

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 HARAPANJAYA MAKMUR LESTARI

TOTAL HECTARES: 4,800 ha

SCOPE OF REGISTRATION: Sustainable Forest Management of 4,800 hectares of Plantation Forest in Riau Province

STANDARD/CRITERIA: IFCC SFM & CLIENT DOCUMENTED MANAGEMENT SYSTEM

TYPE OF AUDIT: Stage 2

AUDIT START DATE: July 02, 2018

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: July 04, 2018

LEAD AUDITOR: Abdullah Mujahid

SIGNATURE:

AUDIT TEAM: Andri Wibisono

SIGNATURE:

Warsito

SIGNATURE:

MAJOR CARS:

MINOR CARS: 1

SITE NAME (Legal Name):	ADDRESSES OF COMPANY SITES VISITED INCLUDING COUNTRY	DATE OF EACH SITE VISIT:
PT Haranjaya Makmur Lestari	Teluk Meranti District, Pelalawan Regency, Riau Province. Republic of Indonesia	July 02 to 04, 2018
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		

Document: Report Format Public - IFCC

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Date: 15 September 2016

Page: Page 2 of 6

Brief Description of the concession

CV Harapanjaya was established based on Notarial Deed of Warman, SH. dated March 8, 1999. It then changed name to PT Harapanjaya Makmur Lestari per Deed of Amendment, based on Notarial Deed No. 16 of Notary H Riyanto, SH, MKn dated August 10, 2017 based on Circular Resolutions of Shareholders. This was endorsed by the Director General of General Law Administration of the Ministry of Law and Human Rights No. AHU-AH.01.03-0167512 dated 31 August 2017 on Receipt of Notification of Data Changes of the Company PT Harapanjaya Makmur Lestari

The area of the concession is based on the Decision of the Bupati Pelalawan Number 522.21/IUPHHKHTI/I/2003/016 dated 31 January 2003, which was then renewed by the Decision of the Head of the Capital Investment and Service Department one Pelalawan District Door Number 504/DPMPTSP-P3NP/V/2017/02, dated May 24, 2017 concerning Amendment to Decree of Bupati Pelalawan Number 522.21/ IUPHHKHT / I / 2003/016 dated 31 January 2003 concerning the Granting of Right of Forest Timber Forest Product Utilization Permit to CV of Harapan Jaya covering 4,800 ha in Pelalawan Regency.

Based on RKUPHHK-HTI For the ten-year period 2010 - 2019 (as approved under Decree of Minister of Forestry No. SK 140 / VI-BPHT / 2010 dated October 14, 2010) and RKUPHHK Period 2017-2026 (Decree of the Minister of Environment and Forestry of the Republic of Indonesia Number: SK.973 / MENLHK-PHPL / UHP / HPL.1 / 3/2018 dated March 5, 2018) PT Harapanjaya Makmur Lestari in Riau Province, the spatial layout is as follows:

No	Spatial	RKUPHHK 2010-2019		RKUPHHK 2017-2026	
		ha	%	ha	%
1	Protected Functions of the Peat Ecosystem Area	2,570	53.5	4,061	84.6
	a. Riparian Zone	-	-	-	-
	b. Protected Area of Peat Ecosystem	2,470	51.5	1,355	28.2
	c. KPPN/DPSL	100	2.0	454	9.5
	d. Other Protected Areas			2,252	46.9
	- FLEG			1,860	38.7
	- FBEG			392	8.2
2	Ineffective Areas for Production				
	a. Suggestion of infrastructure	240	5.0	-	-
3	Effective Areas For Production	1,990	41.5	739	15.4
	a. Staple Plant	1,270	26.5	540	11.3
	b. Endemic Plant	480	10.0		
	c. Livelihood Plant (including infrastructure)	240	5.0	199	4.1
	Total	4,800	100	4,800	100

The Peat Cultivation area of 1,131 ha overlaps with the allotment of protected area of 392 ha, so that the area of staple plants is 540 ha and 199 ha of livelihood plants.

The concession is located between 0° 20' 32" to 0° 25' 24" North and 102° 20' 28" to 102° 25' 44" East and falls under the governmental administration of the district of Teluk Meranti, Pelalawan Regency. Part of the The Sungai Kutub - Sungai Simpang-kanan forest group, PT Harapanjaya Makmur Lestari's work area is bounded as follows:

- North: HPHTI area PT. Madukoro Lestari
- South: HPH Restoration Ecosystem Area PT Gemilang Cipta Nusantara
- East: HPH Restoration Ecosystem Area PT Gemilang Cipta Nusantara
- West: HPHTI area PT RAPP Pelalawan Estate



Climate conditions in the area of PT Harapanjaya Makmur Lestari are determined as climate type A (very wet) under the Schmith & Fergusson classification system, with an average annual rainfall of 2,572 mm with the highest of 277 mm falling in December and the least of 122 mm in June. The topography of the area is swampy lowland with slope conditions being 100% flat (0-8%). The soil type based on the Land System Map consists of alluvial or regosol, while the geological formation based on Geological Map of Siak Sri Indrapura Sheet (0916) is in the formation of Aluvium young river, peat (Qh). River located in the working area is the Kutub river being part of the Kampar River Basin.

Peat ecosystem. The soil types in PT Harapanjaya Makmur Lestari area are Fluvaquents (alluvial or regosol), Tropaquents (Alluvial, Andosol, Regosol) and Tropohemissts (peat). Peat depth in the area ranges between 50 to 270 cm. Ground conditions generally have limiting factor of root zone (swampy), and the soil has an acid pH (4-6) with a low to moderate soil fertility. Land and land units in the working area are oligotropic peat domes with a thickness of > 2 meters, flat and slightly convex. Based on the 1: 250,000 Peatland Function Map Map published by the Ministry of LHK (Annex Minutes No.BA.046 / UHP / RKUPHT / HPL.I / 3/2017, dated March 20, 2017, the entire working area is peat soil. The peat ecosystem is as follows:

No	Type of Soil	Total Area	
		ha	%
1	Protected Peat (FLEG)	3,669	76.44
2	Peat Cultivation (FBEG)	1,131	23.56
3	Non-Peat	0	0.00
	Total	4,800	100.00

Source : RKUPHHK 2017-2026 PT Harapanjaya Makmur Lestari

Based on the foregoing conditions, the species of plants cultivated is *Accacia crassicarpa*

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

The management unit of PT Harapanjaya Makmur Lestari has identified and acknowledged the legal rights of the local community in the four villages that surround the concession area.

Based on the social impact assessment of PT Harapanjaya Makmur Lestari and interviews with community leaders from Desa Panduk and Pangkalan, there are no members of any indigenous community found around the concession area.

There is a cooperation agreement between PT Harapanjaya Makmur Lestari and the village of Kuala Panduk, Teluk Meranti District in regard to livelihood plant management for a total area of 124.8 hectares, plus also Minutes of Meeting between PT Harapanjaya Makmur Lestari and the community of Pangkalan Terap Village, Teluk Meranti District to discuss a plan for cooperation in regard to livelihood plants, for which the company has allocated an area of 115.2 hectares.

Realization of the Community Development (CD) program from 2012 until 2017 has been in the form of assistance in the fields of religious observance, youth and sports, as well as assistance with village facilities and infrastructure.

Description of the ecological conditions of the concession

The Management Unit has conducted Management of Ecosystem and Hydrological Forest activities, namely through identification of key forest management activities, and conducting environmental impact assessments through: UKL & UPL Documents CV. Harapan Jaya (Approval of Bupati Pelalawan Number 06 / Year 2001 dated December 2, 2002). The implementation of environmental management and monitoring each semester is presented in the Environmental Permit (RPL / RKL) report.

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PT Harapanjaya Makmur Lestari conducts Reduced Impact Logging activities, which are carried out in the stages pre-harvesting, during harvesting, and after harvesting activities.

As the entire concession area consists of peat soil, special care has to be taken to ensure IUPHHK-HTI operational activities do not cause damage to the peat ecosystem. Damage to the functioning of the peat ecosystem is characterized by artificial drainage, exposure to pyrite sediments and the occurrence of reduced land cover. In the identified peat areas, damaged activities will be carried out based on LHK Regulation no. P.16 / Menlhk / Setjen / Kum1 / 2/2017 on Technical Guidelines for Recovery of Peat Ecosystem Functions. Almost the entire concession area of PT Harapanjaya Makmur Lestari is Protected Peat Function Area (84.6%). The planned peat recovery activities are therefore as follows:

- No reforestation of plantation areas and livelihood crops located in Protected Areas.
- Not opening of production-related land on unopened peatland areas
- Conducting blocking channels to maintain groundwater level in accordance with field conditions
- Perform revegetation on peat protection function with the appropriate species, and technical silviculture system in accordance with experiments and research conducted by the company
- Maintain the security of the area from irresponsible parties.

The Management Unit also carries out its responsibilities in regard to the controlled use of B3 (Hazardous and Toxic Materials), having specific SOPs for the use, storage, handling and ultimate disposal of hazardous materials.

The Management Unit undertakes its Forest Protection duties, through a series of activities that identify and counter any potential disturbance of the forest due to human or natural causes. These include documented procedures to handle pests and diseases, as well as regular patrols to discourage human encroachment, as well as stringent fire prevention measures.

Results of the Public Consultation

Prior to carrying out the Stage 2 Audit, PT AJA Sertifikasi Indonesia conducted a public consultation commencing June 25, 2018, requesting stakeholders to provide feedback and information about PT Harapanjaya Makmur Lestari. The public consultation was uploaded to the website of PT AJA Sertifikasi Indonesia (www.ajaindonesia.com), sent to the parties via email or postal mail, and published in local newspapers. PT AJA Sertifikasi Indonesia did not receive any input from stakeholders during the public consultation.

The audit team also gathered information from the mass media about PT Harapanjaya Makmur Lestari, such reported cases being given material consideration as part of the audit process of PT AJA Sertifikasi Indonesia.

The Management Unit has identified all the requirements required for this certification process, comprising legal aspects that include compliance with international rules and conventions. The management system has been built to cover all activities in the field of certification, which is registered for an area of 4,800 hectares

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

Results of Stage 2 Audit PT Harapanjaya Makmur Lestari identified one (1) Minor Non-conformity as listed below. The management system operates effectively and no critical issues were identified.

NO	Nonconformities	Corrective Action performed	Category
1.	The Management Unit was unable to show proof of payment of BPJS by the contractor	The Management Unit has provided proof of payment of BPJS for last month's period (June 2018) on behalf of the respective contractor.	Minor

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	for last month's planting period (June 2018). Based on interviews with the spraying team, proof of membership of BPJS was lacking. Clause I.11.1		
Conditions under which the certificate is issued			
Certificate is valid until 10/09/2021 provided that PT Harapanjaya Makmur Lestari 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.			