

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 hectares

SCOPE OF REGISTRATION: Sustainable Forest Management of Plantation Forest covering 296.400 hectares in South Sumatra Province, Indonesia

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Surveillance 1

AUDIT START DATE: 20 November, 2017
AUDIT END DATE: 27 November, 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: R. Sigit Pamungkas

SIGNATURE:

AUDIT TEAM: Amin Kadani

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:
Region III 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	November 20 to 23, 2017
Region I 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 24 to 27, 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	
Region II 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	

Brief description of the concession

PT Musi Hutan Persada is a foreign investment (PMA) company that operates under Decree of the Minister of Forestry Number: 38 / Kpts-II / 1996 concerning "The granting of industrial timber estate concession over a forest area of approximately 296,400 ha, located in the Province of Level I, South Sumatra to PT Musi Hutan Persada, as stipulated in Jakarta, January 29, 1996.

PT. Musi Hutan Persada head office is located at Jalan Raya PT TEL, Tebat Agung Village, Rambang Dangku Sub-District, Muara Enim District, South Sumatra Province. Operations are managed through Management Units covering three (3) forest management areas, namely: Region I Subanjeriji, Region II Benakat and Region III Lematang. The three areas are divided into 14 work units in total, as follows:

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- Region I Subanjeriji: consists of Units 1,2,3,4, and 5.
- Region II Benakat: Units 6,7,8,9 and 11.
- Region III Lematang: Units 10,13,14 and 15.

Each unit consists of 2 to 4 blocks with each block being divided into the smallest management unit called a compartment of 100 to 200 ha in area.

The geographic coordinates of the individual locations are as follows:

Region 1 Subanjeriji: 3° 30' to 4° 00' South and 103° 50' to 104° 15' East

Region II Benakat: 3° 00' to 3° 40' South and 103° 10' to 104° 00' East

Region III Lematang: 4° 05' to 4° 20' South and 104° 15' to 104° 30' East

While they are bordered as follows:

Direction	KH Benakat	KH Subanjeriji	KH Martapura
North	Settlement and Oil Palm Plantation of PT Proteksindo.	PTP VII oil palm plantations and settlements	Cacahan Way and transmigration
East	Oil palm plantations of SBAL and CIFU	Senuling River, Smallholder rubber plantation and settlement	Tuha River and settlement.
South	Settlement and Oil Palm Plantation of PBJ	Minanga Ogan palm plantation and Settlement.	Baturaja-Martapura Main Road.
West	Keruh River, Trans Bumi Lampung and Bina Sains Oil Palm Plantations	Lengi/Sebasah River and BSP palm plantations.	Gilas Way.

And fall under the following governmental administrations:

1. Lahat Regency, Kota Agung District, Kikim.
2. Muara Enim Regency, with Districts: Tanjung Agung, Rambang Dangku, Rambang Lubai, Muara Enim, Gunung Megang, Talang Ubi.
3. Ogan Komering Ulu Regency: Martapura Sub-District, Paneview.
4. Regency of Ogan Komering Ulu Timur.
5. Musi Rawas Regency. District of Rupit.
6. Musi Banyuasin Regency.

According to the Ten-Year Management Plan for 2010-2019 and based on regulation of Ministry of Environment and Forestry Number P.30/Menlhk-II/2014, about Periodic Forest Inventory, the spatial plan is defined as:

No	Function	Area (ha)	Percentage
1	Protected Areas a. Wildlife area/Germplasm area b. Riparian area c. Cultural heritage	44,098 30,161 13,936 1	14.88 10.18 4.70 0,00
2	Effective Production Areas a. Staple plants b. Livelihood plants (and former endemic plants)	236,940 150,673 86,267	79.94 50.83 29.11
3	Non- Production Areas a. Infrastructure: • Roads • Base camp, housing, and nursery b. Research area c. Area overlapping with other utilities: • Transmigration • Plantation • Mining (loan use)	15,362 8,150 7,908 242 2,042 5,170 3,741 1,306 123	5.18 2.75 0.69 1.74
	TOTAL	296,400	100.00

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The concession of PT Musi Hutan Persada is located at an altitude of 5 to 310 meters above sea level (Amdal of 1996), and is mainly flat with slight slopes (0-8)%. The staple plant species cultivated are *Acacia mangium* and *Eucalyptus pellita*.

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

With the concession area of PT. Musi Hutan Persada covering 7 districts and 23 Sub-districts, there are 83 villages and 244 settlements located within and around the work area. This provides a ready labor source and many of those domiciled in and around the concession area are at least partially involved in the operational activities of the company as employees on a full-time or contract basis, working for third party contractors, outsourcers, etc., or as entrepreneurs with their own business activities.

In its employment practices, the Company recognizes government regulations and ratified ILO conventions, taking care not to employ under-age workers, and permitting optional union membership, etc. Moreover, it continuously monitors and evaluates its operational and management systems, both internal and external with contractors in order to ensure the safest possible working conditions.

The Company also has intercropping agreements with local villagers, providing them with benefits from the planting of such crops as upland rice, vegetables and corn within the concession area. Under the agreements, communities are granted access to enter the forest area to gather other non-timber forest products under the proviso that they do not light fires to clear the land.

PT Musi Hutan Persada has shown its commitment to the welfare of the surrounding communities by ensuring the flow of basic food aid during particularly violent wet seasons when villages have been inundated with floodwaters that have brought normal activities to a halt. As part of its community development programs, it has also focused on the provision of opportunities for children and the younger generation.

Description of the ecological conditions of the concession

To minimize the impact of its forestry operations, PT Musi Hutan Persada employs the special procedures of Reduced Impact Logging, which are divided into pre-logging, logging and post-logging operations. In addition, with 16 rivers traversing the property, the Management Units also monitor and measure both water quality and flow rates on a regular basis. Together with the monitoring of soil erosion and other data, these are reported to the relevant authorities on a periodic basis as required.

In accordance with its mission to improve biodiversity and the environment, the Company seeks to protect and maintain a protected area of 44,098 hectares. Among the various activities undertaken are security patrols, installation of warning signs, monitoring of flora and fauna, socialization to surrounding communities, rehabilitation of protected areas damaged by encroachment or fires, and enrichment planting with local species whose products can be utilized by the community around the forest area.

As part of its mission to maintain and improve the habitat of endemic rare and endangered species of flora and fauna, the Management Unit conducts regular monitoring and reports their presence and concentration in 6-monthly reports to the requisite authorities. As with other areas of the concession, a careful watch is maintained for the presence of pests or infection that could damage the forest.

In handling hazardous waste, the Management Unit has been managing liquid waste with a simple installation and test results of BLH of South Sumatra Laboratory reports that the liquid waste produced has met the quality standard (Category II) and it is then transported by a licensed hazardous waste disposal company



Results of the Public Consultation

Prior to conducting Surveillance 1 Audit, PT AJA Sertifikasi Indonesia carried out public consultation commencing October 25, 2017 in which stakeholders were asked to provide feedback or knowledge about PT Musi Hutan Persada. The public consultation was uploaded to PT AJA Sertifikasi Indonesia website (www.ajaindonesia.com), sent to the parties via email or regular mail, and published in a local newspaper. No input was received from stakeholders as a result of the public consultation.

The audit team also gathered 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.

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 1 Audit of PT Musi Hutan Persada, seven (7) minor categories of non-conformities (NC) were identified, as followed.

No	Non-Conformities	Corrective Action Performed	Category
1	In the harvesting of forest products, the area harvested is in excess of that designated in the Company's annual work plan documents. Data on these cases of excess areas being logged is included in a letter from the President Director of PT Musi Hutan Persada who therein approves such excess logging. Clause Ref I.5.3	The Management Unit has made revisions to the 2017 RKT Book and submitted the PLAT-Proposal On Additional Areas (FM-PMN-063)	Minor
2	The Management Unit had not fully implemented the principles of Sustainable Forest Management (SFM) as evidenced by the presence of heavy weed growth in one location that was indicative of the failure to carry out spraying activities in accordance with the relevant SOP. Clause Ref I.4.3	PT Musi Hutan Persada has conducted plant maintenance activities with weeding activities (SPK) based on schedule / plan. It has monitoring Plantation Quality Assesment-12 (PQA 12) that conduct at 06 November 2017	Minor
3	Based on interviews with the Community for Concerned Fire (MPA) of one village, the Management Unit had failed to provide MPA members with either the facilities or the internal training related to the fire-fighting program. Clause Ref I.8.6	PT Musi Hutan Persada has since conducted training to the MPA members, as well as providing facilities and infrastructure.	Minor
4	In meeting Health & Safety responsibilities within the organizational structure, appointments of suitably qualified staff have only been made at the Senior level and there remains the need for additional K3 staff to be appointed at management level in order to ensure OSH implementation and supervision in the field.	The Management Unit has established the organizational structure of the independent Department of Health & Safety and has directed personnel to undergo OHS Expert training.	Minor

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	Clause Ref I.1.8		
5	The Management Unit has not been able to demonstrate ownership of the requisite K3 license for the heavy lifting equipment (SIO operator) contractor operating in the PT Musi Hutan Persada concession area. Clause Ref I.1.13	The Management Unit has established company policy on Mess and Transport Facilities and will conduct evaluation and re-arrangement of existing facilities including transportation	Minor
6	The Management Unit has not undertaken a social impact assessment of the planned forest management activities on indigenous peoples and / or local communities as the basis for its management and monitoring of the social field. Clause Ref I.10.1	The management unit has established working contracts with independent third parties who are capable of making assessment studies of SIA.	Minor
7	Field observations reveal that there are few traffic signs along the road from Niru office to Region I Subanjeriji and Region III Lematang, thus raising the potential for traffic accidents to occur on the road. Clause Ref I.12.2	The Management Unit has budgeted for the procurement and installation of traffic signs.	Minor

Conditions under which the certificate is issued

The certificate is valid until 13/03/2020 provided that PT Musi Hutan Persada completes all corrective actions according to the time schedule proposed in its corrective action responses and does not have the same problem on the next Surveillance visit. If 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.