

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



CLIENT NAME: PT MUSI HUTAN PERSADA

TOTAL HECTARES: 287,333

SCOPE OF REGISTRATION: Sustainable Forest Management of 287,333 hectares of Plantation Forest in South Sumatra Province

STANDARDS/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Surveillance 2 (REMOTE)

AUDIT START DATE: January 11, 2022

AUDIT END DATE: January 18, 2022

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: Riyadi Sigit Pamungkas

SIGNATURE:

AUDIT TEAM: Andri Wibisono

SIGNATURE:

Agung Utama Lubis

SIGNATURE:

OBSERVER: Qodly Zaka Syahtriawan

SIGNATURE:

Inggita Nuri Prihantini

SIGNATURE:

MAJOR CARS: 0

MINOR CARS: 0

| SITE NAME (Legal Name): | ADDRESSES OF COMPANY SITES VISITED including country | DATE OF EACH SITE VISIT: |
|-------------------------|---|----------------------------|
| Head Office | Jalan Raya PT TEL, Banuayu Village, Empat Petulai Dangku District, Muara Enim Regency, South Sumatra - Indonesia | January 11, 2022 |
| Region II Benakat | Unit 6 Lubuk Guci PALI Regency, Unit 7 Baung Utara PALI Regency, Unit 8 Tebing Indah Musi Rawas Regency, Unit 9 Semangus Musi Rawas Regency, Unit 11 Sialang Musi Rawas Regency, South Sumatra, Indonesia | January 12 to 14, 2022 |
| Region III Lematang | Unit 10 Keruh II Musi Rawas Regency, Unit 13 Lantingan Muara Enim Regency, Unit 14 Serai Lahat Regency and Unit 15 Keruh I Musi Rawas Regency, South Sumatra, Indonesia | January 15, 17 to 18, 2022 |
| 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 | |
| Region I Subanjeriji | Unit 1 Martapura OKU Timur Regency, Unit 2 Merbau OKU Regency, Unit 3 Gemawang Muara Enim Regency, Unit 4 Caban Muara Enim Regency and Unit 5 Sodong Muara Enim Regency, South Sumatra, Indonesia | |

Documents: Report Format Public – IFCC
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Dates: 01st Mar 2019
Pages: Page 2 of 6

Brief Description of the concession

PT Musi Hutan Persada received an concession permit based on the Decree of the Minister of Forestry Number: 038/Kpts-II/1996. dated January 29, 1996, regarding the Granting of Industrial Plantation Forest Concession Rights over a forest area of ± 296,400 (Two Hundred Ninety Six Thousand Four Hundred) hectares in South Sumatra Province Region I. The concession decree is valid for a period of 43 years. There is a Decree of the Minister of Environment and Forestry of the Republic of Indonesia Number SK.799/MenLHK/Setjen/HPL.0/10/2019 dated October 15, 2019 concerning the change of the area from 296,400 hectares to 287,333 ha. No conversion of natural forest occurs in the concession; thus, the certified area is 287,333 hectares. The Management Unit is divided its working area to three work regions, namely Region I Subanjeriji, Region II Benakat and Region III Lematang. This Surveillance 2 Audit samples were taken in Region II Benakat and Region III Lematang.

PT Musi Hutan Persada has a Business Plan for Utilization of Industrial Forest Products (RKUPHHK-HTI) for a period of 10 (ten) years for the period 2020 to 2029 which has been ratified through the Decree of the Minister of Environment and Forestry Number: SK.9778//MENLHK-PHPL/UHP.1/11/2019 dated November 25, 2019. The spatial layout of PT Musi Hutan Persada is Protected Area of 42,999 ha (14.96%), consisting of KPPN / KPSL of 30,161 ha (10.50%), Riparian Zone of 12,837 ha (4.47%) and a cultural heritage area of 1 ha; Cultivation Area of 244,334 ha (85.04%), consisting of a Self-Management Pattern area of 151,542 ha (52.74%), a Partnership Pattern area of 83,453 ha (29.04%) and Infrastructure of 9,339 ha (3.25%).

PT Musi Hutan Persada has completed the demarcation of its working area in 2021 with the completion of the TBT Report No: LP.49/BPKH II/PKH/PLA.2/8/2021. From the results of boundary measurements, the boundary length is 540.914.65 meters with an area of 286.914.65 Ha. The Management Unit will revise the RKUPHHK-HTI after the Decree of the Minister of Environment and Forestry is issued to determine the new work area.

The location of the PT Musi Hutan Persada area according to the geographic coordinates of each Management Area is as follows:

- Region I Subanjeriji at 3° 30' to 4° 20' South and 103° 50' to 104° 30' East
- Region II Benakat at 3° 00' to 3° 30' South and 103° 10' to 104° 00' East
- Region III Lematang at 3° 05' to 3° 40' South and 103° 10' to 104° 00' East.

The location based on government administration is located in the following districts:

- Lahat Regency: Districts of Agung District, Kikim;
- Muara Enim Regency: Districts of Tanjung Agung, Rambang Dangku, Rambang Lubai, Muara Enim, Gunung Megang, Talang Ubi;
- Ogan Komering Ulu Regency: Districts of Martapura, Lematang;
- Ogan Komering Ulu Timur Regency: Districts of Musi Rawas, Rupit, and Musi Banyuasin.

Meanwhile, the boundaries of the area of PT Musi Hutan Persada are based on the Management Area as follows:

- Management Area I Subanjeriji:
 - North side: PTP VII oil palm plantations, and settlements,
 - East side: Senuling River, Smallholder rubber plantations, and settlements,
 - South side: PT Minanga Ogan oil palm plantation, and settlements

- West side: Lengi Sebasah River and PT BSP Oil Palm Plantation.
- Management Area II Benakat:
 - North side: settlement and oil palm plantation of PT Proteksindo,
 - East side: oil palm plantation of PT. SBAL and PT CIFU
 - South side: settlement and oil palm plantation of PT. PBJ,
 - West side: Keruh River, Trans Bumi Lampung and PT Bina Sains oil palm plantation.
- Management Area III Lematang:
 - North side: Way Cacahan River and transmigration,
 - East side: Tuha River and settlements
 - South side: Jalan Raya Baturaja-Martapura
 - West side: Way Gilas River

The concession area of PT Musi Hutan Persada is located at an altitude of 5 to 310 meters above sea level (AMDAL 1996), and the topography is as follows: Class A (Flat 0-8% slope) 149,526.45 ha; Class B (Sloping 8-15% slope) 134,248.25 ha, Class C (Slightly Steep 15-25% slope) 12,625.40 ha, for a total of 296,400 ha (due to rounding). Hydrology is part of Musi watershed with sub-watersheds of Lematang, Semangus, and Keruh. Climate conditions with annual rainfall of 2,769.2 mm / year with the driest month being July and the wettest month March. The temperature ranges from 23.7°C to 33.3°C with humidity of 83.1% and average solar radiation of 52 %. The species being developed are *Eucalyptus pellita* and *Acacia mangium*.

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

The residents around the concession are local people. The majority of them live in agriculture as reported in the previous audit. There are also tribal groups belonging to the Suku Anak Dalam which are classified as Remote Indigenous Communities. PT Musi Hutan Persada has respected the rights fulfillment of communities around the concessions. Based on the Cooperation Report of PT Musi Hutan Persada with the surrounding community, there are cooperation in the use of non-timber forest products in the form of calliandra with the indigenous community forest farmers group. According to the Head of the Suku Anak Dalam, the company has respected the rights of their tribe. This is evidenced by the existence of cooperation between the company and the indigenous tribes, including cooperation in vegetable cultivation, assistance in housing, and in finding non-timber forest products.

PT Musi Hutan Persada has made efforts to resolve conflicts with the surrounding community. There is a Potential Mapping and Conflict Resolution Report for the First Semester of 2021. While there is a remaining case of land claims with an alert category. The land claim cases were decreased since last year audit, where in 2020 there were two alert cases. According to the community and village leaders, the company has made efforts to collaborate with claimants, including by forming a forest farmers group with rubber plants. The conflict resolution efforts are carried out through deliberation, cooperation, and legal remedies.

PT Musi Hutan Persada has collaborated with the surrounding community. There are more than a hundred villages collaborate with companies spread across seven districts in South Sumatra Province. The collaboration is called as the Community Forest Management Program (MHBM). Aside from the MHBM, the company also collaborates on the use of non-timber forest products with the surrounding community, including rubber plantations, environmental services, calliandra, honey and fish.

PT Musi Hutan Persada has implemented a Corporate Social Responsibility program for the surrounding community. Based on The Report on the Plan and Realization of the CSR program for the January to December 2021, the activities carried out include community development of forest farmers, development of remote indigenous communities, community socio-cultural development, education development, community economic development, community health development, assistance community service, facilities and infrastructure assistance, provision of local manpower, MHBM, social forestry, and forestry partnership scheme. The realization of the CSR program during 2021 is 80% of what has been planned.

Description of the Ecological conditions of the concession

PT Musi Hutan Persada has identified forest management activities that have significant impacts, and carried out an environmental impact assessment, namely the Amdal, RKL and RPL documents and HCVF Study Documents. The results of the HCVF (High Conservation Value Forest) studies from IPB Univeristy in 2008 and 2011 and the re-assessment of HCV by PT Sonokeling Acreditas Nusantara in 2019.

The results of the forecast of significant impacts on PT Musi Hutan Persada opeartional activities are no longer relevant related to the management that has entered Cycle-III, however, the management, monitoring and impact evaluation efforts by the Management Unit have been carried out and implemented in the field in accordance with SOPs. The Management Unit plans to revise the AMDAL once the Social Forestry program being identified with the Ministry of Environment and Forestry is clearly located.

The existing protected areas in PT Musi Hutan Persada is generally a former HPH concession area which is no longer primary forest, but logged over forest that has been left with secondary forest cover, old shrubs and young shrubs. In addition, there are traces of fires and community occupations in the form of oil palm/rubber plantations or other types of plantations. As well as the former encroachment which was later to accelerate conflict resolution, the protected area was planted with *Acacia mangium* and *Eucalyptus pellita* species as shelter for tolerant plant species, especially endemic and protected plant species. The Management Unit performed rehabilitation on areas that previously planted with staple plants species. They planted local and protected plant species such as Meranti, Tembesu, Merawan, Agarwood, Bulian, Matoa, Pulai, Seru, Banyan, Jabon, etc. As for wildlife, the key species in the concession area include the Sumatran tiger (*Panthera tigris sumatrae*) and the Sumatran elephant (*Elephas maximus sumatranus*).

The Management Unit has identified and monitored disturbances, taking into account natural disturbances that pose a threat to the health and vitality of forest resources. The Management Unit has also prepared infrastructure and human resources for pre-emptive, preventive and measurable measures to protect forests from disturbance. The company has prepared security guards and forest and social security personnel. The company is cooperating with the police, TNI, Forestry agencies and Regional Government agencies as well. The personnel carries out regular patrols in all work areas (including protected/conservation areas), installs prohibition boards and signs, and takes a persuasive approach to the surrounding community.

Meanwhile, for the prevention of pests and diseases, the Management Unit has performed:

- Initial treatment and action starts from the stages of seed selection, nursery, silvicultural system, and known natural enemies,
- Selection of local or superior plant species that are resistant to pests and diseases,
- Conducted training for field officers to understand, recognize and master the types, symptoms, and distribution

- of pests and diseases, and
- Education to the community.

Results of the Public Consultation

Prior to the implementation of the Surveillance 2 Audit, PT AJA Sertifikasi Indonesia conducted a Public Consultation commencing November 16, 2021, asking stakeholders to provide feedback and information about PT Musi Hutan Persada. Public consultations were uploaded to the PT AJA Sertifikasi Indonesia website (www.ajaindonesia.com), sent to parties via email or letter, and published in local newspapers.

There are two inputs from the stakeholders. The first input was from an NGO including the suggestion to return land that has been managed for generations by the community and resolve the conflict permanently; to prioritize the dust waste on the road because of the operational activities; to not harvest at the watershed that cause the river become dirty and smelly; to increase the welfare of the surrounding community. The other input was from a resident that asked the company to stop optimizing the land in a village.

As we clarified to the auditee, the response from the company is that the company has principles to not displace and optimizing community land, and the company has no rights to release the areas which are part of the concession because it is the authority of the Ministry of Environment and Forestry. The company suggest submitting a proposal for Social Forestry for cooperation. Also, the Management Unit has performed road watering regularly to prevent dust waste since 2018 until present. The company as well provides CSR activities with the villages every year.

The audit team also collected information from the mass media about PT Musi Hutan Persada, which was given material consideration in the audit process conducted by PT AJA Sertifikasi Indonesia.

The Management Unit has identified all the requirements needed for this certification process, which consist of legal aspects that include compliance with international rules and regulations and conventions. A management system has been developed to cover all activities in the field of certification, which is registered for an area of 287,333 hectares

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

Based on the results of the Surveillance 2 Audit of PT Musi Hutan Persada, no Non-Conformities of either a Major or Minor nature were identified by the audit team.

Conditions under which the certificate is issued

Certificate is valid until March 13, 2023, provided that PT Musi Hutan Persada maintains its Recertification schedule and does not have potential major non-conformities at the next Recertification.