

Public Report Sustainable Forest Management System

**Ownership of this report and the information
contained herein remain the property of AJA Europe**



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
 hectares

SCOPE OF REGISTRATION: Sustainable Forest Management for Plantation Forest covering 69,756 hectares in East Kalimantan, Indonesia

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Surveillance 1

AUDIT START DATE: February 27, 2017

AUDIT END DATE: March 3, 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: 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 Sumalindo Hutani Jaya II	District Mao - Districts of Sebulu, Tenggara Seberang, and Muara Badak, Kutai Kartanegara Regency, and District of Marang Kayu, Kutai Timur Regency, East Kalimantan Province, Republic of Indonesia	February 27 to March 03, 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 Sumalindo Hutani Jaya II was granted a business permit for the utilization of timber forest products (IUPHHK HT) with a decree on the granting of industrial timber estate concessions covering 70,300 hectares in East Kalimantan Province to PT. Sumalindo Hutani Jaya from the Minister of Forestry: SK Menhut No.675/Kpts-II/1997 dated. October 10, 1997 area: 70,300 ha.

PT Sumalindo Hutani Jaya II has Revised Forest Timber Product Exploitation Utilization Plan (RKUPHHK-HT) for the 10-year period 2008-2017, which was approved by Decree of Minister of Forestry No. SK 51/VI-BUHT/2011 dated 12 April 2011. A 1-year short-term plan is drawn up by the Annual Work Plan for Utilization of Forest Timber Forest Products (RKTUPHHK-HT).

Spatial arrangement of PT Sumalindo Hutani Jaya II licensed area is as follows: 1) Protected Areas of 15,169 ha (21.58%), 2) The area is not effective for production of 8,050 ha (11.45%) : 2a) Infrastructure 1,085 ha (1.54%), 2b) other Use 6,965 ha (9.91%), 3) effective area for production : 3a) Primary Plant Area of 33,163 ha (47.17%), 3b) Indigenous Plant Area of 7,330 ha (10.43%), 3c) Livelihood Plant Area of 6,588 ha (9.37%), Total Area is 70.300 ha.

The Protected Areas of 15,169 ha (21.58%) consist of : Slopes >40% of 2,504 ha (3.56%), Riparian Areas of 2,704 ha (3.85%), Germplasm Conservation Area (KPPN) of 5,828 ha (8.29%), Border and Spring Area of 130 ha (0.18%), Wildlife Protection Area (KPSL) of 3,989 ha (5.67%) and Soil Conservation Area of 14 ha (0.02%)

There was conversion of 544 ha of natural forest to plantation forest after December 31, 2010. Based on the forest function consisting of 53,822 ha is Permanent Production Forest (HP) and Other Area of Use (APL) of 16,478 ha total area of 70,300 ha. So that the area of certified area is 70,300 ha - 544 ha = 69,756 ha

PT Sumalindo Hutani Jaya II is located between 00° 06' to 00° 19' South and 117° 09' to 117° 21' East.

The working area is bordered to the West by PT Surya Hutani Jaya, to the East by HPH PT Inhutani I and PT Perkebunan XXVI, to the North by Production Forest (HP) and Hijau Lindung (HL) Bontang, and to the South HTI Trans PT Bhineka Wana and former HPH PT Kayu Mahakam

From an administration viewpoint, PT Sumalindo Hutani Jaya II falls under Sebulu Sub-district, Muara Kaman Sub-district, Tenggaraong Seberang Sub-district and Muara Badak Sub-district, Kertanegara Regency and Muara Bengkal District, East Kutai Regency of East Kalimantan Province.

Topography of the working area is as follows: Class A slope (13.22%), Class B slope (38.60%), Class C slope (37.19%), Class D slope (8.67%), and Class E slope (2.32%), situated at an elevation 17 to 290 meters above sea level.

Geologically, the area largely comprises lake sediments from the Balikpapan and Palaubalang formations. The dominant soil types are Tropudults and Dystropepts.

From a hydrological viewpoint the working areas is situated near the estuary of the Mahakam river, as part of the Sambera, Santan and Mahakam watersheds and the Marangkayu basin.

The working area is classified as having a Type A climate with a Q value of <14.3% and an average temperature of 31.9° C. Given the foregoing, the species selected for production are *Acacia mangium* and *Eucalyptus pellita*.

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

AJA EUROPE
PUBLIC AUDIT REPORT - SFM
TO BE SUBMITTED TO THE CLIENT, IFCC AND TO AJA EUROPE



There are 14 villages located around the concession area, 2 in the Sebulu Sub-district, 4 in Tenggara Seberang District, 6 in Marangkayu District, and 2 in Muara Badak Sub-district.

The Management Unit has set in place standard procedures for conflict resolution and has personnel specifically trained to document and map the whole process. This commences from the initial report right through the participatory discussions to the formulation of conclusions and recommendations, as well as filing a report on the outcome of the action taken.

The Management Unit signed a livelihood plant cooperation agreement in 2016 describing the rights and obligations of each party and designating the location of the livelihood plant area within the plantation, which remains a forest area and is not a property right.

The Management Unit also carried out Building and Training Activities of the Fire Awareness Community (MPA) in March 2016, in which community members of a number of villages took part..

The Management Unit's social policy is to ensure a sustainable positive impact on the livelihoods and welfare of communities in and around the forest and contribute significantly to regional and national economic development. It is committed to implement community empowerment programs that are planned in an open and participatory manner with the beneficiary groups.

These efforts are targeted through the Community Development – Corporate Social Responsibility (CD-CSR) strategic program plans in the following manner:

- 1) Increased income and welfare of the community that originating from HTI development.
- 2) Growing participation of rural communities around the concession in illegal fire prevention and other activities, the development of productive enterprises, and the building of an independent community institution.
- 3) The growth of productive economic enterprises at the community level based on the potential of local resources

In 2016 the CD-CSR assistance program plan covered the following areas:

- 1) Productive and creative economic enterprises: horticulture and crops, cattle fattening, fish farming.
- 2) Education: scholarships, teacher fees, book and stationery assistance, village midwives, additional seeding, fogging and health checks.
- 3) Religious affairs: animal support qurban, honorarium for teacher assistance, and mosque coaching.
- 4) Infrastructure: improvement of village roads, physical facilities (mosque & school), religious and educational facilities support.
- 5) Social: customary ritual assistance, youth and natural disasters, national holidays, village lighting, youth and sports.

Description of the ecological conditions of the concession

The Management Unit has prepared an Environmental Management Plan (RKL) and Environmental Monitoring Plan (RPL) to minimize the negative impacts and enhance environmental quality in its work area. Activities performed are divided into several components:

- a. Chemical Physical Components include: micro air temperature and humidity, sedimentation and air quality in effective areas for production units, as well as soil erosion in all areas
- b. Biological Components include: diversity of vegetation and wildlife species in protected areas, potential for timber / stands and pests & plant diseases in effective areas for production units

The RKL and RPL reports are delivered to the requisite authorities each semester.

The Management Unit has identified and monitors actions that can lead to forest disruption. such as unauthorized incursion, illegal logging, animal grazing, poaching and forest fires. In regard to fire, the Management Unit has involved the cooperation of those living around the plantation area through the Fire Awareness Community (MPA), plus it has the necessary infrastructure in place such as fire tower, water pond and tanker trucks, etc., to rapidly control outbreaks.



Besides socialization activities, border markers are installed to denote protected areas, while regular patrols are carried out to ensure there is no disruption to forest activities, as well as to monitor flora and fauna in the protected areas, and to swiftly identify any outbreak of disease or infestation in the area.

The Management Unit has in place standard procedures and specially trained personnel to handle pesticides/herbicides, etc., and hazardous waste (B3).

Results of the Public Consultation

Prior to performing the Surveillance 1 Audit, PT AJA Sertifikasi Indonesia conducted public consultation commencing February 6, 2017, asking stakeholders to provide feedback and information on PT Sumalindo Hutani Jaya II. The public consultation was uploaded to PT AJA Sertifikasi Indonesia website (www.ajaindonesia.com), sent to the parties via email or postal mail, and published in a local newspaper. The public consultation resulted in feedback from first parties.

There was a public consultation response from the head of Sukamaju village in regard to the program whereby the community received from PT Sumalindo Hutani Jaya II fruit tree seedlings that can be planted in the settlement environment, plus empowerment of the village community as laborers.

Field verification was conducted on March 01, 2017 at Sukamaju village attended by the village head, and based on these interviews information was obtained that the Company has provided seedlings of guava and mango fruit trees in accordance with the village proposal in 2016. In addition, many of the community are involved in forest management activities of PT Sumalindo Hutani Jaya II, especially in planting and maintenance.

The Management Unit confirmed that it has realized the request for fruit seedlings from Sukamaju village community, as well as in the fulfillment of local workers from the community around the concession who make up the majority of the local contractors' workforce.

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

The results of Surveillance Audit 1 of PT Sumalindo Hutani Jaya II revealed five (5) Minor Non-Conformities, as follows:

NO	Non-Conformity	Corrective Action performed	Category
1.	Evaluation revealed that field implementation was not fully in accordance with SOP. Indicator : I.3.2	Revision of SOP and dissemination of SOPs to all executors	Minor
2	Management of organic and inorganic waste and LB3 was not in accordance with the relevant SOP. Indicator : I.6.6	Ensure consistent monitoring and evaluation in relation to the handling of B3 waste in TPS, as well as periodic Environmental Compliance Inspection so that environmental pollution (especially land) does not happen again.	Minor
3	Management Units have not yet identified the genetic resources of native species that are threatened or protected in the Environmental Management and Monitoring Implementation and Evaluation Report, namely: 1. The type of protected plants is the tropical	Identify all protected plant and animal species in accordance with the HCV and HCS studies that exist within the Company	Minor



	<p>pitcher plant (<i>Nepenthes sp.</i> – Semar Bag) that is commonly found in Kerangas Forest.</p> <p>2. The type of butterfly protected is the King Helena Butterfly (<i>Troides helena</i>) which is quite often found at Temper River Tabor, slope > 40% and Base Camp Sei Mao.</p> <p>Indicator : I.7.5</p>		
4	<p>The report on the implementation of RKL / RPL in the first and second semester of 2016 does not contain the implementation of social, economic, and cultural monitoring in accordance with requirements of the AMDAL document.</p> <p>Indicator : I.10.2</p>	<p>Ensure that all environmental monitoring and management, including in the social field is carried out consistently and reported as mandated in the AMDAL Document</p>	Minor
5	<p>Based on field visit to camp contactors and employee housing, organic, inorganic and B3 waste was still found to be mixed among the garbage, plus the garbage was still found to be burned.</p> <p>Indicator : I.12.6</p>	<p>Ensure all existing activities and occupations under Company's fully comply with all applicable requirements and legislation, especially in regard to Environment Compliance</p>	Minor

Conditions under which the certificate is issued

Certificate is valid until (29/09/2019), 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 may be suspended until such time as AJA is able to perform a closeout visit.