

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 SUMALINDO HUTANI JAYA II

TOTAL HECTARES: 69,756 ha

SCOPE OF REGISTRATION: Sustainable Forest Management of 69,756 hectares of Plantation Forest in East Kalimantan Province

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Surveillance 2

AUDIT START DATE: July 31, 2018

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: August 04, 2018

LEAD AUDITOR: Andri Wibisono

SIGNATURE:

AUDIT TEAM: I Wayan Sudi Antara

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:
Mao District	Sebulu District, Tenggara Seberang District, Muara Badak District, Kutai Kartanegara Regency, and Marang Kayu District, Kutai Timur District, East Kalimantan Province, Republic of Indonesia	July 30 to August 04, 2018
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	
NA		

Document: Report Format Public - IFCC

Issue: D

Date: 15 September 2016

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Brief Description of the concession

PT Sumalindo Hutani Jaya II obtained a Business Permit for Timber Forest Product Utilization in Industrial Plantation Forests (IUPHHK-HTI) per Decree on the Granting of Concession Rights in Industrial Plantation Forest over an area of 70,300 hectares in the Province of East Kalimantan to PT. Sumalindo Hutani Jaya from the Minister of Forestry Decree No.675 / Kpts-II / 1997 on October 10, 1997.

PT Sumalindo Hutani Jaya II has a document on the Revision of the Work Plan for the Utilization of Plantation Forest Products (RKUPHHK-HT) for the Period of 2017-2026 with Decree Number of the ratification SK 111 / MenLHK-PHPL / UHP / HPL.1 / 1/2018.

PT Sumalindo Hutani Jaya Unit II's Spatial Planning Arrangement for the 2018-2027 period is as follows: Local Protected Areas and other Protected Areas covering an area of 18,023 ha (25.64%), Staple Plants covering an area of 21,469 ha (30.54%), Livelihood Plants covering an area of 24,287 ha (34.55%), Borrow-to-Use Forestry Permit (IPKKH) covering an area of 6,521 ha (9.28%), totaling 70,300 ha (100.01%); percentage difference due to rounding.

Other Local Protected Areas and Protected Areas consist of: 5,260 ha of Wildlife Protection Area (7.48%), 6,371 ha of Germplasm Conservation Area (9.06%), 3,059 ha of Riparian (4.35%), Buffer zone with 576 ha (0.82%), Soil Conservation with 75 ha (0.11%), Slope E area with 2,630 ha (3.74%), and water spring of 52 ha (0.07%)

There has been conversion of 544 hectares of natural forest to plantation forest since December 31, 2010. Thus, the scope of IFCC certification is for an area of 70,300 ha - 544 ha = 69,756 ha.

Geographically the work area is located between 00° 05' 57.66" to 00° 22' 16.40" South and 117° 06' 14.56" to 117° 24' 27.92" East. The work area is bounded to the west by PT Surya Hutani Jaya, to the east by Production Forest of Inhutani I and PT Perkebunan XXVI concessions, to the north by Production Forest and Protection Forest of Bontang.

In regard to governmental administration, PT Sumalindo Hutani Jaya II is located in Sebulu District, Muara Kaman District, Tenggaraong Seberang District and Muara Badak District, Kertanegara Regency and Muara Bengkal District, East Kutai Regency.

The concession area has Climate type A with value of Q = <14.3% and an average temperature of 31.9° C. Topography consists of slope class A (13.22%), slope class B (38.60%), slope class C (37.19%), slope class D (8.67%), and slope class E (2.32%) at an altitude of 17 to 290 meters above sea level. Geologically formed of Pamaluan formation, lake sediments, dangkan sandstone, Bebuluh formation, Balikpapan formation, and Balaubalang formation. The dominant soil types are Tropudults and Dystropepts. From a hydrological aspect, the work area is affected by the Estuary of the Mahakam River, Sambera watershed, Santan watershed, Marangkayu watershed, Mahakam watershed.

Given the foregoing, the species of plants cultivated for wood production is *Eucalyptus* sp..

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

Based on the administrative area, the concession area of PT Sumalindo Hutani Jaya II falls under the District of Sebuluh, Tenggaraong Seberang, Marangkayu, and Muara Badak, Kutai Kartanegara Regency, East Kalimantan Province. There are 14 villages located around the work area.:

1. Two villages of Sebuluh District : Segihan and Giri Agung Village.
2. Four villages of Tenggaraong Seberang District: Bhuana Jaya, Bukit Pariaman, Mulawarman, and Separi Village.
3. Six villages of Marangkayu District: Perangat Baru, Perangat Selatan, Santan Ilir, Santan Tengah, Santan Ulu, and Sebuntai Village.
4. Two villages of Muara Badak District: Sukadamai and Badak Mekar Village.

The indigenous people of East Kalimantan who live around the concession are the Kutai, the remainder being Javanese,



Batak, Banjar, Manado and Sundanese migrants. Most Kutai people in the villages have established cordial relations with the migrant communities. In forest management, the Management Unit involves the surrounding community with collaborative livelihood plants in the form of rubber plants, fern roots and fish utilization.

Based on reports about the realization of the 2017 and 2018 CD-CSR programs, the Management Unit has provided assistance in the form of books and other teaching aids, traditional ritual assistance, religious assistance, mass circumcision, scholarship assistance, teacher salaries, mosque building, and qurban animal assistance. There is a program plan for the DMPA (Desa Makmur Peduli Api), which has received approval of financial program from the Management Unit in the form of tilapia cultivation, horticulture cultivation, goat farming, and purchase of fish pellet machines and materials. In addition, PT Sumalindo Hutani Jaya II has helped to register and pay for the Health Insurance of 30 needy people living in the surrounds of the concessions.

Description of the ecological conditions of the concession

Based on the estimated significant impact matrix, forest management activities that have significant impacts include land preparation, planting, maintenance, harvesting and protection of the forest from disturbance, either natural or man-made.

The Management Unit monitors several components of environmental impacts that include:

- a. Physical-Chemical Components (micro air temperature & humidity in areas effective for production, soil erosion in areas effective for production and not effective for production, sedimentation and water quality in areas effective for production)
- b. Biological Components (diversity of vegetation and wildlife species in protected areas, potential timber / stands and pests & plant diseases in areas effective for production)

Besides introducing Reduced Impact Logging, the Management Unit has operational standards for the use and storage of hazardous materials (B3). It is also committed to the rehabilitation and restoration of protected areas, and has identified and monitors the endemic flora and fauna to be found in these areas.

In relation to forest protection, the Management Unit ensures the installation and maintenance of boundary signs for protected areas, as well as warning and prohibition signs against incursions, lighting of fires, illegal logging, unauthorized grazing, hunting, etc. and regular patrols are carried out to enforce the regulations.

Results of the Public Consultation

Prior to conducting the Recertification Audit, PT AJA Sertifikasi Indonesia conducted a public consultation commencing July 18, 2018, asking stakeholders to provide feedback and information about PT Sumalindo Hutani Jaya II. The public consultation was uploaded to the PT AJA Sertifikasi Indonesia website (www.ajaindonesia.com), sent to parties via email or postal mail, and published in local newspapers. PT AJA Sertifikasi Indonesia did not receive any input from stakeholders as a result of the public consultation.

The audit team also gathered information from the mass media about PT Sumalindo Hutani Jaya II, the reported cases being given material consideration as part of the audit process of 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 regulations, rules and conventions. The management system has been built to cover all activities in the field of certification, which is registered for an area of 69,756 hectares.

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

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The results of the Surveillance 2 Audit of PT Sumalindo Hutani Jaya II revealed seven (7) Minor Non-Conformities (NC). The Management Unit has noted and since addressed these issues. No critical issues were identified during the audit.

No	Non-Conformities	Corrective Action Performed	Category
1	In regard to measurement of stack height, the various heights were not marked. Indicator: III.2.1	Work Instructions have been issued requiring that each height in each stack must be marked.	Minor
2	Based on document studies, interviews and field trips, it was revealed that various changes have taken place both in policies and operational activities, plus change of name of entity from PT. Sumalindo Lestari Jaya to become PT. Sumalindo Hutani Jaya II, all of which requires the Management Unit to make changes to environmental permits (EIA (Environmental Impact Assessment) documents). Indicator: I.1.2	Plans for revising the EIA (Environmental Impact Assessment) documents have been included in the 2019 budget.	Minor
3	The Management Unit was unable to show planning documents for the restoration activities of its 2018 restoration targets. Indicator: I.7.2	Follow up on the progress of the proposed rehabilitation activities has already been included in the 2018 budget.	Minor
4	Based on Landsat map verification, interviews and field visits, illegal incursions had taken places in southern areas of the concession. The Management Unit has thus not been able to take appropriate action or coordinate with local law enforcement to protect the forest from unauthorized activities. Indicator: I.8.6	More persuasive socialization approach to villagers around the protected area will be carried out together with the provision of CD / CSR programs to help reduce their dependence on the forest.	Minor
5	Based on field visits there are workers who are not totally utilizing the PPE, plus not carrying out safe working procedures. Indicator: I.12.4	Tighter supervision of workers in the field including chainsaw operators will be implemented.	Minor
6	- The Management Unit lacks an OSH Expert and an appointment letter for OSH Experts from the Indonesian Ministry of Manpower and Transmigration. Those employed under the previous organizational structure have since been transferred and not replaced.	There is an evidence of personnel attending the OSH Expert training to increase their capacity as OSH personnel in PT Sumalindo Hutani Jaya II	Minor



	Indicator: I.12.1		
7	The management unit has conducted a special MCU for six spraying workers and periodic MCUs for two chemical warehouse officers, but the testing does not include the cholinestrase test (CHE) to ascertain the toxic levels of pesticides in the blood. Indicator: I.12.2	A Re-MCU (primarily CHE test) will be conducted on those who works directly with the chemicals.	Minor

Conditions under which the certificate is issued

Certificate is valid until September 29, 2019, provided that PT Sumalindo Hutani Jaya II 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.