

# **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: 296,400 ha

SCOPE OF REGISTRATION: Sustainable Forest Management in Plantation Forest covering an area of 296,400 hectares in South Sumatra Province, Republic of Indonesia.

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Stage 2

AUDIT START DATE: November 14, 2016

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: November 19, 2016

LEAD AUDITOR: R Sigit Pamungkas

SIGNATURE:

AUDIT TEAM: Roy Adam

SIGNATURE:

Abdul Salam

SIGNATURE:

MAJOR CARS: -

MINOR CARS: 10

SITE NAME (Legal Name):	ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY	DATE OF EACH SITE VISIT:
PT Musi Hutan Persada	Subanjeriji - Unit Martapura Kabupaten OKU Timur, Unit Merbau Kabupaten OKU, Unit Gemawang Kabupaten Muara Enim, Unit Cabang Kabupaten Muara Enim dan Unit Sodong Kabupaten Muara Enim, Provinsi Sumatera Selatan, Indonesia	November 14-17, 2016
PT Musi Hutan Persada	Benakat - Unit Lubuk Guci Kabupaten PALI, Unit Baung Utara Kabupaten PALI, Unit Tebing Indah Kabupaten Muara Enim, Unit Semangus Kabupaten Musi Rawas dan Unit Sialang Kabupaten Musi Rawas, Provinsi Sumatera Selatan, Indonesia	November 18-19, 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	
PT Musi Hutan Persada	Lematang - Unit Keruh 1 Kabupaten Musi Rawas, Unit Keruh 2 Kabupaten Musi Rawas, Unit Lantingan Kabupaten Muara Enim dan Unit Serai Kabupaten Lahat Provinsi Sumatera Selatan, Indonesia	

Document: Report Format Public - IFCC

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Date: 15 September 2016

### Brief Description of the concession

PT Musi Hutan Persada is a company engaged in the sector of industrial timber estates, which cultivates staple crops consisting of *Acacia mangium* and *Eucalyptus pellita* to supply small logs as raw material for the pulp and paper industry.

PT Musi Hutan Persada is a company engaged in sustainable forest management per Minister of Forestry Decree No. 38/Kpts-II/1996 in respect to Granting Plantation Forest on forest area of  $\pm$  296,400 ha, located in the Province of South Sumatra to PT Musi Hutan Persada, as stipulated in Jakarta on January 29, 1996.

PT Musi Hutan Persada is located at an altitude: 5 to 310 meters above sea level (EIA 1996), while the land slopes from 0 to 8% across the  $\pm$  296.400 hectares.

Company Address: Jalan Raya PT.TEL, Tebat Agung, Rambang Dangku, Muara Enim, South Sumatra. The Company's working areas consists of three separate forest sites (KH):

- Subanjeriji area = 97,894 ha.
- Benakat area = 190,072 ha.
- Lematang area = 8,434 ha.

Company operations are divided into three management areas:

- Region I Subanjeriji, Subanjeriji Village, District Rambang Dangku, Muara Enim, South Sumatra
- Region II Benakat, Padang Bindu Village, District Benakat, Muara Enim, South Sumatra.
- Region III Lematang, Tanjung Lontar Village, District East Merapi, Lahat, South Sumatra.

### PT Musi Hutan Persada has the following layout:

Based on Doc RKU for 2015-2019 and in accordance with the Regulation of the Minister of Environment and Forestry Np.P.30 / Menlhk-II / 2014 the layout is as follows:

No	Grouping	Area( ha)	Percentage
1	<b>Protected Areas:</b>	44,098	14.88
	KPPN/KPSL	30,161	10.18
	River borders	13,936	4.70
	Culture heritage	1	0,00
2	<b>Effective production area</b>	236,940	79.94
	Staple crops	150,673	50.83
	Livelihood plants	86,267	29.11
3	Area not suitable for production	15,362	5.18
	Facilities and infrastructure	8,150	2.75
	Area for research	2,042	0.69
	Area used by other parties	5,170	1.74
	<b>Total Area</b>	<b>296.400</b>	<b>100,00</b>

Based on interviews and review of documents RKUPHHK (Spatial breakdown), no areas of the plantations result from the



conversion of primary or secondary forests since December 31, 2010 (the last conversion of primary or secondary forest occurring in 2002).

Thus the scope of PT Musi Hutan Persada plantations qualified for IFCC SFM audit covers an area of 296,400 ha.

In its forest management activities, PT Musi Hutan Persada applies the principles of sustainability to the cycle of operations: harvesting - procurement of seeds - planting - husbandry through to harvesting once more. To fully achieve the objectives of Sustainable Forest Management (SFM). PT. Musi Hutan Persada has already considered the characteristics of the forest resources and site conditions in order to determine the species best suited to its operations.

Prior to the commencement of harvesting operations, micro-planning activities are first performed to mark clear boundaries between plots, skid trails, and collecting points, as well as the scope of felling. Micro-planning is recorded at a map scale of 1: 5,000.

The Management Unit has prepared a summary of the management plan and annual reports, which are available to the public through its website or on request in the form of Public Summary PT Musi Hutan Persada in 2015. The Management Unit has summarized monitoring and evaluation of forest management activities, based on the following documents:

- a. RKTUPHHK year 2011-2016
- b. RKT Management Plan in 2011-2016. The information presented includes the general condition of the company, the implementation of the management of plantations, social governance and environmental governance. The environmental management and monitoring is based on the sustainable program, which is itself based on RKL-RPL, Independent Certification Board guidelines such as ISO 14001, FSC Control Wood, SFM, and environmental assessment as high conservation value forest assessment report (HCVF).

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

Management Unit recognizes the provisions of the consent / agreement / binding international conventions, such as CITES, ILO, ITTA and CBD that have been ratified by Indonesia, as evidenced by the following:

1. Document ILO Convention 81 Labor Inspection in Industry and Commerce, July 23, 2003
2. The Indonesian Trade Unions Act (Law No. 21/2000), Law No. 1/2000 on ILO 182 Prohibition and Immediate Action on the Elimination of the Worst Forms of Child Labor.
2. Social and Environmental Policy Statement of Corporate Commitment to the ILO Conventions. The Management Unit has identified, appreciates, recognizes and respects the rights of indigenous peoples and local communities in terms of ownership, control and use of land and forest resources. The public's right to Non-Timber Forest Products (NTFP) is respected through the provision of community access to NTFP, which include honey and fish, providing there is no damage to the plants and the environment, and care is taken of the main crop that has been planted.

Management Unit undertook Social Impact Assessment (SIA) in October 2014, which included the eight villages around the work area. The Management Unit developed a CD-CSR program during 2015, and has SOP on conflict resolution that has been well communicated to the public and stakeholders. Efforts the Management Unit is making to minimize negative impacts include:

1. Maintenance of dirt roads through watering, etc.
2. Provision of pump for water access
3. Open access for the public to take advantage of non-timber forest products
4. Employment opportunities for local villagers in the company's concessions (planting, harvesting, security, firefighting team), plus they can also act as suppliers.



PT. Musi Hutan Persada's conflict resolution mechanisms in relation to indigenous peoples' rights are based on customary law and the property rights of local communities or by formal law, and conflict resolution mechanisms related to the impact of forest management activities. Procedures are as follows:

- SOP for conflict resolution, as well as similarly mapping of stakeholders and civil society.
- Documentation of the process of conflict resolution is available, ranging from the chronology of events, a map of areas of conflict and the minutes of the meeting results.
- Thus participatory conflict resolution mechanisms have been created and agreed upon by PT. Musi Hutan Persada and the local communities.

PT. Musi Hutan Persada shows no discrimination in the hiring of labor either local or immigrant. The Company has a Collective Labor Agreement (CLA) that regulates the rights and obligations of employers and employees, which includes: recruitment, remuneration, employee placement, removal, transfer, promotion, skills enhancement program, prohibitions, and other matters.

The Management Unit has complied with all regulations and legislation relating to forest management practices, environmental protection, protected and endangered species, the rights of indigenous peoples and local communities relating to land ownership and use, and the issue of occupational health and safety (K3).

### **Description of the ecological conditions of the concession**

#### **Management of protected areas:**

This includes identification of HCV areas, installation of physical boundary markers, ensuring the area is sufficiently rich in vegetation to provide sustenance for the animal life, patrolling the area, and dissemination of the importance of the area to the surrounding public.

Protected areas are regularly patrolled to monitor the intensity of any disturbances, provide an inventory of flora and fauna, monitor realization of enrichment and survival rates, river water quality, and inventory of rare flora and fauna.

In order to maintain biodiversity, plus enrich forest conservation and river borders, 991.64 ha of trees have been planted between 1999 and the second half of 2015 to fulfill the functions: ecological, habitat improvement, and animal feed.

Environmental Management includes the following:

- Physical-Chemical: micro-climate, physiography of the land (physical-chemical properties, subsidence, erosion), hydrology (surface water flow, fluctuation debit, sedimentation), water quality.
- Biological Component: vegetation (potential and non-timber forest products), wildlife (habitat, property type, spread), aquatic biota (abundance & diversity).

Management and monitoring efforts conducted by PT Musi Hutan Persada include, among others:

1. Management of protected areas (KPPN, DPSL, river borders)
2. Management of areas of important impact: ecosystem function, physical-chemical properties of soil and water quality, waste B3, protection of forests, flora and fauna
3. Management of materials and hazardous and toxic waste materials (B3).

In forest protection activities, PT Musi Hutan Persada undertakes:

1. Construction of a safety post for management of forests in the access to the protected area.
2. Installation of sign boards in the burned areas.
3. Patrols to monitor possible sites of forest fires and forest disturbances.
4. Establishment of forest fire hazard map scale of 1: 50,000 (hot spots)



5. Monitoring whether fire danger rate (FDR) status of the area is at a safe level or on standby.
6. Provision of infrastructure for firefighters (fire towers, operational vehicles and extinguishers).
7. Monitoring of forest pests and diseases, and coordination with Research and Development. (Early Warning System)
8. Document any fires and illegal logging and forest encroachment in coordination with the local police.
9. Conduct training related to increased capacity and traffic of human resources (HR). Monitor hot spots identified by satellite.

### Results of the Public Consultation

Prior to conduct the Stage 2 Audit stage, PT AJA Sertifikasi Indonesia carried out public consultation, commencing November 1, 2016, in which stakeholders were invited to provide feedback on PT Musi Hutan Persada. Public consultation was uploaded to the website to the website of PT AJA Sertifikasi Indonesia ([www.ajaindonesia.com](http://www.ajaindonesia.com)), sent to the parties via email or letter, and published in a local newspaper. Input received during the Public Consultation was given consideration by the audit team during the audit of PT Musi Hutan Persada.

The audit team also gathered information from the mass media about PT Musi Hutan Persada, which was given material consideration in the audit process..

The Management Unit has identified all the necessary requirements for this certification process, including legal aspects and compliance with regulations or international conventions. The management system has been built to cover all activities in the field of certification, which is registered for a certification area of 296,400 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 Stage 2 Audit of PT. Musi Hutan Persada, 10 categories of minor non-conformities were identified. The Management Unit has already addressed these issues and all findings have now been closed. This demonstrates the seriousness and strong commitment of PT. Musi Hutan Persada towards sustainable forest management and continuous improvement. No critical issues were identified.

NO	Non-conformities	Corrective Action undertaken	Category
1	Management Unit has not optimized the use of forest resources to ensure efficient production, reduce waste, and minimize the damage due to logging.  <b>Clause Ref: 1.4.3</b>	The Production Manager has issued a warning letter to the contractor who carried out the logging in that area.  The Production Supervisor has provide training to all chainsaw operators.	Minor
2	Unsafe logging in one area that included a steep slope (> 40 %) without terracing  <b>Clause Ref : I.4.4</b>	The Management Unit has ordered the contractor to terrace the slopes > 40 %;	Minor
3	The Management Unit has not identified and monitored the key protected and threatened/ endangered species, such as Sumatran tiger ( <i>Panthera tigris sumatrensis</i> ) and Sumatran elephant ( <i>Elephas maximus sumatrensis</i> ) as required based on the HCV assessment results.	The Management Unit has prepared a program for the Management of Protected Flora and Fauna as of December 10, 2016. The SOP states the key species to be Sumatran Elephant, Sumatran Tiger and Hornbill. The	Minor

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	<b>Clause Ref: III.7.3</b>	Management Unit will install a camera trap to help with monitoring the key species.	
4	The Management Unit has conducted enrichment of the conservation forest and river borders from 1999 until the second half of 2015, but has planted an exotic tree species (Randu) instead of endemic species,  <b>Clause Ref : III. 4.5 ;6.5; 7.2</b>	The Management Unit has issued a prohibition on planting exotic species for rehabilitation in the HCV area, instead replacing them with species endemic to the area.	Minor
5	The Management Unit has not been in providing workers with facilities and adequate infrastructure including transport facilities.  <b>Clause Ref: I.11.8.</b>	The company's policy about facilities and transportation will be in accordance with a letter dated December 15, 2016	Minor
6	The Management Unit has not provided a safe and healthy working environment, plus fire extinguishers and medical chests are not available in all required locations  <b>Clause Ref: I.12.2</b>	The Management Unit has since addressed these requirements.	Minor
7	The Management Unit has not provided camp facilities for all workers that are clean, safe, and in a habitable state.  <b>Clause Ref : I.12.6</b>	Thorough cleaning and repairs have been carried out to provide camp facilities that are habitable and meet safety regulations, as well as the needs of the workers.	Minor
8	Proper sanitary facilities were lacking for the workers of a contractor working in one of the sites  <b>Clause Ref :I.12.5.</b>	The area General Manager has issued a letter of reprimand to the contractor demanding immediate improvement of the sanitary facilities for its employees.	Minor
9	Based on interviews with labor unions, the Management Unit has not been transparent in setting pay scales and some employees do not know how much they should receive.  <b>Clause Ref : I.11.3</b>	Application was made to the Department of Manpower and Transmigration District. Muara Enim for interpretation of the relevant article on remuneration per Letter on November 25, 2016  Manpower and Transmigration District. Muara Enim Letter No. 2016 dated December 13, 2016 has subsequently provided clarification of the structure of the wage scale.	Minor
10	Based on interviews with labor unions, the Management Unit has discriminated between long-term and more recent employees including expatriates in the provision of employee facilities.	Revision has been carried out in relation to standardization of mess facilities in accordance with position level / class to ensure there is no discrimination, which includes monitoring of camp activities	Minor

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	Clause Ref :I.11.5.	and a checklist for monitoring contractors.	
<b>Conditions under which the certificate is issued</b>			
<p>The certificate will be valid until 13/03/2020. PT. Musi Hutan Persada (MHP) has completed all corrective actions based on the time frame proposed in its corrective actions response and will ensure the same problems do not exist at the time the next surveillance audit is carried out.</p> <p>Should there be any discrepancies that are not closed at the time the next surveillance audit is carried out, the IFCC certificate will be suspended until such time as AJA is able to perform a closeout visit.</p>			