

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 Musi Hutan Persada

TOTAL HECTARES: 296,400 hectares

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

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Surveillance 2

AUDIT START DATE: January 08, 2019

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: January 19, 2019

LEAD AUDITOR: Abdullah Mujahid

SIGNATURE:

AUDIT TEAM: Andri Wibisono

SIGNATURE:

Warsito

SIGNATURE:

MAJOR CARS: -

MINOR CARS: -

SITE NAME (Legal Name):	ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY	DATE OF EACH SITE VISIT:
HO PT. MHP	Jalan Raya PT TEL , Banuayu Village, Ramabang Dangku District, Muara Enim, South Sumatra, Republic of Indonesia	January 08 and 15, 2019
Area II Benakat	Lubukguci Unit, PALI Regency and North Baung Unit, PALI Regency in South Sumatra Province, Republic of Indonesia	January 09 to 11, 2019
Area III Lematang	Unit Keruh 1 - Musi Rawas Regency, Unit Keruh 2 - Musi Rawas Regency, Laningan Unit - Lahat Regency and Muara Enim Regency, and Serai Unit - Musi Rawas and Lahat Regency in South Sumatra Province, Republic of Indonesia	January 12 to 14, 2019
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	
Area I Subanjeriji	Martapura District Unit, East OKU. Gemawang District Unit, Muara Enim and Sodong Unit, Muara Enim in South Sumatra Province, Republic of Indonesia	

Brief description of the concession

Management Unit's concession area is based on the Decree of the Minister of Forestry Number: 38/Kpts-II/1996. About "Provision of Industrial Plantation Forest Concession Rights over a forest area of approx 296,400 ha, located in the Province of Level I, South Sumatra to PT Musi Hutan Persada. Stipulated in Jakarta, January 29, 1996.

Within the Management Unit area there has been no conversion from primary or secondary forest into plantation forest areas since December 31, 2010, so the scope for IFCC certification is 296,400 hectares.

Management Unit has Revised Document for the Work Plan of Industrial Plantation Forest Product Utilization (RKUPHHK-HTI) for the ten-year period of 2010 to 2019 on behalf of PT. Musi Hutan Persada in South Sumatra Province, which has been ratified through the Decree of the Minister of Forestry Number: SK.45/VI-BUHT/2011 on March 30, 2011. The Spatial Planning is as follows: Staple Plant Area: 150,673 ha (50.83%), Livelihood Plant Area (including for indigenous species and infrastructure): 86,267 ha (29.10%), Protected Area: 44,098 ha (14.88%), and Areas Ineffective for Operation: 15,362 ha (5.18%); percentage total due to rounding.

PT Musi Hutan Persada is geographically located between the coordinates 02° 40' to 04° 45' South and 102° 45' to 104° 30' East, while based on management area they are as follows:

- Area I Subanjeriji: 3° 30' to 4° 00' South and 103° 50' to 104° 15' East;
- Area II Benakat: 3° 00' to 3° 40' South and 103° 10' to 104° 00' East;
- Area III Lematang: 4° 05' to 4° 20' South and 104° 15' to 104° 30' East.

Locations based on governmental administration are as follows:

- Lahat Regency, Kota Agung District, Kikim.
- Muara Enim Regency, with Regencies: Tanjung Agung, Rambang Dangku, Rambang Lubai, Muara Enim, Gunung Megang, Talang Ubi.
- Ogan Komering Ulu Regency: Martapura District, Lematang
- East Ogan Komering Ulu Regency.
- Musi Rawas Regency. Rupit District.
- Musi Banyuasin Regency.

The boundaries of the PT Musi Hutan Persada area, meanwhile, are based on management areas as follows:

Side	Management Area I Subanjeriji	Management Area II Benakat	Management Area III Lematang
North	PTP VII palm oil plantations and settlements	Settlements and palm oil plantations PT Proteksindo	Way Cacahan River and transmigration
East	Senuling River, Smallholder rubber plantations and settlements	Palm oil plantations PT. SBAL and PT CIFU	Tuha River and settlements
South	Palm oil plantations PT Minanga Ogan and settlements.	Settlements and palm oil plantations PT. PBJ	Baturaja-Martapura Highway
West	Lengi/Sebasah River and palm oil plantations PT BSP	Keruh River, Trans Bumi Lampung and palm oil plantations PT Bina Sains	Way Gilas River

PT Musi Hutan Persada concession area is located at between 5 and 310 meters above sea level (EIA 1996). The topography consists of 149,526.45 ha of flat slopes (0-8%), 134,248.25 ha of ramps (8-15%), and 12,625.40 ha of slightly steep slopes (15-25%). Hydrology is connected with the Musi watershed, and Lematang, Semangus and Keruh sub-watersheds. The climate conditions are Climate Type A according to Schmidt-Fergusson with annual rainfall of 2,769.2 mm with the driest month being July and the wettest March.

Based on the foregoing, 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

There are no indigenous peoples in the concession area of PT. Musi Hutan Persada, the closest being Anak Suka Dalam, a local community that is generally considered to have been pursued into the forest two hundred years ago. The main local community group today is Malay, which traditionally occupies a large river area, while transmigrant groups of Javanese and Balinese are also to be found in the area.

The community domiciled in and around the concession area provides a sizeable source of labor, which is at least partially involved in the company's operations as permanent employees or on contract 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, is careful not to employ underage workers, and allows for optional union membership, etc. In addition, it monitor and evaluates operational and management systems, both internal and external, in regard to contractors to ensure the safest working conditions.

The company also has intercropping agreements with local villagers providing them with benefits from planting crops such as upland rice, vegetables and corn in the concession area. Based on the agreement, the community is provided access to enter the forest area to collect other non-timber forest products under the provision that they do not use fire to clear the land.

At the company's concession location, MHP has implemented a management program called Managing Collaborative Forests (MHBM) that aims to manage forests in collaboration with communities located within the concession area so as to generate benefits for both parties. This program applies to the second rotation forest developed in the area which is the company's concession area. Under this program, communities are recognized as direct stakeholders in forest management and receive benefits in the form of wages (operational, management and production), short, medium and long-term work and business opportunities, and agrotic opportunities (fisheries, livestock and secondary crops). The area designated for MHBM covers 86,267 hectares. In addition, the company has a joint venture with local communities on an area of 11,167 ha in a program called Managing Community Forests - MHR. This business is on community land whose legality can be proven to facilitate community involvement in forest development and provides benefits to both MHP and the community. Under this program, forests are developed and managed in the management system, and communities benefit through job opportunities and profit sharing from harvesting and selling forest products.

PT Musi Hutan Persada has demonstrated its commitment to the well-being of the surrounding community by ensuring basic food aid flows during the harsh rainy season when villages have been flooded with floods that have stopped normal activities. As part of a community development program, the program also focuses on providing opportunities for children and the younger generation.

Description of the ecological conditions of the concession

The Management Unit has identified forest management activities that have important impacts, and conducts environmental impact assessments through: RKL, RPL and EIA Documents of PT. Musi Hutan Persada, March 1996 approved by the Ministry of Forestry's EIA Commission No. 51/DJ-VI/AMDAL/1996 12-4-1996, with reports being delivered to the requisite authorities on a periodic basic.

Reduced Impact Logging activities are carried out in stages, pre-harvesting, during harvesting, and post harvesting.

Management Unit has carried out biodiversity management through the identification and inventory of endemic, rare flora and fauna and endangered species and their habitats in the area in accordance with applicable regulations through the

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



inventory activities that have been carried out. There is also a map of flora and fauna distribution, which details their habitat and migration patterns.

Management Unit carries out forest protection activities, be these natural or human as likely source. Natural disturbances include infestation by pests and disease, for which the MU has standard procedures for the controlled use and disposal of hazardous and toxic materials (B3). Measures have also been implemented for fire protection, while there are no livestock grazing activities permitted the local community.

Results of the Public Consultation

Prior to carrying out Surveillance Audit 2, PT AJA Sertifikasi Indonesia conducted a public consultation commencing December 20, 2018, whereby stakeholders were asked to provide feedback and knowledge about PT Musi Hutan Persada. The public consultation was uploaded to the PT AJA Sertifikasi Indonesia website (www: ajaindonesia.com), sent to parties via e-mail or letter, and published in local newspapers. Although relevant parties had been notified prior to the Surveillance 2 Audit, there was no specific input received from stakeholders as a result of the public consultation.

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

Management Unit has identified all the requirements needed for the certification process, consisting of legal aspects which include compliance with rules and regulations and international conventions. The management system has been built to cover all activities in the field of certification, which are registered for certification covering an 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.

The results of PT Musi Hutan Persada's Surveillance 2 Audit, identified five (5) minor non-conformities (NC), as follows.

No	Non-Conformities	Corrective Action Performed	Category
1	The work map did not contain full details in regard to contour lines, coordinates, etc. Clause Ref I.4.4.	The Management Unit will make improvements to the work map by including information that had previously been omitted.	Minor
2	The CD-CSR program for the development of rubber plantation has not been realized. It is necessary to plan a CD-CSR program in order to increase the income of the indigenous people and surrounding communities. Clause Ref I.10.4.	The Management Unit will conduct socialization and make an agreement with indigenous community for the construction of the rubber plantation & MHR and a plan of cooperation with surrounding community groups to ensure an effective CSR program.	Minor
3	There were complaints from the community regarding the clarity of the boundaries of Industrial Plantation Forest concessions with community land, which caused conflict in the field. Management Unit needs to communicate and consult with the community so that there is a harmonious relationship with the surrounding community. Clause Ref I.10.5	The Management Unit coordinates with the Regional XII Benakat in resolving regional boundaries and status of areas.	Minor

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



4	Some workers are utilizing their own safety equipment rather than standard issue. Clause Ref I.12.4	The Management Unit has instructed the contractor to fulfill the PPE of its workers in accordance with the standard K3 procedures.	Minor
5	At employee housing and contractor camps, there was mixing of garbage rather than its segregation according to type. Clause Ref I.12.6	The Management Unit will identify the needs of the trash containers according to the type of waste, location, etc. and supply the requisite containers.	Minor

Conditions under which the certificate is issued

The certificate is valid up to 13/03/2020, providing that PT. Musi Hutan Persada completes all remedial actions in accordance with the time schedule proposed in its corrective action responses and does not have the same problems on the next Surveillance audit visit. If the non-conformity is not closed on the next Surveillance audit, the certificate will be postponed until such time that PT AJA Sertifikasi Indonesia is able to perform a closeout visit.