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Forest Management **2016 Annual audit** Report for:

**PT. Kemakmuran
Berkah Timber**
In
East Kalimantan, Indonesia

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1. INTRODUCTION

The purpose of this report is to document annual audit conformance of PT. Kemakmuran Berkah Timber, hereafter referred to as Forest Management Enterprise (FME). The report presents the findings of Rainforest Alliance auditors who have evaluated company systems and performance against the Forest Stewardship Council™ (FSC®) forest management standards and policies. Section 2 of this report provides the audit conclusions and any necessary follow-up actions by the company through nonconformity reports.

The Rainforest Alliance founded its previous SmartWood program in 1989 to certify responsible forestry practices and has grown to provide a variety of auditing services. Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. All related personnel responsible for audit design, evaluation, and certification/verification/validation decisions are under the purview of the RA-Cert Division, hereafter referred to as Rainforest Alliance or RA.

This report includes information which will become public information. Sections 1-3 and Appendix I will be posted on the FSC website according to FSC requirements. All other appendices will remain confidential. A copy of the public summary of this report can be obtained on the FSC website at <http://info.fsc.org/>.

Dispute resolution: If Rainforest Alliance clients encounter organizations or individuals having concerns or comments about Rainforest Alliance and our services, these parties are strongly encouraged to contact Rainforest Alliance regional or Headquarters offices directly (see contact information on report cover). Formal complaints or concerns should be sent in writing.

2. AUDIT FINDINGS AND RESULTS

2.1. Audit conclusion

Based on Company's conformance with FSC and Rainforest Alliance requirements, the audit team makes the following recommendation:



Certification requirements met, certificate maintenance recommended
Minor non-conformance upgraded to a major

2.2. Changes in FMEs' forest management and associated effects on conformance to standard requirements:

There was no significant change in FME's forest management during the audit period.

2.3 Excision of areas from the scope of certificate

☒ Not applicable. Check this box if the FME has not excised areas from the FMU(s) included in the certificate scope as defined by FSC-POL-20-003. *(delete the rows below if not applicable)*

2.4. Stakeholder issues (complaints/disputes raised by stakeholders to FME or Rainforest Alliance since previous evaluation):

During the audit, auditor visited Long Isun Village and the main issue raised by villagers interviewed is that there is conflict still going on between Long Isun Village and FME which started from 2014. According to them, FME has harvested trees in the territory of their village that located in FMU area without any notice or permission request to the Long Isun village. At that time, after they heard about FME harvesting operations operate in their village territory, there were about 20 villagers had sent by Customary Chief and Village Head of Long Isun to check directly on the ground under the coordination of Teodorus Tekwan Yeq. Mr. Tekwan as team leader was then detained by police with accusation of seizing the key tractor and the chainsaw from FME workers. Long Isun people said that they would not give permission for FME to harvest trees on their village territory as long as the two conditions below have not been fulfilled by FME, namely:

1. Boundary status between Long Isun and Naha Aruq must be returned to the condition before the issuance of Kutai Barat District Head Decree No. 136.146.3 / K.917 / 2011 dated 4 November 2011 about the Boundary Determination and Ratification of Long Pahangai I, Long Pahangai II, Long Pakaq, Long Pakaq Baru, Delang Krohong, Long Lunuk, Long Lunuk Baru, Urung Ubing, Long Isun, Naha Aruq, Datah Naha, Liu Mulang, and Long Tuyuq Villages in Long Pahangai Subdistrict Area.
2. The issuance of SP3 (Warrant of Case Termination) from the police for Teodorus Tekwan to restore his reputation and Long Isun village fair name.

2.5. Conformance with applicable nonconformity reports

The section below describes the activities of the certificate holder to address each applicable non- conformity report (NCR) issued during previous evaluations. For each NCR a finding is presented along with a description of its current status using the following categories. Failure to meet NCRs will result in nonconformances being upgraded from minor to major status with conformance required within 3 months with risk of suspension or termination of the Rainforest Alliance certificate if Major NCRs are not met. The following classification is used to indicate the status of the NCR:

Status Categories	Explanation
Closed	Operation has successfully met the NCR.
Open	Operation has either <u>not met</u> or has <u>partially met</u> the NCR.

☐ Check if N/A (there are no open NCRs to review)

NCR#:	01/15	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 2.3.2L			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
2.3.2L Mechanisms for resolving disputes over tenure claims and use rights shall make provisions that, where tenure or use rights of communities are compromised, forest operations that are subject of dispute shall be suspended until the dispute is resolved.				

<p>Finding: FME has already had mechanism for resolving disputes over tenure claims and use rights which included in the SOP of Social Conflict Resolution (No. KBT/PL/446.35). However, it is found that the SOP is still not providing mechanism of suspension of forest operations that are subject of dispute until the dispute is resolved. Therefore, an NCR is raised.</p>	
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</p>
Timeline for Conformance:	Prior to the next Audit
Evidence Provided by Organization:	Revised SOP of Conflict Resolution (SOP No. KBT/PL/446.21)
Findings for Evaluation of Evidence:	<p>FME has included the statements below on their SOP of Conflict Resolution (SOP No. KBT/PL/446.21):</p> <ol style="list-style-type: none"> 1. Make sure that when there is conflict or dispute over ownership claims in which the ownership or use rights of communities disrupted, the forest operation activity on lands where the dispute take place must be postponed until the dispute is resolved. 2. In the conflicts that result from a dispute over ownership claims in which the ownership or use rights of communities is disrupted then the agreement must contain whether or not the forest operation activity can be conducted normally again on the disputed area.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	02/15	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 2.3.4			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
2.3.4 There shall be no major unresolved disputes relating to tenure and use rights in the FMU. Other disputes or grievances shall be resolved using locally recognized mechanisms and/or institutions.				
Finding: Based on document review (<i>Resume Kronologis Konflik dan Penyelesaian Penghentian Penebangan di Blok RKT 2013 di Wilayah kampung Long Tuyuq Kecamatan Long Pahangai, Divisi Kelola Sosial PT KBT, 2013</i>) and interview with FME staffs and deputy head of customs (<i>wakil kepala adat</i>) of Long Tuyuq village, it is found that there is dispute between FME and LongTuyuq village people that has been happened for years. The dispute is related with the harvesting of trees by FME in the area called “Tanaa Peraa” by people of Long Tuyuq. Tanaa Peraa is forest area within FMU that claimed by local community of Long Tuyuq village to be protected from harvesting activity. Actually, there are two cases of dispute regarding the Tanaa Peraa. The first dispute was happened in 2013, when Long Tuyuq Customs Institution sent a letter regarding their complaint because FME has done tree harvesting in Tanaa Peraa area which located in the FME harvesting block of RKT 2013. This dispute has made FME get a fine custom (<i>denda adat</i>) by the Long Tuyuq village that worth of IDR 1,000,000,000. After payment of the fine by FME, this dispute was considered resolved. However, in 2014 the same case was happened again in the harvesting block of RKT 2014. Although the trees harvested in Tanaa Peraa in 2014 were much less than in 2013, the Long Tuyuq village gave FME the same value of fine, which is IDR 1 billion, because FME has done the same violation to their Tanaa Peraa two times. The dispute resolution process of this case is still on going through several meetings between FME management and Long Tuyuq village representatives including village head and custom village head. It is planned that there				

will be a meeting on 31st May 2015 between FME management and with all of Long Tuyuq village people for the settlement of this dispute. This dispute has caused the tree harvesting activity by FME is suspended in the area where dispute take place. Hence, an NCR is raised.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	By the next annual audit
Evidence Provided by Organization:	Report of Resolution Process of <i>Tanaa Peraa</i> Fines in Long Tuyuq Village, 2015, which contains: <ol style="list-style-type: none"> 1. Chronology of the case and conflict resolution process in <i>Tanaa Peraa</i> of Long Tuyuq Village. 2. The correspondence between FME with Long Tuyuq Village, and Long Pahangai Subdistrict. 3. Minutes of meeting and decision of customary institutions of Long Tuyuq and the participants list of the meeting. 4. Minutes of meeting between FME and Long Tuyuq Village facilitated by TNC and the the participants list of the meetings on 31May 2015, 28 June 2015, 26 July 2015, 14 August 2015, and 26 August 2015. 5. Minutes of payment of the customary fines paid by FME to the Long Tuyuq village and the harvesting agreement in Long Tuyuq territory within FMU area between FME and Long Tuyuq village, dated on 26 August 2015, signed by both parties (FME's President Director and Head of customary institution of Long Tuyuq Village) and by witnesses from both parties and the Long Pahangai Subdistrict government, along with the list of attendees in this fines handover ceremony. 6. Copy of customary fines payment receipt
Findings for Evaluation of Evidence:	FME has implemented conflict resolution process in <i>Tanaa Peraa</i> of Long Tuyuq openly and involved stakeholders to reach an agreement that consisted of : <ol style="list-style-type: none"> 1. FME must pay a fine because they had harvested trees in the <i>Tanaa Peraa</i> (local meaning: beloved land) of Long Tuyuq Village amounting to IDR 500 million to the customary instution (<i>Lembaga Adat</i>) of Long Tuyuq Village. 2. After paying the customary fine, FME is allowed to harvest and transport the timber from the teritory of Long Tuyuq Village within FMU area. 3. There will be further discussions in the determination of the harvesting fee (per m3) of FME's timber production in the teritory of Long Tuyuq Village within RKT Block of 2016.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	03/15	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 3.4.1			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				

3.4.1 Indigenous Peoples' traditional knowledge that has a potential commercial value shall be recognized and documented whilst respecting the confidentiality of indigenous knowledge and the protection of indigenous intellectual property rights.

Finding:

There is no indigenous peoples' traditional knowledge that has a potential commercial value has been recognized and documented by the FME. Hence an NCR is raised.

Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	By the next annual audit
Evidence Provided by Organization:	Report of Plant Species Utilized as Herbal Medicine Based on Local Communities Knowledge, 2015
Findings for Evaluation of Evidence:	In the report, FME has gathered information of plant species that can be used as medicinal herbs and their benefits in curing diseases based on information from local community.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	04/15	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 4.2.4			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
4.2.4: Workers shall be prohibited from working without the personal protective equipment that has been provided.				
<p>Finding:</p> <p>During audit visit to the intermediary logyard, auditor found that one of the excavator drivers did not use the appropriate equipments such as boots and helmet, although the FME has provided that equipments. On the fourth day of audit, auditor witnessed one operator of log pond tractor did not use the helmet which the fact the helmet itself visibly hung on inside the tractor driving space.</p> <p>Based on the evidence above, the NCR is raised.</p>				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit			
Evidence Provided by Organization:	<ul style="list-style-type: none">- Report of PPE socialization and K3 on 26-28 May 2016, led by the camp manager and attended by 44 staff.- Report of PPE distribution to NGU staff (contractor) on May 18, 2016. Health and safety procedure KBT/PL/446.39, dated 14 February 2012			
Findings for Evaluation of Evidence:	Auditor visit the active harvesting block 2016 and verified that field workers and staff were wearing PPEs as per their job. Interview with staff and workers, revealed that the PPEs were provided by the FME and/or the subcontractor (<i>mitra</i>). Based on FME's procedure on health and safety point			

	6.2.1, it is stated that every assistant managers are responsible to supervise the use of PPEs for worker and staff. In case there are staff or worker that does not wear PPEs, there will be verbal warning from the supervisor or the supervisor shall report it to the admin department and warning letter will be issued if needed. During field observation, auditor found that worker and staff in harvesting block and workshop were wearing PPEs as per their job.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	05/15	NC Classification:	Major	Minor X
Standard & Requirement:	Harmonized Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia (FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonized), Version 01 July 2013. Indicator 4.2.6			
Report Section:	Appendix II Section 4.1			
Description of Nonconformance and Related Evidence:				
4.2.6: <i>Where workers stay in camps, conditions for accommodation and nutrition shall comply at least with those specified in the ILO Code of Practice on Safety and Health in Forestry Work.</i>				
<p>Auditor visited the mobile camp on km 45. It is located nearby the 2015 harvesting block and estimated to keep the mobile camp for another 3 years there. The mobile camp was just built three months ago when auditor visited the site. The accomodation was maintained. The water supply is sufficient. The camp kept its cleanliness where the central kitchen is small but functional. The central kitchen is a point of service to supply cooked-foods for workers. In that housing complex the one who will work into the forest, the workers would need foods supply where the central kitchen has function on that supplying the foods.</p> <p>However the mobile camp at km 45 has not yet provided the place for waste bin. There was no central waste collection where the 30 persons living around in the mobile-camp could not trash their litters on the designated place.</p> <p>Based on the above evidence, the NCR is raised.</p>				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit			
Evidence Provided by Organization:	Report of landfills establishment.			
Findings for Evaluation of Evidence:	The FME has established landfills in each camps (KM 0, KM 1, KM 45 and KM 20). Furthermore, FME also provided rubbish bin in every house within the camps.			
NCR Status:	CLOSED			
Comments (optional):				

NCR#:	06/15	NC Classification:	Major	Minor X
Standard & Requirement:	Harmonized Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia (FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonized), Version 01 July 2013. Indicator 4.2.7			

Report Section:	Appendix II Section 4.1
Description of Nonconformance and Related Evidence:	
<p>4.2.7 Health and safety measures comply with national minimum requirements.</p> <p>FME keeps the document of K3 to analyze the accidents record and use it to increase the health and safety measurement. FME provides health facility for emergency measure in case there is accident happen to their worker. There was one fatal accident recorded during this year [2015]. The FME's driver experienced broken brake on the dump truck when driving on the logging road. This means that FME has not yet fully complied with safety measure on providing a safe and maintained vehicle for the safety of FME's worker. Hence an NCR is raised.</p>	
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</p>
Timeline for Conformance:	By the next annual audit
Evidence Provided by Organization:	<ul style="list-style-type: none"> - Annual monitoring and maintenance reports - Monthly report of vehicle and heavy equipment monitoring and maintenance
Findings for Evaluation of Evidence:	<p>FME has monthly report for tools, machines, and heavy equipment used during logging operations and records the condition every months. FME emphasis to not operate the machines and heavy equipment if the reparation has not been completed. Auditor verify the report of machines and heavy equipment (tractor, logging truck, wheel loader, motor grader, and operation cars) from January to June 2016. Field observation in harvesting block where the mechanic repair a minor damage on the tractors verify that the mechanic aware that machines and heavy equipment that need reparation will not be allowed for operations.</p> <p>The list of fire extinguisher location is recorded on <i>Daftar Alat Pemadam Api Ringan 2016</i>. There were 22 available APAR in FME's camp and contractor camp in total and another 2 APAR were listed on renewal process.</p>
NCR Status:	CLOSED
Comments (optional):	

NCR#:	07/15	NC Classification:	Major	Minor X
Standard & Requirement:	Harmonized Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia (FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonized), Version 01 July 2013. Indicator 4.2.14			
Report Section:	Appendix II Section 4.1			
Description of Nonconformance and Related Evidence:				
4.2.14: FME shall implement a periodic review on the welfare of employees.				
Based on interview with FME's staff that FME's staff receive the wage above the local standards as stated by district level government.				

Auditor reviewed the 2014 document of employment on FME's policy on employment and wages. Based on salary review from 2014 wages, the lowest rate of salary was received Rp 2,160,000 . The employee receives wage based on background and capability in handling the task. For example, staff with forestry graduate background is assigned in third grade position. FME also provide an incentive for life cost since their working location is considered in remote area and have higher goods price.

There was no evidence on how FME implements a periodic review on the welfare of employees. Hence an NCR is raised.

Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</p>
Timeline for Conformance:	By the next annual audit
Evidence Provided by Organization:	<ul style="list-style-type: none"> - Annual review on staff performance and provide reward and punishment if any. - Letter of recommendation for salary increase and staff's status (<i>Surat Permohonan Usulan Kenaikan Golongan dan Status Karyawan Camp Tahun 2016</i>), dated on January 21, 2016. - Company regulation (<i>Peraturan Perusahaan PT. Kemakmuran Berkah Timber Tahun 2015</i>) - Management's decision on salary increase and other allowance (<i>Keputusan Direksi No. 09/KBT/B.II.3.8/II/2013 tentang kenaikan gaji pokok dan tunjangan kemahalan/camp dan uang makan karyawan KBT</i>) dated 12 Feb 2013. - Decision letter on allowance increment (<i>Surat Keputusan Kenaikan Tunjangan Keahlian</i>) dated 12 Feb 2013 - Management's decision on salary increase and other allowance 2013 (<i>Keputusan Direksi No. 015/KBT/B.I.3.8/III/2013 tentang penetapan tariff upah dan insentif tahun 2013</i>) - Management's decision on salary increase and other allowance 2014 (<i>Keputusan Direksi No. 011/B.II.3.8/II/2014 tentang kenaikan gaji pokok dan tunjangan kemahalan/camp dan uang makan karyawan KBT</i> dated 10 Feb 2014). - Management's decision on staff promotion (<i>Keputusan Direksi No. 020/KBT-JKT/D.5/V/2014 tentang pengangkatan asisten manager pembinaan hutan merangkap asisten manager produksi</i>) dated 16 May 2014. - Letter of recommendation for salary increase and staff's status (<i>Permohonan Usulan Kenaikan Golongan dan Status Karyawan</i>) Camp issued by Camp manager, dated on 9 July 2014 - Management's decision on salary increase and other allowance (<i>Keputusan Direksi No. 08/KBT/B.II.3.8/II/2015 tentang kenaikan gaji pokok dan tunjangan kemahalan/camp dan uang makan karyawan KBT</i>) dated 16 Feb 2015. - Management's decision on salary increase and other allowance 2015 (<i>Keputusan direksi tentang kenaikan golongan karyawan tahun 2015</i>). - Recapitulation of staff performance 2015 (<i>Lampiran: Rekapitulasi Penilaian karyawan berdasarkan PAC Tahun 2015</i>) - Letter of recommendation for salary increase and staff's status 2016 (<i>Surat Permohonan Usulan Kenaikan Golongan dan Status Karyawan Camp Tahun 2016</i>) dated 21 Januari 2016

	<ul style="list-style-type: none"> - List of salary increment for PT. NGU (subcontractor) / <i>Daftar Perubahan Komposisi Gaji Karyawan Bulanan Mei 2016 PT. Nusantara Graha Utama Unit I</i> - Agreement letter between FME and PT. NGU (<i>Perjanjian Kerjasama antara PT. KBT dengan PT. NGU No. 001/KBT/B.II.1.6/I/2015</i>) <p>Agreement letter between FME and cooperation manager (subcontractor) / <i>Surat Perjanjian No. 001/RMA-SDA/I/2016 antara PT. KBT dengan Manager Koperasi Handaang Beluan.</i></p>
Findings for Evaluation of Evidence:	<p>Based on East Kalimantan Governor regulation No. 561/K115/2016 on minimum wage in Kutai Barat district year 2016 and document review, auditor verified that FME has comply with those regulation.</p> <p>Annual review on salary increment for staff is elaborated on FME's company regulation and was submitted by the camp manager to the management every year using recommendation letter for salary increment and change of staff status/promotion. This recommendation letter is reviewed by the management and the approval is issued on management decision letter on salary increase and promotion based on the staff's performance.</p> <p>On 2013, the management issued management decision No. 09/KBT/B.II.3.8/I/2013 on salary increment for basic salary and other allowance for KBT staff. Overall the increment on 2013 was 25% for level 1, 20% for level 2, and 10% for level 3. Beside that, on 2013 the management also issued management decision on expertise allowance.</p> <p>On 2014, the management issued management decision to increase the salary by 10% and promoted a staff from forest maintainance department. While on January 21, 2016, the camp manager issued recommendation letter to the management based on performance aprasial and counseling (PAC) result on 2016. The PAC result has record 8 staff with good performance and was recommended for promotion.</p> <p>FME has an agreement with subcontractor, PT. Nusantara Graha Utama (NGU) for harvesting operation activity to log transportation to the log pond. The agreement is stated on agreement letter No. 001/KBT/B.II.1.6/I/2015. The data of salary composition and salary increase for PT. NGU staff was available for the auditor. Based on the salary review from 2015 to the audit date, the NGU staff has been paid more than the regional minimum wage and salary increment also recorded on these data. Based on the interview with the staff, there was no complaint on the salary itself. Beside NGU, FME also has an agreement with Handaang Beluan cooperative for log transport from log pond Sei Nyaan to Logpond Batu Dinding. The payment for this cooperation was based on the cubication of the logs.</p>
NCR Status:	CLOSED
Comments (optional):	

NCR#:	08/15	NC Classification:	Major	Minor X
Standard & Requirement:	Harmonized Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia (FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonized), Version 01 July 2013. Indicator 4.4.3L			
Report Section:	Appendix II Section 4.1			
Description of Nonconformance and Related Evidence:				

4.4.3L: *The FME shall maintain regular and ongoing consultation with the people and groups (both men and women) who are directly affected by its operations in order to identify social impacts and the potential to avoid or reduce such impacts on an ongoing basis.*

FME has a report of social impact evaluation produced in 2011. The last report on social aspects with the local people and groups was in 2014. The report explain about the education supports and other supports that were provided by FME for local communities. However there was no current specific information on social impacts and the potential to avoid or reduce such impact. FME has not yet provided evidence on its regular and ongoing consultation with the communities.

Thus this indicator is partially met. Therefore, an NCR is raised.

Reviewed document:

Kajian Dampak Sosial dan Asistensi Kelola Sosial PT KBT Jakarta February 2011.

Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	By the next annual audit
Evidence Provided by Organization:	<ul style="list-style-type: none"> - Report of Monitoring and Evaluation of Wildlife Hunting and Trade Activity by the Local Community surrounding FME in October, November and December, 2015 - Report of Monitoring and Evaluation of NTFPs Utilization within FMU area by Villages People between July to December 2015 - Report of Monitoring and Evaluation of FME's Social Management Activity (Kelola Sosial) in Villages around FME in the period of January - June 2013 and July - December 2015.
Findings for Evaluation of Evidence:	<p>In the report of Monitoring and Evaluation of FME's Social Management Activity (<i>Kelola Sosial</i>) FME also described activities of FME meeting/consultation with villagers surrounding the FME area related to social management programs implemented by FME. The consultation report consist of consultation date, name of the persons consulted, their position in the village, village name, activities to be coordinated or consulted and remarks.</p> <p>FME also monitors the wildlife hunting activities by interviewing villagers from surroundings FME. information provided in the monitoring report was included the respondent's name, village name of the respondents, method of hunting, hunting intensity, animal captured, hunting location, description (utilization of captured animals).</p> <p>FME also consulted with the villagers about utilization of NTFPs found in the forest (conducted at least every 6 months), which provides information about the types of NTFPs utilized and type of utilization. The report provided a list of questions asked during the interview. However, the report did not mention the number of respondents, the origin of respondents and the results of interviews conducted per respondent.</p>
NCR Status:	CLOSED
Comments (optional):	

NCR#:	09/15	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 6.5.3			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
<p>6.5.3: Policies and procedures for the design and building of new roads include the following norms with respect to protection of water resources, which are implemented:</p> <ul style="list-style-type: none">- Stream crossings shall be planned before operations begin and shown on relevant maps- The number of stream crossings shall be minimized- Stream crossings shall be at right angles to the stream- Valley bottom roads and tracks shall be kept as far back from the stream as possible- Culverts shall be designed so they do not obstruct the migration of aquatic species, increase water velocities or render stream beds unsuitable for aquatic species.- Drainage structures do not drain into natural watercourses. Where this is unavoidable, regularly emptied silt traps are installed.				
Finding:				
<p>FME has prepared document of Working Instruction (WI) for Main and Branch Logging Road Construction (WI No. KBT/IK/446.09.01) and Working Instruction (WI) for Skidding (WI No. KBT/IK/446.11.02) including the skidding road construction as part of SOP of Environmental Friendly Production (SOP No. KBT/IK/446.11). In the Working Instruction for Main and Branch Logging Road Construction it is stated that the process of road construction includes:</p> <ul style="list-style-type: none">- Field orientation to compare the field condition and road trace on the map to avoid the significant deviation between the road trace and the realization.- Avoid the landslide to the river/water bodies.- There must be no puddle in the road and the water flow in the trench/culverts/under the bridge is not blocked.- Area with more than 35% slope, the drainage system must be equipped with soil erosion retaining buffer.				
<p>Based on the field observation, FME has implemented road construction which consider the protection of water resources in general.</p> <p>However, there is no clear statement regarding several indicators as follow:</p> <ul style="list-style-type: none">- Stream crossings shall be planned before operations begin and mapped- The number of stream crossings shall be minimized- Stream crossings shall be at right angles to the stream- Valley bottom roads and tracks shall be kept as far back from the stream as possible				
<p>Based on this finding, an NCR is raised.</p>				
Documents reviewed:				
<ul style="list-style-type: none">1. Intruksi Kerja Pembuatan Jalan Utama dan Jalan Cabang Ramah Lingkungan, KBT/IK/446.09.012. Intruksi Kerja Penyaradan Ramah Lingkungan, KBT/IK/446.11.02.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit			
Evidence Provided by Organization:	<ul style="list-style-type: none">- Revised Work Instruction (IK) of Environmental Friendly Skidding (Penyaradan Ramah Lingkungan) (No. KBT / IK / 446.11.02) which part of the SOP of Environmental Friendly Timber Production (No. KBT / PL / 446.11)			

	- Revised Work Instruction (<i>IK</i>) of Environmental Friendly Main and Branch Road Construction (KBT / IK / 446.09.01) which part of the SOP Environmental Friendly Forest Planning (PWH) (KBT / PL / 446.09)
Findings for Evaluation of Evidence:	FME has included the norms with respect to protection of water resources requested by indicator 6.5.3 in the two Work Instructions mentioned above.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	10/15	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 6.7.1			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
6.7.1 The FME shall keep an up-to-date list of off-site locations for the disposal of all its chemicals, containers, liquid and solid non-organic wastes including fuel and oil.				
Finding: Currently, FME has no off-site locations for the disposal of all its chemicals, containers, liquid and solid non-organic wastes including fuel and oil. Domestic waste produced in the base camp were burned and backfilled in the hole located about 1-2 km from the base camp within the FMU area. Waste from the workshop such as broken spareparts, battery, tires and used lubricant were still placed in the workshop area in the Production Camp. Based on this finding, an NCR is raised.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit			
Evidence Provided by Organization:	<ul style="list-style-type: none">- Corrective action record for this indicator that mention the FME's effort on identifying the third parties for transporting the chemical waste.- Action plan 2016- Memo Dinas issued by Planning and production manager, June 2016- PT. KBT letter to Head of environmental agency (BLH) Kutai Barat District (09/KBT-C/II-1/2016- Surat Tanda Terima Pemerintah Kab. Kutai Barat (Badan Lingkungan Hidup), 07 June 2016- Feedback letter from environmental agency of Kutai Barat (666-3/141/PPLPSDA/VI/2016			
Findings for Evaluation of Evidence:	FME did not have the off site location for chemical and hazardous waste (B3 waste) disposal. Based on the interview with the responsible staff, FME has been made effort on identifying the third party for transporting chemical waste, however all the the third paties were located outside Samarinda area and was too far from FME site. This effort has been documented on FME report on corrective action taken to close the NCR.			

	<p>However, there was no evidence that FME has conduct a consultation with the revelant parties especially with the BLH (environment agency) regarding this concern.</p> <p>Prior to report finalization, FME sent additional evidence of FME's consultation with Environmental Agency (Badan Lingkungan Hidup) in Kutai Barat District on June 7, 2016. Based on this consultation, the BLH Kutai Timur issued a feedback letter that FME need to consult the Head of Mahakam Hulu district regarding this case, since the Environmental agency for Mahakam Hulu district has not been established. The consultation process with Mahakam Hulu district has been sent to <i>Biro Ekonomi, Sosial dan Ketenagakerjaan division</i>. However, the head of this division was out of duty for approximately 3 months and the follow up process regarding this case will be proceed once the head of this division back to the office.</p> <p>Considering this situation, this minor NCR 10/15 remains open and is extended until the next recertification audit.</p>
NCR Status:	OPEN
Comments (optional):	

NCR#:	11/15	NC Classification:	Major	Minor X
Standard & Requirement:	Harmonized Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia (FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonized), Version 01 July 2013. Indicator 6.7.2			
Report Section:	Appendix II Section 4.1			
Description of Nonconformance and Related Evidence:				
6.7.2: There shall be a documented system in place for collecting and keeping such waste safely, and for safe transportation to the listed locations (see 6.7.1) for disposal.				
Finding: FME has developed an SOP for Waste Management (SOP No. KBT/PL/446.21) that covered the management of solid waste (organic and non-organic waste), liquid waste (domestic waste and used lubricant) and monitoring and control of solid and liquid waste disposal. The SOP was equipped with working instructions (WI), namely: 1. WI of Working Camp establishment (WI No. KBT/IK/446.06.01) 2. WI of Solid Waste Transportation (WI No. KBT/IK/446.21.01) 3. WI of Used Lubricant Management (WI No. KBT/IK/446.21.02) 4. WI of Tree Bark and Solid Waste Burning (WI No. KBT/IK/446.21.03) According to the SOP, the waste management activity were reported monthly, however, no report of waste management activity provided during the audit. Waste disposal area were all located within the FMU area. Thus this indicator is not met, an NCR is raised.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit			
Evidence Provided by Organization:	<ul style="list-style-type: none">- Corrective action record for this indicator that mention the FME's effort on identifying the third parties for transporting the chemical waste.- Daily report of chemical waste handling			

	<ul style="list-style-type: none"> - Action plan 2016 - Memo Dinas issued by Planning and production manager, June 2016 - PT. KBT letter to Head of environmental agency (BLH) Kutai Barat District (09/KBT-C/II-1/2016 - <i>Surat Tanda Terima Pemerintah Kab. Kutai Barat (Badan Lingkungan Hidup)</i>, 07 June 2016 - Feedback letter from environmental agency of Kutai Barat (666-3/141/PPLPSDA/VI/2016
Findings for Evaluation of Evidence:	<p>FME kept the hazardous waste (B3 waste) in chemical waste storehouse and was isolated the storehouse until the FME has the system to transport the waste to offsite waste location. During field observation on workshop KM 20, auditor verify that the B3 waste was stored on a safe location. However, until the audit taken place, FME did not have the system in place to transport the B3 waste to offsite location. See finding 6.7.1</p> <p>Prior to report finalization, FME sent additional evidence of FME's consultation with Environmental Agency (Badan Lingkungan Hidup) in Kutai Barat District on June 7, 2016. Based on this consultation, the BLH Kutai Timur issued a feedback letter that FME need to consult the Head of Mahakam Hulu district regarding this case, since the Environmental agency for Mahakam Hulu district has not been established. The consultation process with Mahakam Hulu district has been sent to <i>Biro Ekonomi, Sosial dan Ketenagakerjaan division</i>. However, the head of this division was out of duty for approximately 3 months and the follow up process regarding this case will be proceed once the head of this division back to the office.</p> <p>Considering this situation, this minor NCR 11/15 remains open and is extended until the next recertification audit.</p>
NCR Status:	OPEN
Comments (optional):	

NCR#:	12/15	NC Classification:	Major	Minor X
Standard & Requirement:	Harmonized Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia (FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonized), Version 01 July 2013. Indicator 6.8.1			
Report Section:	Appendix II Section 4.1			
Description of Nonconformance and Related Evidence:				
6.8.1: The FME shall demonstrate a written declaration that no genetically modified organisms (GMO –see FSC-STD-01-002 (V1-0) EN FSC Glossary of Terms) are used or are present in the FMU or areas where research takes place under the direct or indirect responsibility of the FME.				
Finding: Based on field observation and interview to the FME staffs and management, there is no GMO used by FME. However, there is no written declaration that no GMO are used or are present in the FMU or areas where research takes place under the direct or indirect responsibility of the FME provided by FME to the auditor team. Thus this indicator is not met, an NCR is raised.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.			

	Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	By the next annual audit
Evidence Provided by Organization:	Letter on FME's commitment for not using GMO <i>Surat edaran</i> no. 23/KBT-CSN/CM/IX/2015 dated October 2015.
Findings for Evaluation of Evidence:	FME has circulate the commitment letter that FME is committed to not use genetically modified organism (GMO) in all FME's operations.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	13/15	NC Classification:	Major	Minor X
Standard & Requirement:	Harmonized Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia (FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonized), Version 01 July 2013. Indicator 7.1.13			
Report Section:	Appendix II Section 4.1			
Description of Nonconformance and Related Evidence:				
7.1.13: The need for fire management and control shall be evaluated and is documented.				
<p>FME keeps the documentation of Monitoring Strategy for HCV in PT KBT. In this document, on the point 4.3 it is mentioned that forest and high trees and the humid understorey and surround the areas which are designed to be preventing from the forest fire potential problem. The FME plans to monitor the fire that might happen on the forest and land. The FME also plans to report on forest fire elucidation, forest fire and land on the management unit area and report on shifting cultivation monitoring. The FME plan to create report on forest fire annually, conducted by environmental division, research and development and planning.</p> <p>However there was no evidence of fire management and control evaluation. The auditor did not find the document of forest fire control.</p> <p>Thus this indicator is not met, an NCR is raised.</p>				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit			
Evidence Provided by Organization:	<ul style="list-style-type: none">- Forest fire control procedure (<i>Prosedur pengendalian kebakaran hutan KBT/PL/446.30, 10 december 2009</i>)- Report of forest fire 2016 (<i>Laporan pengendalian kebakaran hutan, 2016</i>)- Socialization on forest fire prevention and its impact from Agriculture and Forestry agency of Mahakam Hulu District (<i>Sosialisasi pencegahan dan dampak kebakaran hutan dan Lahan dari Dinas Pertanian dan Kehutanan Kab. Mahakam Hulu, 2015</i>)- Management, monitoring and evaluation report of HCV area 2015 (<i>Laporan Pengelolaan dan pemantauan serta evaluasi kawasan HCV 2015</i>)- Action plan 2016- BAP Patroli hutan bulan Januari – Juni 2016			

Findings for Evaluation of Evidence:	<p>The FME has inventoried the equipments and facilities for forest fire prevention on the report of forest fire control. FME has one forest watch tower located in KM 18. During field observation, it was found that FME also has several ponds that has function as water resource in case of fire. FME installed fire board indicator in main camp Nyaan. This indicator is used to monitor the potency of forest fire on FME area.</p> <p>Report of forest protection and forest security is available on the attachment of HCV report year 2015. This forest patrol has been conducted to control illegal activities within the FMU, monitor the fire indication, and illegal hunting. Since July to October 2015, the forest patrol was conducted every months. While ground and river patrol on 2016 has only been conducted once (report of forest fire 2016). A complete report of forest patrol on 2016 has not been available during audit.</p> <p>FME sent additional evidence on action plan 2016 consist of the planning to follow up the previous NCR from previous audit. Together with this action plan, FME also sent the completed report of forest patrols that has been conducted on January to June 2016.</p>
NCR Status:	CLOSED
Comments (optional):	

NCR#:	14/15	NC Classification:	Major	Minor X
Standard & Requirement:	Harmonized Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia (FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonized), Version 01 July 2013. Indicator 7.3.1.			
Report Section:	Appendix II Section 4.1			
Description of Nonconformance and Related Evidence:				
<i>7.3.1: All managing staff and supervisors (including those employed by contractors) shall have adequate education, experience or training to ensure that they are able to plan, organize and supervise forestry operations in accordance with the Enterprise's plans, policies and procedures.</i>				
<p>Auditor visited the logged over area in 2013 harvesting block and 2011 harvesting block. There were seedlings and regeneration demonstrated on those block. However the forest development staff had not enough opportunity to update the regeneration process in that area. There was no record on how the rate of the regeneration already developed.</p> <p>The harvesting operator has skills on operating the machine. Based on the interview, he understands how to operating the machine, able to describe equipment required in the harvesting activity. Experienced more than 10 years in the forest, the harvesting operator was able to transfer the knowledge of harvesting to the new operator.</p> <p>In the document of Business Summary in 2014, the FME mentions that in terms of the number and company's staff competence are still inadequate in general.</p> <p>FME involves driver on identification of wildlife. On the procedure of Measurement Monitoring KBT/PL/451.01 there is activity of monitoring. The monitoring is guided by completing the monitoring wildlife form of monitoring KBT/FL/451.01.06. Instead of a specific monitoring either on the location or on the ascertain and determined pathway; the activity of monitoring is through giving wildlife monitoring form to the car's driver who travel and passes on the main road almost every day for either mobilizing the FME's workers or giving community assistance. The driver's assistance would be writing on the form every time whenever meeting and identified on the wildlife on the road while the trip. Every month the form will be handed over to the environmental division to be consolidated on the document summary. Thus this indicator is partially met, an NCR is raised.</p>				

Reviewed document: <i>Ikhtisar Kegiatan Usaha Tahun 2014</i> [Summary of 2014 Business activity of KBT]	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	By the next annual audit
Evidence Provided by Organization:	<ul style="list-style-type: none"> - Training from TNC on FSC standard, HCVF, trees and fauna identification, ArcGis – 15-17 April 2014 (certificate available) - In house training for forest management security unit – 2 November 2013 (certificate available) - Training of monitoring and evaluation system on HCV from Wana Aksara and WWF (attendance: David Hotasi S and Antonius Suyono – certificate available) - Monitoring and evaluation from administration department on 2015 - Directorate General Regulation on forestry graduate and technical expert on forest concession (<i>Peraturan Dirjen BPK No. P.8/VI-SET/2009 tentang petunjuk pelaksanaan kewajiban pemegang IUPHHK untuk mempekerjakan sarjana kehutanan dan ganis PHPL</i>) <p>Forestry technical expert cards (<i>Kartu tenaga teknis pengelolaan hutan produksi lestari</i> (Syahrani, S.Hut; Ir. Jurianto; Rachmad; Ridawan; M. Arbani; Tri Waluyo; Antonius Suyono; Budi Siswoyo; Herlambang Kusuma, S.Hut; M. Rochmat Keristiano, S.Hut;)</p>
Findings for Evaluation of Evidence:	<p>FME employ 32 monthly staff (permanent) and 8 lump sum worker per December 2015. Based on monitoring and evaluation report of administration department 2015, currently the FME has 5 forestry graduate staff and 12 forestry technical expert and FME still need another 6 technical expert or forestry graduate to fulfil the requirement of P.8/VI-SET/2009. Currently, the open recruitments for forestry graduate/technical expert are still on going and FME also planned to send their staff for technical expert training to increase the technical expert staff number.</p> <p>FME has the list of training conducted on 2015 as listed above.</p>
NCR Status:	CLOSED
Comments (optional):	

NCR#:	15/15	NC Classification:	Major	Minor X
Standard & Requirement:	Harmonized Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia (FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonized), Version 01 July 2013. Indicator 7.3.4			
Report Section:	Appendix II Section 4.1			
Description of Nonconformance and Related Evidence:				
7.3.4: All workers (including contractors and their workers) shall be supervised to ensure that they implement their tasks effectively and safely, and the FME itself monitors the quality of their work.				
FME keeps the record of worker's competency. A list of training during period of 2014 was presented. Based on the document, there were milestones during 2014 regarding the human resources development. However it was found the evidence that during building the mobile camp site, the contractors did not follow the procedure of forest engineering. The road construction entering onto the mobile camp site turning down and created				

erosion. From the social aspect, the new recruited social staff just joined when the audit was conducted. Based on the discussion, the social staff needed to update the social background around the FME's operation area. Thus supervision in any aspects of forest management from environment, social and economic and ecology requires to be intensively approached. This indicator is partially met, thus an NCR is raised.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	By the next annual audit
Evidence Provided by Organization:	- In house training RIL for field operator in camp 20 Action plan 2016
Findings for Evaluation of Evidence:	<p>PENDING FME conducted socialization on Reduced Impact Logging (RIL) for harvesting and skidding operation on May 29, 2016 and was led by Herlambang Kusuma, S.Hut and M. Rochyat, S.Hut and attended by 22 field worker from subcontractor that consist of tractor operators, mechanic, blocker, scaller, etc.</p> <p>Based on the field observation, it was found that subcontractor has not been implement the planning and harvesting operation based on the FME's procedure on reduced impact logging. Auditor found several skidding road constructions and road construction that were not compliance with the procedure. The drainage ditch on both side of the road were built directly leads to the water bodies. Water outlet (<i>sudetan</i>) had not been installed on most of ex-skidding road.</p> <p>During field observation in intermediate log yard, auditors found that log labelling (red label) has not been tagged as per FME's procedure. Interview with staff and worker revealed that the monitoring system on this labelling procedure was lacking.</p> <p>During the report writing phase, FME sent additional evidence on action plan 2016 consist of the planning to follow up the previous NCR from previous audit. On this action plan, the FME planning to conduct the socialization of RIL procedure for tractor operator, excavator operator, and chainsaw operator. The corrective action planning also mentioning the planning on water outlet contruction. However, evidence on the implementation of this action plan has not been available. Therefore, this NCR remain open and upgraded to major NCR 15/15.</p>
NCR Status:	OPEN
Comments (optional):	

NCR#:	16/15	NC Classification:	Major	Minor X
Standard & Requirement:	Harmonized Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia (FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonized), Version 01 July 2013. Indicator 8.2.3			
Report Section:	Appendix II Section 4.1			
Description of Nonconformance and Related Evidence:				
Composition and observed changes in flora and fauna <i>8.2.3: The data collected during pre- and post-harvest inventory and general inventory shall be sufficient to identify and describe significant changes in the forest flora over time.</i>				

FME keeps the document of composition of flora and fauna. Auditor looked at the evidence that FME had a document of evaluation of Monitoring Strategy on High Conservation Value forest to support and observe the change in FME's biodiversity. There was no evidence on specific pre and post-harvest inventory for looking at the composition of flora and fauna for pre and post harvesting. Thus an NCR is raised.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	By the next annual audit
Evidence Provided by Organization:	Report of environmental assessment on harvesting operations 2015 (<i>Laporan penilaian lingkungan pada kegiatan penebangan tahun 2015</i>) on compartment PB.V-06, 11, 12, 13, 25, 26, 27, PB.VI-01, 02, 03, 04, 05, 06, 07, 08, 09,10, 15-18)
Findings for Evaluation of Evidence:	The auditors was provided with report of environmental assessment on harvesting operation for 2015. The environmental assessment has been carried out on carry over area RKT (harvesting year) 2014 and 2015. FME compared the condition of harvesting block before and after harvested. Environmental components such as canopy cover, soil condition, erosion, forest potency (harvested trees, residual trees and protected trees), protected flora and fauna were observed on this report. Forest operation's impact identification also available on this report.
NCR Status:	CLOSED
Comments (optional):	

NCR#:	17/15	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 8.2.4L			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
8.2.4L The enterprise shall have a documented system for collecting data on the presence of key species of fauna within the FMU, sufficient to identify and describe significant changes in populations over time.				
Finding: The system for data collection of key species was still absence. The FME has collected data on commercial species but no specific effort for key species was found. The key species has been identified in the HCV assessment conducted in 2012. Therefor, an NCR is raised.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit			
Evidence Provided by Organization:	<ul style="list-style-type: none">- Flora and fauna inventory report- Action plan 2016			
Findings for Evaluation of Evidence:	The FME has record the key species of fauna on their flora and fauna inventory report. This report contain lists of key species and its identifications.			

	<p>However, there was no evidence of the procedure and system on how the data of key species is collected. Furthermore, the monitoring of key species to identify the significant change in its population over time has not been recorded.</p> <p>FME sent additional evidence on action plan 2016 consist of the planning to follow up the previous NCR from previous audit. FME has planning to complete the report of key species and its analysis on the significant change in population over time, however the completed report on this analysis has not available. This NCR remain open and upgraded to major.</p>
NCR Status:	OPEN
Comments (optional):	

NCR#:	18/15	NC Classification:	Major	Minor X
Standard & Requirement:	Harmonized Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia (FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonized), Version 01 July 2013. Indicator 8.2.5			
Report Section:	Appendix II Section 4.1			
Description of Nonconformance and Related Evidence:				
8.2.5: Conservation areas (see 6.2) are regularly monitored to ensure that there is no evidence of deterioration or disturbance.				
FME keeps the document of High Conservation Value Forest. In the document, a monitoring strategy on High Conservation Value Forest is developed to support the management of HCV. However there was no evidence that the FME has regularly collected data on the presence of key species of fauna. There were found report of Monitoring and Evaluation on eradication and controlling on the exotic species; monitoring on the growth of Meranti [Shore asp] increment and Monitoring Strategy on the HCV area.				
This indicator is not met, thus an NCR is raised.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit			
Evidence Provided by Organization:	Management, monitoring and evaluation report of HCV area 2015 (<i>Laporan Pengelolaan dan pemantauan serta evaluasi kawasan HCV 2015</i>)			
Findings for Evaluation of Evidence:	Minutes of forest protection and security were available on HCV report 2015 attachment. This patrol were conducted to control illegal activities within FME area, indicates the forest fire, and illegal hunting. Since July to October 2015, the forest patrol had been conducted every months. However, records or minutes of forest patrol for 2016 has not been available during audit. FME sent additional evidence on action plan 2016 consist of the planning to follow up the previous NCR from previous audit. Together with this action plan, FME also sent the completed report of forest patrols that has been conducted on January to June 2016.			
NCR Status:	CLOSED			
Comments (optional):				

NCR#:	19/15	NC Classification:	Major	Minor X
Standard & Requirement:	Harmonized Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia (FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonized), Version 01 July 2013. Indicator 8.2.6			
Report Section:	Appendix II Section 4.1			
Description of Nonconformance and Related Evidence:				
8.2.6: FME provide for monitoring of the effects of forestry operations on plant and animal species, including aquatic habitats (names, abundance, distribution, habitat requirements, biology, ecology, behaviour), commensurate with the extent and intensity of the forest management, and the rarity and fragility of the forest ecosystem and known species within it.				
There was evidence that the FME had provided for monitoring the effect of forestry operations. However there was no specific aquatic habitats that was affected by forestry operation. Thus this indicator is partially met, therefor, an NCR is raised.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit			
Evidence Provided by Organization:	Monitoring report of aquatic ecology 2015 (<i>Laporan monitoring kondisi ekologi perairan 2015</i>)			
Findings for Evaluation of Evidence:	The auditors were provided with monitoring report of aquatic ecology that has been carried out on 2015. This monitoring activities aim to identify the impact of logging operation on the aquatic ecology condition. The monitoring was carried out on Kesoar river and water bodies around harvesting compartment (RKT) 2015. Monitoring was done by collecting sample macroinvertebrates at three stations (upper, middle, and downstream). Biotic index calculation using Family Biotic Index (FBI) method indicates good water quality results at upper stream. Calculation of the FBI at Station 2 (middle) shows the quality of the water was quite polluted with higher pollution level. While the FBI calculation on downstream showed good water quality with small amount of polluted organic materials.			
NCR Status:	CLOSED			
Comments (optional):				

NCR#:	20/15	NC Classification:	Major	Minor X
Standard & Requirement:	Harmonized Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia (FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonized), Version 01 July 2013. Indicator 8.4.2L			
Report Section:	Appendix II Section 4.1			
Description of Nonconformance and Related Evidence:				
8.4.2L: The monitoring of pests and diseases shall be integrated into the enterprise's Integrated Pest Management (IPM) strategy.				
There was no update pests and diseases monitoring provided by the FME. FME produced a document "Cara Identifikasi Hama dan Penyakit Tanaman" that explain how to prepare the plant's sample infected by pests, conducting observation and monitoring on the sample of infected pests/disease, describe or diagnose some				

<p>plantations species and infection indication by the pests or disease and determining the cause of disease/photogen on the plantation (pests or fungi).</p> <p>This indicator is not met, hence, an NCR is raised.</p>	
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</p>
Timeline for Conformance:	By the next annual audit
Evidence Provided by Organization:	Report and monitoring of pest and diseases, 2016 (<i>Laporan dan monitoring hama dan penyakit tanaman, 2016</i>)
Findings for Evaluation of Evidence:	<p>FME has made monitoring and evaluation of forest pest and disease control on 5 January 2016. The report was prepared by the division of forest development and the monitoring was conducted in nursery.</p> <p>From the monitoring results it was found there were several types of diseases and pests that often occurred in Nursery. The FME identified its causes and how to control the pest and disease as follow:</p> <ol style="list-style-type: none"> 1. Leaf spots: were controlled by spraying the leaf with onion extract. 2. Ragged stunt virus: were controlled by isolating the plants that have been exposed to the disease. 3. Root to: controlled by thinning to reduce moisture. 4. Rat pest: were controlled by exterminating the nest/hole with hot water and spraying <i>megkudi</i> fruits extract. 5. White butterfly pest: were controlled by spraying betel leaf extract. <p>Auditors conducted field observation in nursery KM 16 and interviewed nursery staff and verified that the staff were aware of the pest and disease controls.</p>
NCR Status:	CLOSED
Comments (optional):	

OBS 01/15	Reference Standard & Requirement: FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – Indicator 1.1.3L
<p>[Description of findings leading to observation]: 1.1.3L: <i>The FME shall have copies of existing relevant national laws, legislative and regulatory requirements available in the forest management unit.</i></p> <p>Finding: The FME has copies of existing relevant national laws, legislative and regulatory requirements available in the base camp office. The laws and regulations copies available in the FME base camp grouped into Ministry of Forestry regulations, Directorate General regulations in the Ministry of Forestry, Government Regulations and Laws, Presidential Decree and Minister of Forestry Decree. The copies of relevant national laws, legislative and regulatory requirements which available in the base camp office were included:</p> <ul style="list-style-type: none"> - <i>Undang-undang No. 41/1999</i> about Forestry (Forestry Act No.41/1999) - <i>Peraturan Pemerintah</i> (Government Regulation) No. 58/2007 about amandement of <i>Peraturan Pemerintah</i> No.35/2002 on reforestation fund - <i>Peraturan Pemerintah</i> No. 74/1999 about amandement of <i>Peraturan Pemerintah</i> No. 59/1998 on Tariff of non-taxable state's revenues under Ministry of Forestry and Estate Crops - <i>Peraturan Pemerintah</i> No.34/2002 on Forest Land Use and Development of Forest Management Plan <p>However, the copies of Acts on Taxes mentioned below were not available during the audit:</p> <ul style="list-style-type: none"> - <i>Undang-undang</i> No.12/1985 on Land and Building Taxes (PBB) - <i>Undang-undang</i> No.7/1983 on Revenue Tax 	
<p>Observation FME should have the copies of <i>Undang-undang</i> No.12/1985 on Land and Building Taxes (PBB) and <i>Undang-undang</i> No.7/1983 on Revenue Tax.</p> <p>Finding: FME provided the record of applicable national regulation such as UU No. 12 Tahun 1985 on Land and building tax, UU No. 7 Tahun 1983 on Revenue tax, UMK regulation, and other relevant regulations. FME kept the relevant national laws and regulation in main office camp Sei Nyaan.</p>	

OBS 02/15	Reference Standard & Requirement: FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – Indicator
<p>[Description of findings leading to observation]: 6.3.5: Site preparation and harvesting methods shall have been designed to minimise soil compaction and maximise the retention of nutrients on site.</p> <p>Finding: Prior trees harvesting, FME has planned the skidding road trace by considering contour of the area, trees position that will be cut and river position within the harvesting compartment, so that the skidding road trace can be applied in the field efficiently to minimize the damage to the soil. Besides, the leaves, twigs and branches, of harvested trees were left in the harvesting block to maximize the nutrient cycles in the harvested forest area. However, the tree barks were burnt in the waste dumping area (<i>Tempat Pembuangan Akhir/TPA</i>) that located in camps developed by FME including the base camp Sei Nyaan and nursery camp Sei Buhuk. This procedure is reducing the nutrient to be returned or retained in the forest soil and potentially polluting the air by burning it.</p> <p>Document reviewed: - SOP of Waste Management (SOP No. KBT/PL/446.21) - Working Instructions (WI) of Solid Waste and Tree Barks Burning (WI No. KBT/IK/446.21.03).</p>	
<p>Observation FME should leave the parts of trees harvested, such as tree barks, in the forest to maximise the retention of nutrients on site.</p> <p>Finding: FME has provided a letter of Production Manager of <i>PT Nusantara Graha Utama</i> (FME's subcontractor company) No. 03 / KBT-C / II-1/1/2016 concerning of Technical Direction of Tree Bark Peeling, which contains directions for peeling the tree bark at the log landings (<i>TPn</i>), and no longer at the Waste Dumping Area (<i>Tempat Pembuangan Akhir</i>) located at <i>Sungai Nyaan</i> and <i>Sungai Sekalui</i>. FME also prohibited the staff to burn the tree bark in order to keep the nutrients of the plant and let it returned to the soil and to reduce air pollution.</p>	

2.6. New nonconformity reports issued as a result of this audit

NCR#:	10/15	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 6.7.1			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
6.7.1 The FME shall keep an up-to-date list of off-site locations for the disposal of all its chemicals, containers, liquid and solid non-organic wastes including fuel and oil.				
Finding: Currently, FME has no off-site locations for the disposal of all its chemicals, containers, liquid and solid non-organic wastes including fuel and oil. Domestic waste produced in the base camp were burned and backfilled in the hole located about 1-2 km from the base camp within the FMU area. Waste from the workshop such as broken spareparts, battery, tires and used lubricant were still placed in the workshop area in the Production Camp. Based on this finding, an NCR is raised.				

Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	By the next annual audit
Evidence Provided by Organization:	<ul style="list-style-type: none"> - Corrective action record for this indicator that mention the FME's effort on identifying the third parties for transporting the chemical waste. - Action plan 2016 - Memo Dinas issued by Planning and production manager, June 2016 - PT. KBT letter to Head of environmental agency (BLH) Kutai Barat District (09/KBT-C/II-1/2016 - <i>Surat Tanda Terima Pemerintah Kab. Kutai Barat (Badan Lingkungan Hidup)</i>, 07 June 2016 - Feedback letter from environmental agency of Kutai Barat (666-3/141/PPLPSDA/VI/2016
Findings for Evaluation of Evidence:	<p>FME did not have the off site location for chemical and hazardous waste (B3 waste) disposal. Based on the interview with the responsible staff, FME has been made effort on identifying the third party for transporting chemical waste, however all the the third paties were located outside Samarinda area and was too far from FME site. This effort has been documented on FME report on corrective action taken to close the NCR.</p> <p>However, there was no evidence that FME has conduct a consultation with the revelant parties especially with the BLH (environment agency) regarding this concern.</p> <p>Prior to report finalization, FME sent additional evidence of FME's consultation with Environmental Agency (Badan Lingkungan Hidup) in Kutai Barat District on June 7, 2016. Based on this consultation, the BLH Kutai Timur issued a feedback letter that FME need to consult the Head of Mahakam Hulu district regarding this case, since the Environmental agency for Mahakam Hulu district has not been established. The consultation process with Mahakam Hulu district has been sent to <i>Biro Ekonomi, Sosial dan Ketenagakerjaan division</i>. However, the head of this division was out of duty for approximately 3 months and the follow up process regarding this case will be proceed once the head of this division back to the office.</p> <p>Considering this situation, this minor NCR 10/15 remains open and is extended until the next recertification audit.</p>
NCR Status:	OPEN
Comments (optional):	

NCR#:	11/15	NC Classification:	Major	Minor X
Standard & Requirement:	Harmonized Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia (FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonized), Version 01 July 2013. Indicator 6.7.2			
Report Section:	Appendix II Section 4.1			
Description of Nonconformance and Related Evidence:				
6.7.2: There shall be a documented system in place for collecting and keeping such waste safely, and for safe transportation to the listed locations (see 6.7.1) for disposal.				

Finding:

FME has developed an SOP for Waste Management (SOP No. KBT/PL/446.21) that covered the management of solid waste (organic and non-organic waste), liquid waste (domestic waste and used lubricant) and monitoring and control of solid and liquid waste disposal. The SOP was equipped with working instructions (WI), namely:

5. WI of Working Camp establishment (WI No. KBT/IK/446.06.01)
6. WI of Solid Waste Transportation (WI No. KBT/IK/446.21.01)
7. WI of Used Lubricant Management (WI No. KBT/IK/446.21.02)
8. WI of Tree Bark and Solid Waste Burning (WI No. KBT/IK/446.21.03)

According to the SOP, the waste management activity were reported monthly, however, no report of waste management activity provided during the audit. Waste disposal area were all located within the FMU area.

Thus this indicator is not met, an NCR is raised.

Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	By the next annual audit
Evidence Provided by Organization:	<ul style="list-style-type: none">- Corrective action record for this indicator that mention the FME's effort on identifying the third parties for transporting the chemical waste.- Daily report of chemical waste handling- Action plan 2016- Memo Dinas issued by Planning and production manager, June 2016- PT. KBT letter to Head of environmental agency (BLH) Kutai Barat District (09/KBT-C/II-1/2016- <i>Surat Tanda Terima Pemerintah Kab. Kutai Barat (Badan Lingkungan Hidup)</i>, 07 June 2016- Feedback letter from environmental agency of Kutai Barat (666-3/141/PPLPSDA/VI/2016
Findings for Evaluation of Evidence:	<p>FME kept the hazardous waste (B3 waste) in chemical waste storehouse and was isolated the storehouse until the FME has the system to transport the waste to offsite waste location. During field observation on workshop KM 20, auditor verify that the B3 waste was stored on a safe location. However, until the audit taken place, FME did not have the system in place to transport the B3 waste to offsite location. See finding 6.7.1</p> <p>Prior to report finalization, FME sent additional evidence of FME's consultation with Environmental Agency (Badan Lingkungan Hidup) in Kutai Barat District on June 7, 2016. Based on this consultation, the BLH Kutai Timur issued a feedback letter that FME need to consult the Head of Mahakam Hulu district regarding this case, since the Environmental agency for Mahakam Hulu district has not been established. The consultation process with Mahakam Hulu district has been sent to <i>Biro Ekonomi, Sosial dan Ketenagakerjaan division</i>. However, the head of this division was out of duty for approximately 3 months and the follow up process regarding this case will be proceed once the head of this division back to the office.</p> <p>Considering this situation, this minor NCR 11/15 remains open and is extended until the next recertification audit.</p>

NCR Status:	OPEN
Comments (optional):	

MAJOR NCR#:	15/15	NC Classification:	Major X	Minor
Standard & Requirement:	Harmonized Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia (FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonized), Version 01 July 2013. Indicator 7.3.4			
Report Section:	Appendix II Section 4.1			
Description of Nonconformance and Related Evidence:				
7.3.4: All workers (including contractors and their workers) shall be supervised to ensure that they implement their tasks effectively and safely, and the FME itself monitors the quality of their work.				
FME keeps the record of worker's competency. A list of training during period of 2014 was presented. Based on the document, there were milestones during 2014 regarding the human resources development. However it was found the evidence that during building the mobile camp site, the contractors did not follow the procedure of forest engineering. The road construction entering onto the mobile camp site turning down and created erosion. From the social aspect, the new recruited social staff just joined when the audit was conducted. Based on the discussion, the social staff needed to update the social background around the FME's operation area. Thus supervision in any aspects of forest management from environment, social and economic and ecology requires to be intensively approached. This indicator is partially met, thus an NCR is raised.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit			
Evidence Provided by Organization:	<ul style="list-style-type: none">- In house training RIL for field operator in camp 20- Action plan 2016			
Findings for Evaluation of Evidence:	<p>FME conducted socialization on Reduced Impact Logging (RIL) for harvesting and skidding operation on May 29, 2016 and was led by Herlambang Kusuma, S.Hut and M. Rochyat, S.Hut and attended by 22 field worker from subcontractor that consist of tractor operators, mechanic, blocker, scaller, etc.</p> <p>Based on the field observation, it was found that subcontractor has not been implement the planning and harvesting operation based on the FME's procedure on reduced impact logging. Auditor found several skidding road constructions and road construction that were not compliance with the procedure. The drainage ditch on both side of the road were built directly leads to the water bodies. Water outlet (<i>sudetan</i>) had not been installed on most of ex-skidding road.</p> <p>During field observation in intermediate log yard, auditors found that log labelling (red label) has not been tagged as per FME's procedure. Interview with staff and worker revealed that the monitoring system on this labelling procedure was lacking.</p> <p>During the report writing phase, FME sent additional evidence on action plan 2016 consist of the planning to follow up the previous NCR from previous audit. On this action plan, the FME planning to conduct the socialization of RIL procedure for tractor operator, excavator operator, and chainsaw operator. The corrective action planning also mentioning the planning on</p>			

	water outlet construction. However, evidence on the implementation of this action plan has not been available. Therefore, this NCR remain open and upgraded to major NCR 15/15.
NCR Status:	OPEN
Comments (optional):	

MAJOR NCR#:	17/15	NC Classification:	Major X	Minor
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 8.2.4L			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
8.2.4L The enterprise shall have a documented system for collecting data on the presence of key species of fauna within the FMU, sufficient to identify and describe significant changes in populations over time.				
Finding: The system for data collection of key species was still absence. The FME has collected data on commercial species but no specific effort for key species was found. The key species has been identified in the HCV assessment conducted in 2012. Therefor, an NCR is raised.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	By the next annual audit			
Evidence Provided by Organization:	<ul style="list-style-type: none">- Flora and fauna inventory report- Action plan 2016			
Findings for Evaluation of Evidence:	<p>The FME has record the key species of fauna on their flora and fauna inventory report. This report contain lists of key species and its identifications. However, there was no evidence of the procedure and system on how the data of key species is collected. Furthermore, the monitoring of key species to identify the significant change in its population over time has not been recorded.</p> <p>FME sent additional evidence on action plan 2016 consist of the planning to follow up the previous NCR from previous audit. FME has planning to complete the report of key species and its analysis on the significant change in population over time, however the completed report on this analysis has not available. This NCR remain open and upgraded to major.</p>			
NCR Status:	OPEN			
Comments (optional):				

NCR#:	01/16	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 1.5.3			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
1.5.3: The FME shall document and map any changes in land use due to unauthorized activities, including but not limited to any area illegally harvested or cleared for agriculture or settlement.				
Findings:				

FME does not have documents and maps showing the land use changes as a result of <i>unauthorized</i> activities, including illegal land clearing for agriculture or settlements within the FMU area. Based on interviews with villagers of Naha Aruq and Long Isun, there are villagers who conduct cultivation and plantations (rubber and cocoa) within the FMU area that needs to be monitored and controlled by FME. Hence, NCR Minor is raised for this indicator.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	Prior to recertification
Evidence Provided by Organization:	PENDING
Findings for Evaluation of Evidence:	PENDING
NCR Status:	OPEN
Comments (optional):	

NCR#:	02/16	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 3.3.4			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
3.3.4 The FME shall control unregulated access to Indigenous Peoples' hunting and gathering areas.				
Findings: There were no mechanisms or procedures that clearly and consistently implement by FME to control unregulated access to the FME's areas from indigenous peoples for hunting and collecting plants. There were no monitoring posts in potential locations where people from outside FME area can easily access and there were no system for recording the data of people entering the FMU area that at least records the name, origin, and their purpose to enter the FMU area. Based on this findings, NCR Minor is raised for this indicator.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	Prior to recertification			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

NCR#:	03/16	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 4.2.8			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				

4.2.8: An effective first aid programme shall be in place, including worker training in basic first aid and the provision of readily accessible first aid kits with up to date supplies

Finding:

Based on auditor's observation, first aid supply were up to date. However, during field observation on site, there were no first aid available on harvesting site or on FME's vehicles. First aid were available in temporary camp KM 45, workshop KM 20 and maincamp in KM 0. In case of emergency, the availability of the first aid only can be accessed to the camps or workshop and did not readily accessible on harvesting site since the harvesting site location and camps or workshop were quite far. A minor NCR is raised for this indicator.

Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	Prior to recertification
Evidence Provided by Organization:	PENDING
Findings for Evaluation of Evidence:	PENDING
NCR Status:	OPEN
Comments (optional):	

NCR#:	04/16	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 4.2.13			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
4.2.13L: The FME shall ensure that all employees and contractors have social insurance (or equivalent) to provide compensation and/or ongoing support in the event of redundancy or work place injury.				
Finding: Auditor interviewed FME’s staff and NGU staff (subcontractor) regarding the social insurance and found out that they were provided with work insurance (BPJS Ketenagakerjaan). However, there was no evidence that the mandatory health insurance (BPJS Kesehatan) has been provided by the FME and subcontractors (NGU and cooperative). A minor NCR is raised for this indicator.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	Prior to recertification			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

NCR#:	05/16	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 4.4.2			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
4.4.2: The FME shall demonstrate how it has incorporated the results of its evaluation of social impacts into its management planning and operations.				
Findings: Based on interviews with FME's social management team, FME's social management (community development) program have not yet considered the results of the Social Impact Assessment (SIA). Besides, there was no monitoring of the social impact has been conducted by FME to evaluate the success of the social management program which has been implemented to see whether the program resulting a positive or negative impact as provided in the SIA report. Hence, NCR Minor is raised for this indicator.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	Prior to recertification			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

NCR#:	06/16	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 6.2.5L			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
6.2.5L: The FME shall have documented and implemented a scientifically valid system of monitoring of key ecological indicators for the conservation zones within the FMU.				
Findings: FME has made reports on the implementation of: <ul style="list-style-type: none">- Flora and fauna inventory in Germ Plasm Conservation Area (KPPN), in 2014- Monitoring soil erosion in the measurement plots using Thread Methods, in 2015- Monitoring the river water debit, in 2015- Monitoring on the vegetation cover in the ex-skidding roads in RKT 2010 and 2012 FME also has developed SOP of Monitoring and Measurement (KBT / PL / 451.01) which consist of: <ul style="list-style-type: none">- Work Instruction (WI) of Soil Erosion Measurement by using Thread Method (KBT / IK / 451.01.01)- WI of Measurement and Monitoring the River Water Quality (KBT / IK / 451.01.02)- WI of Monitoring the Plot in the ex-Skidding Roads (KBT / IK / 451.01.03)				

- WI of Monitoring the Protected Areas (KBT / IK / 451.01.02)

However, the SOP and WI mentioned above did not include the frequency of monitoring.

FME also has the SOP of Flora and Fauna Identification (KBT / PL / 446.24) which has not clearly indicate the location and frequency of identification.

FME has conducted inventory of flora and fauna in KPPN, however, there was no SOP developed by FME for this activity. If this inventory activity referred to the SOP of Flora and Fauna Identification, then the SOP was inconsistently implemented since there were methods of using Life trap and Misnet for flora and fauna inventory describe in this SOP and were not implemented on FME's inventorying activity in KPPN.

Auditor also found that FME has not developed the specific monitoring and management system of conservation and protected areas that include the monitoring of key ecological indicators. WI of Monitoring the Protected Areas (KBT / IK / 451.01.02) only focus on the maintenance of boundaries of protected areas that limited only in the riparian area and bufferzone area of protected forest.

This condition was causing the inconsistent implementation of the monitoring activity and made the data comparison became difficult.

Hence, NCR Minor is raised for this indicator.

Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	Prior to recertification
Evidence Provided by Organization:	PENDING
Findings for Evaluation of Evidence:	PENDING
NCR Status:	OPEN
Comments (optional):	

NCR#:	07/16	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 6.5.2 & 6.5.8			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
6.5.2: Guidelines developed in terms of indicator 6.5.1 shall be implemented during operations and planning. 6.5.8: There shall be no evidence of siltation or other damage to water resources				
Findings: FME has Work Instruction of Environmental Friendly Skidding (<i>Penyaradan Ramah Lingkungan</i>) (No. KBT / IK / 446.11.02) and Work Instruction of Environmental Friendly Construction for Main and Branch Road (KBT / IK / 446.09.01) which explain the procedure of establishing water outlet (<i>sudetan</i>) on the inactive skidding roads and road drainage structures that does not leads directly into the natural water bodies and ditch, culvert, or bridge shall be not blocked. However, during field observation, auditors found that inactive skidding roads in the harvesting compartment No. PB.V. and 12 of RKT Block in 2015 did not equip with water outlets, although the slope condition of the inactive skidding roads were quite steep. Auditors also found, water flow of the rivers under the bridge at Km 29, Km 30 and near the intersection of the road to the fire monitoring tower (<i>Menara Damkar</i>) were blocked by piles of wood and residual trees from land clearing for road construction. Also, there				

was a road drainage that leads directly to the river without any sediment trap found at the bridge of Mantingan river (at Km 46) and at Km 29.	
Based on these findings, NCR Minor is raised.	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	Prior to recertification
Evidence Provided by Organization:	PENDING
Findings for Evaluation of Evidence:	PENDING
NCR Status:	OPEN
Comments (optional):	

NCR#:	08/16	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 6.7.4			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
6.7.4: Fuel tanks and stores shall be located so that spillages from damage, defects or refuelling shall not enter watercourses				
Findings: Based on field observation in camp KM 45, auditors found the spillages of fuel near electricity power mechine (Genset) that flowing directly to the river.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	Prior to recertification			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

NCR#:	09/16	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 9.4.2			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
9.4.2: Records of monitoring are kept and used to adapt future management, in consultation with acknowledged experts, and local and national stakeholders.				
Findings:				

There was no evidence provided during this audit on the result of FME consultation with acknowledged experts, as well as local and national stakeholders on the HCV monitoring results that can be used to adapt future management, .	
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.
Timeline for Conformance:	Prior to recertification
Evidence Provided by Organization:	PENDING
Findings for Evaluation of Evidence:	PENDING
NCR Status:	OPEN
Comments (optional):	

NCR#:	10/16	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – 9.4.3			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
9.4.3. FME shall be aware and actively monitor research developments which might contribute to management of HCVFs				
Finding: Based on interview with staffs and documents review, there has been no research results were applied in the HCV management and no monitoring on research development which might contribute to the management of HCVFs conducted by FME so far. Hence, an NCR Minor is raised.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	Prior to recertification			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

NCR#:	11/16	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – COC 1.2			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
1.2 All relevant staff shall demonstrate awareness of the FME's procedures and competence in implementing the FME's CoC control system.				

<p>Findings:</p> <p>During field observation in TPN 1 RKT 2016, auditors found 9 logs that has been harvested one day before were not labelled with red tag. Interview with responsible staff and workers revealed that the responsible person to tag the red label is the chainsaw operator once they finalized the harvesting activity during that day. The staff and worker could not ensure to that the labelling has been done properly for each logs, since the logs were labeled when all the logs has been collected in TPN. This also was not accordance with FME's working instruction for RIL skidding instruction. This work instruction explain that during the skidding, the label must be placed accordingly on the logs as log identity (section B for log skidding). Due to this nonconformance, a minor NCR is raised.</p>	
Corrective Action Request:	<p>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</p>
Timeline for Conformance:	Prior to recertification
Evidence Provided by Organization:	PENDING
Findings for Evaluation of Evidence:	PENDING
NCR Status:	OPEN
Comments (optional):	

NCR#:	12/16	NC Classification:	Major	Minor X
Standard & Requirement:	FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Version 01 July 2013 – COC 5.4			
Report Section:	Appendix IV			
Description of Nonconformance and Related Evidence:				
COC 5.4: If the FSC trademarks are used for promotion of FMUs, FME shall limit promotion to FMUs covered by the scope of the certificate.				
Findings: FME has trademark approval from from RA on 2012 for FSC logo and Rainforest Alliance logo used on FME's documents except for FSC logo used on report of log production (dokumen realisasi laporan hasil produksi kayu bulat) and SKSKB report 2015. FME use FSC logo on the header of those documents that is not accordance to FSC trademark standard 50-001 (V1-2) and without Rainforest Alliance approval. A minor NCR is raised for this issue.				
Corrective Action Request:	Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.			
Timeline for Conformance:	Prior to recertification			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

2.7. Audit observations

Observations can be raised when issues or the early stages of a problem are identified which does not of itself constitute a nonconformance, but which the auditor considers may lead to a future nonconformance if not addressed by the client. An observation may be a warning signal on a particular issue that, if not addressed, could turn into a NCR in the future (or a pre-condition or condition during a 5 year re-assessment).

OBS 01/16	Reference Standard & Requirement: 6.9.3: <i>Where there is evidence that exotic species are invasive, the FME shall have a policy and procedures available to take prompt and effective action to eliminate the species from the FMU and from all other sites in which it may regenerate.</i>
[Description of findings leading to observation]: Based on field observation, there were several exotic invasive species found within FME area such as <i>M. peltata</i> . The distribution of this species were found invasive, especially in open area such as ex log landing area and ex skidding road where replanting has not been implemented. In ex long landing area (RKT 2015), <i>M. peltata</i> growth naturally and invasive. Since the ex log landing were used on harvesting 2015, the replanting activity has not been implemented. Replanting activity for open area is done during ET+1 or 1 year after harvesting. An observation is raised for this indicator.	
Observation FME should ensure the replanting activity is done according to the timeline and control the distribution of the invasive species so that the invasive species does not give negative effect to the growth of the planted seedling.	

OBS 02/16	Reference Standard & Requirement: COC 5.3 <i>FME shall have procedures in place and demonstrates that all trademark review and approval correspondence with Rainforest Alliance is kept on file for a minimum of 5 years (50-201, 2.4):</i>
[Description of findings leading to observation]: FME's COC procedure stated that the approval document shall be kept for 5 year in minimum. FME has the trademark approval since 2012 and remain valid until now. However the email evidence of the approval from RA was not kept by the current responsible person after the staff change over. Auditor review the approval record in Rainforest Alliance database and verified that the approval remain valid.	
Observation FME should kept all the trademark documents that can be easily to access and to verify by auditors.	

3. AUDIT PROCESS

3.1. Auditors and qualifications:

Auditor Name	I Gusti Ngurah Agus Eka Putera	Auditor role	Lead Auditor
Qualifications:	Ngurah graduated from the Forest Conservation Department, Faculty of Forestry, Bogor Agricultural University (IPB). His work experience includes biological studies as part of environmental impact assessment, forest dynamics research, forest biomass assessments, ecotourism management, facilitation of community forest groups in achieving FSC		

	certification and risk assessment for palm oil plantations in preparation for RSPO certification. Ngurah is a Forestry Specialist at PT Hatfield Indonesia. Ngurah completed FSC Lead Auditor Training Course which fulfill ISO training requirement FSC-STD-20-001, Annex 2, 1.2.		
Auditor Name	Lely Puspitasari	Auditor role	Trainee Auditor
Qualifications:	Lely graduated from faculty of forestry, Universitas Gadjah Mada. She has previously worked with TRAFFIC, the wildlife trade monitoring network, Southeast Asia in collaboration with WWF-Indonesia GFTN program for the Responsible Asia Forest and Trade (RAFT II) project and IKEA project on Strengthening Suppliers Capacities in Ensuring Legality & Implementing Due care/Due diligence. She is currently working with Rainforest Alliance as Forest Management Certification and Verification Services Coordinator. She has completed FSC Trademark Training for certification bodies and successful completion of FSC Chain of Custody lead auditor training, fulfills ISO training requirement FSC-STD-20-001, Annex 2, 1.2.. She has involved in several audits, CVA, assessment and reassessment for FSC FM/CoC, Controlled Wood and Rainforest Alliance Verification Legal Compliance (VLC) standards.		

3.2. Audit schedule

Date	Location /Main sites	Principal Activities
02 June 2016	Base Camp Sei Nyaan	Opening meeting, document review
03 June 2016	<ul style="list-style-type: none"> - Harvesting block of RKT 2016 - Ex-skidding road and log landing in harvesting block of RKT 2015 - Production Camp in Km 45 - Riparian bufferzone of Matingang river (Km 46) - River water debit and water quality monitoring plot in Matingang river - Soil erosion monitoring plot in harvesting block of RKT 2012 - Germ Plasm Protection Area (KPPN) - Vegetation coverage monitoring plot in ex-skidding road in harvesting block of RKT 2010. - Base Camp Sei Nyaan 	<ul style="list-style-type: none"> - Field observation on harvesting operations, workers health and safety, log yard, roads construction, conservation/protected areas, erosion and water debit monitoring plot, tree inventory before harvesting, trees planting area, ex-harvesting site, nursery, workers facility provided in the camp - Check the implementation of FME CoC system - Interviews of FME staffs and field workers. - Document review
04 June 2016	<ul style="list-style-type: none"> - Long Isun Village - Naha Aruq Village - Long Tuyuq Village - Long Pahangai II Village - Base Camp Sei Nyaan 	<ul style="list-style-type: none"> - Interview with local community - Document review
05 June 2016	- Base Camp Sei Nyaan	<ul style="list-style-type: none"> - Document review - Closing meeting

Total number of person days used for the audit:8

= number of auditors participating 2 X average number of days spent in preparation, on site and post site visit follow-up including stakeholder consultation 4

3.3. Sampling methodology:

The audit sampling was governed by the need to assess evidences in relation to open NCRs, OBS and Chain-of-Custody conformance, as well as to cover Principles 2 and 3 and mandatory criteria from the FSC standard 1.5; 2.3; 3.2; 4.2; 4.4; 5.6 6.2; 6.3; 6.9; 8.2; 9.4 (as per FSC-STD-20-007). The standard used to evaluate PT. Kemakmuran Berkah Timber is **FSC Harmonised Certification Bodies' Forest Stewardship Standard for the Republic of Indonesia**.

Audit methods include document and record review, implementing sampling strategies to visit a broad number of forest condition and harvest prescription types, observation of implementation of management plans and policies in the field, and interview with FME's

workers and local community adjacent to FMU. When there is more than one team member, team members may review parts of the standards based on their background and expertise. On the final day of an evaluation, team members convene to deliberate the findings of the assessment jointly. This involves an analysis of all relevant field observations, stakeholder comments, and reviewed documents and records. Where consensus between team members cannot be achieved due to lack of evidence, conflicting evidence or differences of interpretation of the standards, the team is instructed to report these in the certification decision section and/or in observations.

3.3.1 List of FMUs selected for evaluation

N/A. The FME is a single FMU.

3.4. Stakeholder consultation process

Stakeholder type (i.e. NGO, government, local inhabitant etc.)	Stakeholders notified (#)	Stakeholders consulted or providing input (#)
Local inhabitants	-	15
NGO	-	2
Government	-	8
Worker	-	4
FME staff	-	24

3.5. Changes to Certification Standards

Forest stewardship standard used in audit:	FSC Harmonised Certification Body for the Republic of Indonesia FM-35 CoC for Forest Management Enterprise version April 2012
Revisions to the standard since the last audit:	<input checked="" type="checkbox"/> No changes to standard. <input type="checkbox"/> Standard was changed (detail changes below)
Changes in standard:	
Implications for FME:	Not applicable - no new requirements

3.6. Review of FME Documentation and required records

a) All certificate types

Required Records	Reviewed
Complaints received by FME from stakeholders, actions taken, follow up communication	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: During field visit to Long Isun Village, auditor interviewed seven villagers (see list of interviewed stakeholder), Long Isun Village Head was not in place at the time of the visit. From that meeting, it is known that there is conflict still going on between Long Isun Village and FME which started from 2014. At that time, residents of Long Isun heard that the FME harvested the trees within Log Isun territory that located in FME area without any notice or permission request to the Long Isun village. The Customary	

Chief and Village Head then sent about 20 villagers to check directly on the ground under the coordination of Teodorus Tekwan Yeq.

According to those villagers interviewed, the villagers who were sent to check on the the field found several FME workers (three tractor operators and two chainsaw operators) with one unit tractor and one unit chainsaw in the harvesting location. According to the villagers, FME workers were voluntarily handed over the key of tractor and the chainsaw to the villagers as evidence and for temporary suspension of harvesting. But then, Mr. Tekwan as team leader was detained by police with accusation of seizing the key tractor and the chainsaw from FME workers. Mr. Tekwan was detained for three months by police and up to now he is required to report regularly to the police office. Based on the interview with stakeholder, he stated that this incident was actually a territory border dispute between Long Isun and Naha Aruq Villages, and FME was the victim of this boundary conflict.

Long Isun people said that they will not give permission for FME to harvest trees on their village territory before the two conditions below is fulfilled by FME, namely:

1. Boundary status between Long Isun and Naha Aruq must be returned to the condition before the issuance of Kutai Barat District Head Decree No. 136.146.3 / K.917 / 2011 dated 4 November 2011 about the Boundary Determination and Ratification of Long Pahangai I, Long Pahangai II, Long Pakaq, Long Pakaq Baru, Delang Krohong, Long Lunuk, Long Lunuk Baru, Urung Ubing, Long Isun, Naha Aruq, Datah Naha, Liu Mulang, and Long Tuyog Villages in Long Pahangai Subdistrict Area.
2. The issuance of *SP3* (Warrant of Case Termination) from the police for Teodorus Tekwan to restore his reputation and Long Isun village fair name.

In 2010, based on result of PRA conducted by FME in collaboration with TNC, one of the problem of villages in the Long Pahangai Subdistrict, Kutai Barat District was the unclear boundary between the villages. As a form of FME concern to the problems of local communities in the area around FMU, FME in collaboration with TNC then facilitated the participatory mapping of the boundaries of administrative area between the villages that located surrounding the FMU, which involved 13 villages, including the village of Long Isun and Naha Aruq that located adjacent to one another. The results of the participatory mapping of those villages area were then legalized through Kutai Barat District Head Decree No. 136.146.3 / K.917 / 2011 that mentioned above.

However, residents of Long Isun interviewed stated that they never been involved in the facilitation process of these participatory boundaries mapping and they do not want to accept the Kutai Barat District Head Decree No. 136.146.3 / K.917 / 2011. Based on information from the PRA facilitator, actually the Long Isun village has been involved from the beginning of the process and some of its villagers participated in the process. Former Long Isun Village Head for the period of 2007-2013, Marcellinus Milang, also stated that the participatory mapping process facilitated by FME and TNC has involved the Long Isun village, participated by himself, as well as by the Customary Chief (Lusang Aran, who also the current Customary Chief), the BPK Head (Tedijs Meringeh, SH), youth leader (Samuel Nyipa), and informal leader (Baang Jalaq). At that time, there was no agreement achieved on the boundary between Long Isun and Naha Aruq villages. As follow up, both Village Heads then agreed to bring their boundary dispute to the district level and would accept whatever the decision of the District.

But after the new Long Isun Village Head elected, reject the Kutai Barat District Head Decree No. 136.146.3 / K.917 / 2011 by some of the people of Long Isun Village began to appear, the former Village Head felt that he was blamed by some of the villagers for accepting the Kutai Barat District Head Decree, even by the Customary Chief who had participated in the participatory mapping process before.

Auditor also interviewed villagers of Naha Aruq Village. According to him, information from the Long Isun people that the tractor key and chainsaw belong to FME were given voluntarily by FME workers was not true. He claimed that what really happened at that time actually was a deprivation and when the Long Isun field checking team visited the harvesting location, they brought sharp weapons. According to him, at that time there had been an agreement achieved between Naha Aruq Village and FME about the location of harvesting Block of RKT 2014, that based on the Kutai Barat District Head Decree No. 136.146.3 / K.917 / 2011 the location was within the territory of Naha Aruq Village and FME has been given permission to do logging in their territory. However, Long Isun Village was then unilaterally claiming that the area harvested by FME was in their village territory, the claim then followed by the deprivation of FME's key tractor and chainsaw. He stated that the Kutai Barat District Head Decree in 2011 was considered final because both villages had previously made an agreement to hand over their boundary issues to the district level.

According to interviewed stakeholder, the Subdistrict and the District government has been working to solve this conflict by facilitating several meeting with both villages. However, every time they had been invited, the Long Isun never willing to attend. It was confirmed by Naha Aruq Village Head, that in 2015 there were efforts by Subdistrict and the District government to resolve this conflict by facilitating a meeting, including field checking on the conflicted boundary area that attended both by Naha Aruq and Long Isun Village representatives together with Subdistrict and the District government staffs. Both villages were then asked to make a written statement whether or not accept the results of the field checking. Those who do not accept was advised to pursue a lawsuit to the administrative court (PTUN). According to Naha Aruq Village Head, the written statement format of Long Isun Village was found did not meet the requested format by District office, because it contains the signatures of the villagers, which shall be signed by Village officials only. Until now, the Long Isun has not yet submitted their revised statement, thus making the Naha Aruq Village also has not submitted their written statement to the District Office.

Based on document review and interview with the Camp Manager, it was found that FME has documented the chronology of this conflict resolution process with its supporting documents, such as correspondence between FME and Long Isun Village as well as with the District Office, and minutes of meetings with its participant list. Auditor also reviewed a statement letter made by FME Production Director dated on 9 October 2014 stated that FME revoke the complaint report to the police for Mr. Teodorus Tekwan together with Customary Chief and Village Officials of Long Isun and request the unconditional release of the concerned to the police.

According to the Camp Manager, FME will respect any decision made as long as it is agreed by both parties. However, there was a concern of FME if the village boundary is returned to the condition before the issuance of Kutai Barat District Head Decree No. 136.146.3 / K.917 / 2011 and the FME has committed trees harvesting in the territory of Long Isun, then they can be fined by Long Isun Village.

Accident records	Y <input checked="" type="checkbox"/> N <input type="checkbox"/>
Comments: FME record the accident record of report of identification and analysis on K3 2016. There were four work accidents occurred during 2015. Most of the accident	

occurred on FME's transportation and the follow up action taken by FME was to maintain their transport facility regulary and increase worker awareness to use PPE.

Training records

Y ☒ N ☐

Comments: FME conducted several training since previous year especially for Reduced Impact logging training. Other training that has been conducted by the FME were listed bellow. All documentation, certificate and training summary were kept in FME's main camp.

- Training from TNC on FSC standard, HCVF, trees and fauna identification, ArcGis – 15-17 April 2014 (certificate available)
- In house training for forest management security unit – 2 November 2013 (certificate available)
- Training of monitoring and evaluation system on HCV from Wana Aksara and WWF (attendance: David Hotasi S and Antonius Suyono – certificate available)

Operational plan(s) for next twelve months

Y ☒ N ☐

Comments: FME's operational for the next 12 months were available on the annual working plan (RKT).

Inventory records

Y ☒ N ☐

Comments: Comprehensive tree inventory record as the basis for forest management plan (RKU) for period of 2010-2019 was available in the "*Laporan Hasil Inventarisasi Hutan Menyeluruh Berkala (IHMB)*".

Harvesting records

Y ☒ N ☐

Comments: The report of actual harvesting record and annual harvesting target were available on each annual working plan (RKT). While montly harvesting record were kept on LHP.

APPENDIX I: FSC Annual Audit Reporting Form:

(NOTE: form to be prepared by the client prior to audit, information verified by audit team)

Forest management enterprise information:			
FME legal name:	PT. Kemakmuran Berkah Timber		
FME Certificate Code:	RA-FM/CoC – 005938		
Reporting period	Previous 12 month period	Dates	30 May 2015 – 5 June 2016

1. Scope Of Certificate			
Type of certificate: single FMU		SLIMF Certificate: not applicable	
New FMUs added since previous evaluation		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Group Certificate: Updated of FMU and group member list provided in Appendix VII-a:			
Multi-FMU Certificate: List of new FMUs added to the certificate scope:			
FMU Name/Description	Area	Forest Type	Location Latitude/Longitude ¹
PT Kemakmuran Berkah Timber	82,810 ha	Natural forest	114° 28' 55" - 114° 59' 26" BT dan 0° 54' 47" - 1° 15' 21" LU
	ha		
	ha		

2. FME Information	
<input checked="" type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank)	
Forest zone	Tropical
Certified Area under Forest Type	
- Natural	82,194.45 hectares
- Plantation	- hectares
Stream sides and water bodies	Linear Kilometers

3. Forest Area Classification			
<input type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank)			
Total certified area (land base)			82,810 ha
1. Total forest area			82,810 ha
a. Total production forest area		69,226 ha	
b. Total non-productive forest area (no harvesting)		10,026 ha	
- Protected forest area (strict reserves)	10,026 ha		
- Areas protected from timber harvesting and managed only for NTFPs or services	ha		
- Remaining non-productive forest	ha		
2. Total non-forest area (e.g., water bodies, wetlands, fields, rocky outcrops, etc.)			1,081 ha

4. High Conservation Values identified via formal HCV assessment by the FME and respective areas			
<input type="checkbox"/> No changes since previous report (if no changes since previous report leave section blank)			
Code	HCV TYPES ²	Description:	Area

¹ The center point of a contiguous FMU or group of dispersed properties that together comprise a FMU in latitude and longitude decimal degrees with a maximum of 5 decimals.

² The HCV classification and numbering follows the ProForest HCVF toolkit. The toolkit also provides additional explanation regarding the categories. Toolkit is available at <http://hcvnetwork.org/library/global-hcv-toolkits>.

HCV1	Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).	1.1. <i>Areas that contain or provide biodiversity support functions to protection or conservation areas[CT1]</i> 1.2. <i>Critically Endangered Species</i> 1.3. <i>Areas that contain Habitat for Viable Populations of Endangered, Restricted Range or Protected Species</i> 1.4. <i>Specific Habitats that are Used Temporarily by a Species or Group of Species</i>	10,626 ha 7,454 ha 7,454 ha 2,015 ha ha
HCV2	Forest areas containing globally, regionally or nationally significant large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.	2.1 <i>Large Natural Landscapes with the Capacity to Maintain Natural Ecological Processes and Dynamics</i> 2.2 <i>Areas that Contain Two or More Contiguous Ecosystem</i> 2.3 <i>Areas that Contain Representative Populations of Most Naturally Occurring Species</i>	55,660 ha 17,320 ha 6,120 ha ha
HCV3	Forest areas that are in or contain rare, threatened or endangered ecosystems.		82,810 ha
HCV4	Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control).	4.1. <i>Areas or Ecosystems Important for the Provision of Water and Prevention of Floods for Downstream Communities</i> 4.2. <i>Areas Important for the Prevention of Erosion and Sedimentation</i> 4.3. <i>Areas that Function as a Natural Break to the Spread of Forest or Ground Fire</i>	2,015 ha 815.776 ha 41,100 ha ha
HCV5	Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health).		2,308 ha
HCV6	Forest areas critical to local communities' traditional cultural identity (areas of cultural,		- ha

	ecological, economic or religious significance identified in cooperation with such local communities).		
Number of sites significant to indigenous people and local communities			-

5. Workers

Number of workers including employees, part-time and seasonal workers:			
Total number of workers	218 workers		
- Of total workers listed above	194 Male	24	Female
Number of serious accidents	4		
Number of fatalities	-		

6. Pesticide Use

<input checked="" type="checkbox"/> FME does not use pesticides. (delete rows below)
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APPENDIX II: Rainforest Alliance Database Update Form

Instructions: For each FSC certificate, Rainforest Alliance is required to upload important summary information about each certificate to the FSC database (FSC-Info). During each annual audit RA auditors should work with the certificate holder to verify that the information posted on FSC-Info is up to date as follows:

1. Print out current Fact Sheet prior to audit from FSC-Info website or direct link to fact sheets (<http://www.fsc-info.org>)
2. Review information with the FME to verify all fields are accurate.
3. If changes are required (corrections, additions or deletions), **note only the changes** to the database information in the section below.
4. The changes identified to this form will be used by the RA office to update the FSC database.

Is the FSC database accurate and up-to-date? YES ☒ NO ☐
(if yes, leave section below blank)

Client Information (contact info for FSC website listings)

Organization name			
Primary Contact		Title	
Primary Address		Telephone	
Address		Fax	
Email		Webpage	

Forests

Change to Group Certificate	<input type="checkbox"/> Yes <input type="checkbox"/> No	Change in # of parcels in group	total members
Total certified area		Hectares (or)	Acres

Species (note if item to be added or deleted)

Scientific name	Common name	Add/Delete

Products

FSC Product categories added to the FM/CoC scope (FSC-STD-40-004a)		
Level 1	Level 2	Species