

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-017

CLIENT NAME: PT SUMALINDO HUTANI JAYA II

TOTAL HECTARES: 69,756
hectares

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

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Stage 2

AUDIT START DATE: March 1, 2016

AUDIT END DATE: March 5, 2016

LEAD AUDITOR: Andri Wibisono

AUDIT TEAM: Zaenal Arifin

Warsito

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

SIGNATURE:

SIGNATURE:

SIGNATURE:

MAJOR CARs: 0

MINOR CARs: 6

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

Document: Report Format Public - IFCC

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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:
PT Sumalindo Hutani Jaya II	Sebulu District, Tenggaraong Seberang District, Muara Badak District, Kutai Kertanegara Regency, Marang Kayu District, East Kutai Regency, East Kalimantan Province, Indonesia	March 01 to 05, 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)	
NA		

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

PT Sumalindo Hutani Jaya II received a business license for Plantation Forest Management over forest area of 70,300 hectares in the province of East Kalimantan provincial, Minister of Forestry and the Forestry Ministerial Decree No. 675/Kpts-II/1997 dated October 10, 1997. The Management Unit administratively falls under Sebulu District, Tenggaraong Seberang District, Muara Badak District, Kutai Kertanegara Regency, Marang Kayu District, East Kutai Regency, East Kalimantan Province, Indonesia. Based on its geographic location it lies between 117°09 ' to 117°21' East and 00°06 ' to 00°19' South. Working area boundaries are: north to the area of backup HTI PT Sumalindo Lestari Jaya (former PT Kayu Mas Timber); east to HPH Inhutani I and PT Perkebunan XXVI; south to HTI Trans PT Bhineka Wana and former HPH PT Kayu Mahakam; and west to PT Surya Hutani Jaya. Site conditions of the work area are mineral soil with the silvicultural system applied being Clear Cutting of Artificial Regeneration (THPB) with the type planted being *Eucalyptus*. The plant type initially developed was *Acacia mangium* but since 2010, *Eucalyptus* has been the type developed.

The Management Unit arranged the spatial working area per the Revised Work Plan Utilization of Wood Forest Plants (RKUPHHK-HT) year period 2008-2017, which was approved by the Minister of Forestry Decree No. SK. 51/VI-BUHT/2011 dated April 12, 2011. Structuring of the working area of 70,300 ha per the Revision RKUPHHK-HT comprised: area of staple plants 31,000 ha (44.1%); seed plant area of 3,300 ha (4.7%); natural plant life area of 6,500 ha (9.2%); protected areas of 16,969 ha (24.1%); area for other use of 8,606 ha (12.2%); and infrastructure 3,925 ha (5.6%). Based on the recommendations of the Report of the Micro Delineation of PT Sumalindo Hutani Jaya II in March 2011, however, the



spatial planning of the work area was changed to become: area of staple plants 33,163 ha (47.2%); seed plant area of 7,330 ha (10.4%); natural plant life area of 6,588 ha (9.4%); protected areas of 15,169 ha (21.6%); area for other use of 6,965 ha (9.9%); and infrastructure of 1,085 ha (1.5%).

Per the revision 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 PT Sumalindo Hutani Jaya II includes the preservation of the production, preservation of the environment and the preservation of the social function. The RKUPHHK-HT document was revised for 10 years.

In sustainable forest management, the Management Unit has implemented production activities to obtain continuous production. This can be seen from planned activities and the realization of production and planting activities.

The Management Unit has a system that guarantees verifiable timber wood products, which are traceable to the individual compartment of origin. The search for wood products at PT Sumalindo Hutani Jaya II is by compartment as per the publication of SKSHH (Certificate of Legal Forest Products) and field verification of logging compartments is in accordance with the Annual Work Plan (RKT) book 2015/2016. Wood products can be clearly identified and their origins verified through documentation that extends back to the compartments logged as listed in the Annual Work Plan (RKT) book 2015/2016.

PT Sumalindo Hutani Jaya II has implemented environmental management in regard to the function of the hydrological ecosystem, biodiversity, and forest protection. Protected areas have been allocated in the working area covering 15,169 ha (21.57%) consisting of: areas of more than 40% slope 2,504 ha (3.56%), river borders 2,704 ha (3.85%), germplasm conservation area 5,828 ha (8.29%), borders and springs 130 ha (0.18%), KPSL (wildlife protection areas) 3,989 ha (5.67%), and soil conservation areas 14 ha (0.02%).

The Management Unit of PT Sumalindo Hutani Jaya II has identified forest management activities that have an important impact as well as assessment of environmental impacts. The requirements are as set out in the EIA documents of PT Sumalindo Hutani Jaya II Forestry Department that were approved by the EIA Commission on November 4, 1996. Management of environmental activities and significant impacts are documented in the Environmental Management Plan (RKL) and Environmental Monitoring Plan (RPL) of PT Sumalindo Hutani Jaya II. Implementation of field activities and monitoring of environmental management are carried out each semester and documented in the Implementation of Environmental Management and Monitoring HP HTI reports of PT Sumalindo Hutani Jaya for Semesters I and II each year.

PT Sumalindo Hutani Jaya II cooperated with the Tropical Forest Research Centre – Ecositrop Mulawarman University (Pusrehut/PPHT Unmul) in 2012 in regard to a study of social aspects (social mapping), which identified the following four critical areas:

1. In general there is no strong perception, either positive or negative, about the impact of the company's operations, except for one particular village
2. The emergence of a number of land conflicts originates from a lack of security felt by the local community in regard to the land taken over by PT Sumalindo Hutani Jaya II, as no clear boundaries are marked in the field.
3. There has been a lack of communication by PT Sumalindo Hutani Jaya II with the four rural communities.
4. The CSR program does not address the actual needs of the community, while the community is more affected by the operations of the coal mining company.

A cooperation agreement was signed with the Farmers group Bina Manunggal Sei Mao on June 19, 2014, in regard to the development of livelihood plants. The document provides for PT Sumalindo Hutani Jaya II to hand over to the Farmers Group Bina Manunggal Sei Mao an area of 20.2 ha that is to be planted with rubber. Management of this operation is to be jointly carried out by the two parties.

The Management Unit has implemented the fulfillment of the rights of the workers according to the regulations in regard to: provision of a signed labor agreement (CLA) between the management and the Trade Union of Forestry Indonesia (Kahutindo), no retention of worker's salary, identity card (KTP), diploma or other documents by the company, Based on the results of examining the payroll for February 2016, no employees were hired at below the regional minimum wage, and the company has registered all employees as participants in BPJS (Social Security). The company has also provided the



following facilities for the convenience of the workers: offices, accommodation for employees, clinic, mosque, church, canteen, installation of running water.

The Management Unit has been carrying out occupational health and safety (K3). The company has in place an environmental policy that includes documentation of job hazard analysis (JHA), Committee for Occupational Safety and Health (P2K3) with a trained expert in K3, plus available recaps and proof of distribution of safety equipment to employees. Among the facilities for employees are employee mess in camp, air tower, offices, drilling facilities, installed electricity, water treatment plant, mosques and churches, canteens and polyclinics. The company also provides sports and entertainment facilities

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

Feedback was received from the public consultation providing information about the operations of PT Sumalindo Hutani Jaya II. This response gave a positive assessment and advice to PT Sumalindo Hutani Jaya II to complete the physical marking of the concession boundaries that had not been completed at that time. The results of this public consultation were considered during the audit process. The recommendation has been followed up by the audit team for validation in the field.

Per letter dated October 26, 2015, PT Sumalindo Hutani Jaya II explained that an area of 544 ha of natural forest had been converted after December 31, 2010, being assigned to the area for other uses (APL). Hence, of the licensed area of 70,300 hectares, only 69,756 hectares has been registered for certification.

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-conformity.

The results of the Stage 2 Audit identified six (6) minor items of non-compliance. All findings have already been addressed by PT Sumalindo Hutani Jaya II so that the certification process can be resumed. This shows a strong and serious commitment to sustainable forest management and the Management Unit continues to make improvements.

NO	Non-conformities	Corrective action performed	Category
1.	The Management Unit was not able to show Operator Permit Letter (SIO) for heavy equipment operators who operate within its territory. Clause Ref: I.1.13	- 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
2.	The Management Unit had yet to prepare the mapping of the distribution of flora (map levels poles and trees) in the observation plots of vegetation for protected, endemic, rare and endangered species / endangered species and their habitats in the protected area. Clause Ref: I.7.1	- Revision of respective SOP to include a method of mapping types of poles and trees based on the position coordinates of the plot vegetation. - Mapping of the distribution of flora (map levels poles and trees) in the observation plots of vegetation protected, endemic, rare and endangered species / endangered species and their habitats in the protected areas	Minor

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3.	The Management Unit had not entered the management and monitoring of key species in the document Implementation Report and Environmental Management and Monitoring Evaluation per semester. Clause Ref: I.7.3.	Monitoring of key species is being documented in the Implementation Report and Environmental Management and Monitoring Evaluation each semester, especially in regard to orangutan (<i>Pongo pygmaeus</i>) as an endemic species.	Minor
4.	Report on the identification of land claims did not include identification of land claims made by individuals and the Management Unit had not yet acted in mapping these reported conflicts. Clause Ref: I.9.5	- Monitoring and evaluation of conflicts/claims made have been put into a work plan for completion - Conflict Resolution (time line and work plan). - Progress/follow-up of the mapping of the reported conflicts.	Minor
5.	- The Management Unit could not provide evidence that all contractors' workers were listed as participants in BPJS. - No bipartite institution existed as a means of communication and consultation on employment matters in the company. Clause Ref: I.11.1	- Ensuring consistent monitoring and evaluation of contractors (BPJS, performance, etc.) is conducted regularly by the Supply Chain Department. - Enhancing evidence of participation of contractors' permanent employees in BPJS and a bipartite institution has been formed.	Minor
6.	The Management Unit failed to provide the results of periodic health examination (medical check-up) for all employees and special examinations for workers in high-risk areas (sprayers, warehouseman) for the period 2015 Clause Ref: I.12.1	- Perform medical check-up on a regular basis on all employees and special examinations for workers in high-risk areas (sprayers, warehouseman). - Conduct and report inspection results K3 in the corporate environment and environmental contractors	Minor

Conditions under which the certificate is issued

The certificate is valid until 29/09/2019, provided that PT. Sumalindo Hutani Jaya II has completed all corrective actions according to the proposed time schedule and does not have the same problems 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.