 8,062 ha (5.15%), Buffer Zone TNK covering 3,267 ha (2.09%) and Natural Springs 13 ha (0.01%). There has been no conversion of natural forest to plantation forest since 31 December 2010 and thus to scope of the IFCC certification is 156,398 hectares.

PT Surya Hutani Jaya is geographically located between the following coordinates: 00° 32' North to 00° 17' South and 116° 47' to 117° 14' East. The borders of the working sites are as follows:

Muara Bengkal District: bounded to the West by APL / Community Land, to the East by Kutai National Park, IUPHHK-HT PT Sumalindo Lestari Jaya, and mining PT Indominco, to the North by Ex HPH PT Kiani Lestari and Kutai National Park, and to the South by Ex HPH PT Kiani Lestari and Kutai National Park.

Santan District: bounded to the West by APL / community land, to the East by PT Sumalindo Hutani Jaya II, to the North by the Muara Bengkal district, and to the South by the Sebulu District



Sebulu District: bounded to the West by APL / community land, to the East by PT Sumalindo Hutani Jaya II, to the North by the Santan district, and to the South with APL / community land, inside with APL / oil palm plantation PT Anugerah Urea Sakti

Administratively, PT Surya Hutani Jaya falls under the governance of Sebulu and Muara Kaman Districts of Kertanegara Regency, and Muara Bengkal District, of East Kutai Regency.

The working area of the Management Unit has the following topography: dominant class A slope (38.70%), slope class B (32.72%), slope class C (16.67%), slope class D (10.82%), and slope class E (1.09%), at an altitude of 25 to 250 meters above sea level. The region is classified as having a climate type A with a Q value of <14.3%, and an average temperature of 31.9° C. From a hydrological viewpoint, the area is based on the Mahakam Watershed and the Santan Watershed. Based on the condition of dry mineral / dry land soil, the species developed for wood production are *Acacia mangium* and *Eucalyptus sp.*

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

The Management Unit of PT Surya Hutani Jaya has identified the customary rights of indigenous peoples contained in the AMDAL document, which states that "there are villagers with customary rights located in the village of Tanjung Harapan covering 10 ha, Panca Jaya Village 16 ha, Sebulu Ilir Village 120 ha and Manamang Village covering 4 ha. In addition to the indigenous communities, there are immigrant communities with Javanese, Banjar, Sundanese and Makasar inhabitants, etc. The majority of the community rely on farming, fishing, and collection of forest products for their livelihood, while some work on plantations or as clerks, etc.

PT Surya Hutani Jaya has standard processes for resolving conflicts with the local community, which cover a whole range of procedures from the initial recording of the area of conflict and collection of data from all sources, right through social interaction, analysis, formulation of conclusions and recommendations, plus reporting on the outcome of their implementation. Each stage is carefully mapped and documented to form a historical record for future reference.

The Management Unit has agreements with the indigenous peoples in the management of forest resources, the management of livelihood plants, and the utilization of non-timber forest products. These agreements are based on the Minutes of Evaluation of the sustainable management of the participatory forest resources needed for customary rituals. Minutes of the Agreement contain the articles governing its implementation and have been individually signed with each of the specific villages, thus becoming a mutual agreement.

Through its Corporate Social Responsibility (CSR) programs, PT Surya Hutani Jaya provides support for capacity building, as well as infrastructure and economic development in the surrounding communities. These CSR programs include activities in the following areas:

1. Economics (entrepreneurship, food, cooperatives, small industry).
2. Socio-Cultural (health, society, environment, youth and sports, density).
3. Religious (commemoration of religious holidays/ceremonies, etc.).
4. Education (training and counseling).
5. Infrastructure (assistance in the provision of that necessary to support the above areas).

Activities for the 2017 CSR program included activities in the following areas:

1. Productive and creative economics: horticulture and crops, beekeeping and catfish rearing
2. Education: scholarships, books and visual aids, plus fostering landfill.
3. Health: treatment of sources, spraying, medical examinations, mass circumcision and blood donations
4. Social and cultural: religious holidays, customary ritual assistance, national holidays

Description of the ecological conditions of the concession



In the AMDAL document of PT Surya Hutani Jaya, the Management Unit has identified forest management activities that have significant impacts on physical, chemical (erosion, sedimentation, water quality, soil fertility, microclimate) and biological (standing potential, species diversity, pests, habitat changes). The Management Unit has made efforts to minimize the negative impacts of the RKL (Environmental Management Plan) / RPL (Environmental Monitoring Plan) report, , the results of which are reported to the requisite authorities on a periodic basis.

Components that are managed and monitored across the plantation working areas include physical, chemical and biological components. Physical and chemical components include; microclimate, air quality, soil fertility, soil erosion, river discharge, sedimentation, water quality and fire hazards. Biological components, meanwhile, include not only protected plant and animal species, but also pests and diseases that could cause disruption of the forest. Such monitoring is carried out by routine patrols.

The Management Unit implements standard methods for the handling of hazardous waste materials (B3), which include an inventory of waste, source, and estimated amount. All such waste is regularly collected and retained in temporary storage until its collection by a licensed disposal company.

Results of the Public Consultation

Prior to 1st surveillance audit of PT Surya Hutani Jaya, public announcements and public consultations were conducted through the website of PT AJA Sertifikasi Indonesia, www.ajaindonesia.com Also through the website is also done on local print media. Public consultation invitations are also conducted with letters to stakeholders

As a result of the public consultation, input was received from an oil palm plantation company on February 18, 2017, regarding indications of overlap of around 1,000 hectares between PT. Surya Hutani Jaya and the oil palm plantation.

At the time of the 1st surveillance audit, the auditor conducted field verification that confirmed that there is an area of overlap, which is also confirmed by documentary evidence from the East Kalimantan Provincial Forestry Office to the Head of the Kutai Kertanegara Plantation Office on 14 April 2014 regarding the cessation of plantation activities on overlapping land between the oil palm plantation company and PT Surya Hutani Jaya.

The auditor thus concluded that there is an overlap of 979.4 hectares. This is likely because the oil palm plantation company has only obtained its principal permit from the Regent of Kutai Kertanegara Regency and has not received the definitive Utilization Right from the National Land Agency. Nevertheless, PT Surya Hutani Jaya is not working outside the area of its official permit, and as such claims the disputed area as being part of its licensed concession.

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

Results of Surveillance 1 Audit of PT Surya Hutani Jaya revealed seven (7) Minor Non-Conformities (N/C) as listed below.

No	Non-Conformities	Corrective Action Performed	Category
1	Micro-planning map lacked coordinate information of TPn input in SIPUHH; there was no map of micro-planning activity evaluation; TPn markings not found in the field. Clause Ref : I.4.4	Improving consistency and monitoring and evaluation implementation of micro-planning in the field	Minor
2	1. Sacks containing herbicide packaging are placed inside the LB3 TPS but without the use of wooden pallets.	Ensure consistent monitoring and evaluation related to the handling of B3 waste in TPS and contractor evaluation (performance, etc.)	Minor



	2. Many used oil spills contaminate the soil around the generator set in the Contractors' camp. Clause Ref : I.6.6	is conducted regularly and periodically by HSE Department	
3	The Management Unit has not identified the parent bag plant (Nepenthes spp.) as a genetic resource of native species that is threatened or protected in the Environmental Management and Monitoring Implementation and Evaluation Report. Clause Ref : I.7.5	Identify all plant species that are protected in accordance with HCV and HCS studies in the Company's environment	Minor
4	The report on the implementation of RKL / RPL for the first and second semester of 2016 did not include the implementation of social, economic, and cultural monitoring in accordance with the matrix in the RKL / RPL document. Clause Ref : I.10.2	Ensure that all implementation of environmental monitoring and management as mandated in the AMDAL Document is carried out consistently and reported, including in the social field	Minor
5	The Management Unit was unable to show proof of payment of BPJS for all of contractors' employees, which can ensure that the company includes every worker as a participant of BPJS. Clause Ref : I.11.1	Ensure consistent monitoring and evaluation of contractor compliance with their legal and performance requirements are conducted on a regular and periodic basis	Minor
6	Based on the results of field visits, there are still operators who do not use standard PPE (Personal Protective Equipment). Clause Ref : I.12.4	Provide appropriate personal protective equipment (APD) for all types of work to every worker in the company within HIRA-DC and ensure that its use is mandatory.	Minor
7	Based on the results of field visits, organic and inorganic waste, and B3 waste are still being mixed in the garbage Clause Ref : I.12.6	Ensure total compliance by all existing activities and occupations with all applicable requirements and legislation, in particular in regard to environmental compliance.	Minor

Conditions under which the certificate is issued

The certificate is valid until 29/09/2019, provided that PT Surya Hutani Jaya 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 may be suspended until such time as AJA is able to perform a closeout visit.