## Non-Conformity Verification Report 2016

### FSC® FOREST MANAGEMENT

#### PT BELAYAN RIVER TIMBER

<table>
<thead>
<tr>
<th>Client number:</th>
<th>831447</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name contact person:</td>
<td>Dr. Untung Iskandar</td>
</tr>
<tr>
<td>Address client:</td>
<td>Gedung Manggala Wanabakti, Ruang 218 B, Blok IV, Jalan. Gatot Subroto, Senayan, Jakarta 12410, INDONESIA</td>
</tr>
<tr>
<td>Telephone:</td>
<td>+62 21 572.0204</td>
</tr>
<tr>
<td>Mobile:</td>
<td>+62 813.9277.4654</td>
</tr>
<tr>
<td>Fax:</td>
<td>+62 21 572.0204</td>
</tr>
<tr>
<td>e-mail:</td>
<td></td>
</tr>
<tr>
<td>Name/location of forest area:</td>
<td>Forest concession of PT. BELAYAN RIVER TIMBER, East Kalimantan, INDONESIA</td>
</tr>
<tr>
<td>Type of certificate:</td>
<td>Single FMU □ Multiple FMU □ Group</td>
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<tr>
<td>Date of issue of certificate:</td>
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<tr>
<td>Certificate registration code:</td>
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| Date and length of audit: | 21-22 October 2016 |
| Name of auditor(s):       | Supun Nigamuni (lead auditor), Muhammad Fajar (local expert) Enjang Asri (local expert) |
| Inspected sites:           | Block C, Forest concession of PT. BELAYAN RIVER TIMBER, East Kalimantan, INDONESIA |
| Report finalized:          | 11/03/2016            |

Certificate issued by: Control Union Certifications  
Address: Meeuwenlaan 4-6  
8011 BZ Zwolle  
Telephone: 0031 (0) 38 426 0100  
Fax: 0031 (0) 38 423 7040  
Email: fsc@controlunion.com  
Website: http://certification.controlunion.com  
Certifier (contact person): Mr. Jan Frans Bastiaanse
Table of Contents

1. REPORT ........................................................................................................................................... 3

2. CONVERSION TABLE .................................................................................................................. 3

3. THE AUDIT PROCESS .................................................................................................................... 4

   3.1 AUDIT TEAM AND QUALIFICATIONS ..................................................................................... 4

   3.2 DESCRIPTION OF VERIFICATION AUDIT ............................................................................. 4

4. NC REVIEW ....................................................................................................................................... 5

5. NEW NC’S IDENTIFIED ................................................................................................................... 12

6. ISSUES HARD TO ASSESS ............................................................................................................. 12

7. POSSIBLE ISSUES RELATED TO THE ADAPTATION OF THE LOCALLY ADAPTED STANDARD (ONLY APPLICABLE IN CASE A CUC LOCALLY ADAPTED STANDARD HAS BEEN USED) ......................................................................................... 13

8. CONCLUSIONS ............................................................................................................................... 14
1. Report

This report is the result of the findings of a NC verification audit, in order to assess if NCs raised during the previous audit(s) can be settled, especially in order to avoid suspension or withdrawal of the Certificate Holder’s certificate.

In case of any complaint or appeal with respect to findings and certification decisions taken by CUC, a dispute protocol and form is available on the CUC website (http://cucpublications.controlunion.com/) and can also be provided on request.

2. Conversion table

Data presented in this report should be in metric system units. If non metric system units are used, the following conversion rates shall be applied.

<table>
<thead>
<tr>
<th>Metric</th>
<th>Imperial</th>
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<td>25,4 mm</td>
<td>0,0254 m</td>
<td>6,45 cm²</td>
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<tr>
<td>1,000 m</td>
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<td>30,48 cm</td>
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<td>28,350 g</td>
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<td>0,02832 m³</td>
<td>1 cbc foot</td>
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<td>1 g=0,001 kg</td>
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<td>0,7646 m³</td>
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<td>1 l</td>
<td>0,21997 gallon</td>
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3. The audit process

3.1 Audit team and qualifications

<table>
<thead>
<tr>
<th>Qualifications</th>
<th>Supun Nigamuni</th>
<th>Lead auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CUC approved lead auditor for both Forest Management and Chain of Custody with 4 years international auditing experience. Having professional background in Forestry with B.Sc. Hons. First Class (Forestry and Environmental Science) and having successfully completed ISO 14001 Lead Auditor Training. 9 years experience as an environmental specialist in Sri Lanka and overseas. Currently responsible for managing Environmental Services for the Asian region which provides sustainability solutions for products, entities and activities. Also manages Forest Stewardship Council (FSC) certification activities for Control Union Certifications worldwide.</td>
<td></td>
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<tr>
<td></td>
<td>Muhammad Fajar</td>
<td>Local expert</td>
</tr>
<tr>
<td></td>
<td>Holds Bachelor degree in Forest Product Technology Management from Bogor Agricultural University (IPB). He is currently working as a Auditor mainly for the Forestry certification programme at Control Union Indonesia. He has 3 years working experience in forestry in Indonesia. Previously he has conducted several audits for FSC FM/CoC, PEFC, SVLK, with Control Union Indonesia.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Enjang Asri</td>
<td>Local Expert</td>
</tr>
<tr>
<td></td>
<td>Holds Bachelor degree in Forest Management from Universitas Gadjah Mada (UGM). She is currently working as a Auditor mainly for the forestry and RSPO certification programme at Control Union Indonesia. She has conducted several audits for SVLK, PEFC CoC, FSC FM/CoC, RSPO, RFS2 and URSA, with Control Union Indonesia.</td>
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</table>

3.2 Description of verification audit

Audit method
The audit initiated with an opening meeting, explained the objectives of the NC verification audit where the open NCs were discussed/reviewed. The documents were checked along with interviews for the better understanding of the activities carried out and the management system. The field visits were carried out on 22nd October 2016. Interviews were held with respective certification manager, production manager, foremen, and workers in both camps (main and production camps) also with field operators. On the last audit day the audit closing took place. The audit concluded with the closing meeting held at PT. BRT Main Camp on 22nd October 2016. During the NC Verification Audit, principle 4.2.3, 4.8 and 6.7.2, 4 can be closed.

Itinerary
### Additional techniques used for verification audit

Not Applicable

### Total number of person days spent on the verification audit

Total number of person days spent on the verification audit (=number of auditors participating number of days spent in preparation* and on-site visit**): 6 days

(3 auditors X 2 days preparation and on-site visit)

*: including review of documents, interviewing stakeholders

**: excluding travel to and from the region

### 4. NC review
Below an overview is given of the NC reviewed during the NC verification process, based on actions taken by the client/certificate holder to correct any NC’s identified at previous evaluations or subsequently and have remained with the status “open” since the last audit.

### NC 2015-10

<table>
<thead>
<tr>
<th>Standard Indicators</th>
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<tr>
<td>6.7.4</td>
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<thead>
<tr>
<th>Date found</th>
<th>Deadline for correction</th>
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</thead>
<tbody>
<tr>
<td>21-06-2014</td>
<td>Prior to lifting suspension</td>
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</table>

**Description of indicator:**
Fuel tanks and stores shall be located so that spillages from damage, defects or refueling shall not enter watercourses.

**Description of non-conformity:**
Prevention and collection of leaking oil is not sufficient installed at generators at both forest camps, consequently small amounts of oil can leak into the soil or water.

**Corrective action request:**
It shall be guaranteed that this NC is corrected and corrective action(s) has/have been carried out on the causes of this NC to minimize recurrence.

**Evidence received, and analysis of corrections and corrective actions provided for NC closure:**
- Oil leakage measures for the generators at both camps can be confirmed. Notices are erected at each site, and oil trap has been installed.
- Evidence: Generator Notices and photo evidence at both camps.

Although the particular issue is settled the NC not settled as repeated findings on raised under 2016-04 for the same criterion which demonstrates that the company has not implemented corrective action across organization. To be settled upon closure of NC 2016-04

**NC Verification**

From the record and field observation in both camps (main and production camp), it can be shown that the company has good commitment in implementing good waste management.

Such as:
- Sighted notice to do good maintenance in generator, including how to handle oil/grease leakage, in main camp and production camp.
- Better awareness of generator workers in both camp regarding how to handle fuel/oil leakage, how to prevent it and they also aware that oil/grease waste must be disposed in the hazardous waste storage in the main camp.
- A solid floor for generator in main camp and grease/oil trap to prevent the leakage.
- In the production camp, even though the generator floor is not solid floor, the company made pipes/hose to flow the leakage oil/grease to dedicated containers to store.

**Evidence:**
- Field observation
- Interview with Mr Daud as responsible person in Generator Main Camp
- Interview with Mr Setyono as responsible person in Generator Production Camp

**Status:** CLOSED 22-10-16

### NC 2016-01

<table>
<thead>
<tr>
<th>Standard Indicator</th>
<th>Category</th>
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<table>
<thead>
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<th>Deadline for correction</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Prior to lifting suspension</td>
</tr>
</tbody>
</table>
Description of indicator:

4.2.3: Workers (staff and contractors) shall be provided with safety equipment in good working order, appropriate to the tasks of workers and the equipment used.

4.2.4: Workers shall be prohibited from working without the personal protective equipment that has been provided.

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.

Description of non-conformity:

4.2.3: Workers are required to be provided with all safety equipment by the FME. If a worker needs equipment he will ask the Human Resources Manager. Discussion with the Certification Manager and through field verification interviews revealed that not all workers are currently fully equipped with PPE [e.g. one or more of - trousers, boots, shirt, helmet, hi-vis vest, gloves, goggles, mask - as appropriate to their task]. The reason given was linked to a new administrative ordering procedure from Head Office.

4.2.4: PPE was observed to worn by some workers. However owing to shortages, PPE was either not being worn and in some cases had not been provided to workers. Workers are permitted to work by the field foreman and FME Manager without the PPEs. Monitoring of workers is therefore considered to be ineffective. There was an admission that the FME is short of some management staff.

4.2.8: Workers are aware of safe practices through in house H&S training according to RIL [Reduced Impact Logging] guidelines covering H&S and Environment. In house training is based on documents prepared for both RIL and H&S with a record of those receiving training at the back of the documents used [a training list for all training was compiled during the audit]. Certification/Camp Manager communicated that there is currently a lack of available kits. The Medical Officer, and field inspections by the audit team, confirmed that workers in the field do not hold 1st Aid kits.

This is a repeat Major NC linked to previous NCs 2013-5, 2014-01, 2015-04 and therefore considered as a breakdown at the criterion level where previous corrective actions taken demonstrates insufficient. Certification is suspended as a result.

Corrective action request: It shall be guaranteed that this NC is corrected and corrective action(s) has/have been carried out on the causes of this NC to minimize recurrence [in exceptional cases additional text may be added to this CAR, provided that no advice is given].

Evidence received, and analysis of corrections and corrective actions provided for NC closure:

4.2.3, 4.2.4: Documents received on 5th July 2016:
1. penerimaan sepatu produksi.jpg (safety shoes receipt)
2. MONITORING APD BENGKEL.pdf (Workshop's PPE monitoring record)
3. Monit APD 13 JUN.pdf (PPE monitoring record on 13th June)
4. MONIT APD 20 JUN.pdf (PPE monitoring record on 20th June)
5. MONIT APD 27 JUN.pdf (PPE monitoring record on 27th June)

Document received on 5th July 2016:
1. POS SYSTEM MONITORING PENGGUNAAN APD 270716.pdf (SOP for PPE Monitoring)
2. KRITERIA APD RUSAK MASIH BISA PAKAI.pdf (criteria for inappropriate PPE)

From the documents received, it was observed that BRT has put efforts to replace all inappropriate PPEs. They are continuously replacing inappropriate PPEs with new ones. Some used PPEs are not replaced, with the proper justification.
Conditions/appropriateness of PPEs are being monitored regularly by the supervisors/managers, along with monitoring of work quality. The results are then reported weekly.

4.2.9: Document "pembagian kotak pppk" (first aid kit distribution) were received on 23-08-2016.

Document "PEMERIKSAAN ISI KOTAK PPPK.pdf" (First Aid Kit checking report) were received on 27-08-2016.

The FME has analyzed the root cause on why the NC was raised. As an effort to settle it, the FME has distributed first aid kits to various field staffs. A monitoring system is also in place, including replacement procedure and responsible persons appointments. The First Aid Kit pack contents are medicinal cottons, bandages, band-aids, alcohol swabs, antiseptics, foldable scissor, pins.

Documented evidence is sufficient however to be further verified during an NC verification prior to lifting suspension.

NC Verification

4.2.3 and 4.2.4
- During verification audit has been observed that workers are wearing complete sets of PPE.
- PPE monitoring to field workers as per division dated 3rd October 2016, 10th October 2016, 17th October 2016. The monitoring was done by foreman ("mandor"). The workers won’t be allowed to work if they are not wearing complete PPE.
- Based on interview with some field workers, they have better awareness regarding their safety procedure, such as PPE usage, first aid box and how to handle accident in the field.

4.2.8
- First aid kit box has been distributed to all relevant workers especially for workers who work in the field, such as distributed to tractor operator and monitored by the foreman ("mandor").
- Workers are also aware of first aid kit box replacement mechanism as well as responsible person and the communication line. First aid kit medicines/supplies are now stocked in the clinic.

Evidence:
- PPE Stock in logistic dated 22nd October 2016
- Record of PPE distribution dated 21st October 2016
- Record of PPE stock balance dated 22nd October 2016
- Interview with field workers with Mr Bart, Mr Seting, and Mr Edi (tractor operator)
- Interview with Mr Cornelius Juh (tractor operator)
- Interview with Mr. Agus Setiawan and Mr. Wilhelmus Loli Emi
- Interview with Mr. Jati and Mr. Achmadi
- Visit to logistics department and medical clinic

Status: CLOSED 22-10-16

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Description of indicator:
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.

6.7.4: Fuel tanks and stores shall be located so that spillages from damage, defects or refuelling shall not enter watercourses.

Description of non-conformity:
6.7.2: Camp was te is stored outside of the camp in an isolated land fill site. Waste oils are not stored/contained adequately. Waste oil is stored away from the immediate vicinity of watercourses within the camp, but there is no containment around the storage area to prevent leakage. If leakage occurs from the tanks, it was explained that sand is added, then dug up and buried to the side of the storage tank. There was evidence of contaminated soil on a down slope from the machinery workshop area, approximately 3 metres from a flowing watercourse. The workshop yard area showed signs of oil having previously drained/washed into the same area. There were no oil containment measures in place for the workshop area.

6.7.4: Main Camp - inspection of machinery workshop and immediate vicinity confirmed that there is no proper adherence to the SOP on waste management, concerning the refuelling station/fuel tanks, sited within 3 metres of a flowing watercourse. A diesel fuel hose [used for refuelling] was seen running slowly - it was concluded that fuel would enter the watercourse having drained into the soil. This raises questions concerning the worker attitudes at the Camp(s) and training/monitoring received from FME managers [the fuel storage area was later re-visited, the hose was observed to have been turned off].

This is a repeat Major NC linked to previous NCs 2013-10, 2014-04, 2015-10 and therefore considered as a breakdown at the criterion level where previous corrective actions taken demonstrates insufficient. Certification is suspended as a result.

Corrective action request: It shall be guaranteed that this NC is corrected and corrective action(s) has/have been carried out on the causes of this NC to minimize recurrence [in exceptional cases additional text may be added to this CAR, provided that no advice is given].

Evidence received, and analysis of corrections and corrective actions provided for NC closure:
6.7.2: Document received on July 1st 2016: PENGELOLAAN LIMBAH BRT(JUNI 2016).pdf

It was seen from the document that BRT has put efforts to improve their oil management in the workshop. They have cleared the polluted soil at the front side of the workshop, and then dispose the polluted soil into a pit. They are also constructs culverts at the workshop area to prevent direct contamination of the watercourse, also oil traps and solid flooring to prevent direct contact if any leakage occurs. To further improve their efforts, they also conduct socialization to all workshop workers, to improve their awareness of oil waste management.

6.7.4: Documents received on 22-08-2016:
1. PENCEGAHAN PENCEMARAN SOLAR.docx (NC analysis and efforts made to settle NC)
2. P.O.S Pemeriksaan Tangki Edisi 3..docx (3rd edition SOP for oil tank inspection)

A comprehensive analysis has been done by the FME with regards to this NC. They have identified the root cause (under clause C: lack of awareness from the stationed personels, lack of understanding in FSC indicator 6.7.4), as well as corrections made (under clause D: a dedicated container has been built to contain oil-contaminated soil, fuel hose replacement and solid flooring).

Corrective actions (under clause E) has also been made, as well as supportive actions (under clause F) to prevent reoccurrence. Socialization on the importance of preventing oil contamination has been given to personels stationed at the refuelling stations, and each personels are given a copy of oil tank inspection SOP. Concrete flooring with oil
traps has been constructed in the refuelling station, as well as dikes which acts as protective barriers to the nearby watercourse.

Although the comprehensive analysis and efforts has been made to close this NC, a field visit is required to determine the effectiveness of the actions.

**NC Verification**

**6.7.2**

PT BRT has good commitment in implementing its waste management procedure, it can be proved by:

- The company has a MoU with CV Sumber Agung as legal third party which stores hazardous waste. The company will contact CV Sumber Agung to take the hazardous waste (oil, fuel, spare part, container that can't be used, etc.), if the amount has been reached 50 tons.
- The company constructed new culvert in the workshop near watercourses to prevent direct oil/fuel vicinity of watercourses within camp.
- Workshop workers have better awareness regarding waste management, such as how to handle and prevent leakage oil/fuel/grease and waste disposal storage location.
- Workshop workers in production camp including tractor operator has good understanding how to prevent oil/fuel/grease leakage, such as put temporary container to store the leakage.
- Solid flooring for hazardous waste storage.

**6.7.4**

- Diesel refuelling station workers has good awareness how to prevent fuel/oil leakage.
- Solid flooring in refuelling station used for vehicle or tank which needs fuel refill.
- The company construct culvert near refuelling station to prevent direct contamination/vicinity of fuel leakage to water courses.
- The company also made oil traps to store leakage fuel/oil.
- Awareness training regarding waste management had been given by Mr Jati to diesel station and workshop workers.
- The fuel hose for refuelling also moved to the solid floor area therefore the fuel/diesel leakage won’t be drained in to soil or watercourses.

**Evidence:**

- Sighted hazardous waste management permit of CV Sumber Agung issued by Environment Agency of Kalimantan Timut Province (Badan Lingkungan Hidup) no 660.2/755/B.II.2/BLH/2013 dated 8th July 2013.
- Field observation in main camp workshop and production temporary workshop
- Field observation in temporary workshop near production camp
- Field observation in diesel refuelling station in both camps
- Interview with Mr Agung and Mr Ruyung (Refuelling station workers)
- Interview with Mr Badris (workshop)
- Interview with Mr Sting (tractor operator)

**Status:** CLOSED 22-10-16
of their operations that:
- Identifies affected groups
- Includes consultation with affected groups
- Identifies the main impacts of the operation on those groups
- Specifies measures to ameliorate identified negative impacts

**Description of non-conformity:**
There is evidence of active communication with village communities in planned and active working blocks. A social management plan is in place, and an SOP SIA [social impact activities] is available. There is also a register of social related activities. However, the SIA report for the whole FME was last completed in 2012. The SOP requires that the SIA is conducted annually for all villages. The practice has been to consult with villages the year before a Blok is worked. NC is graded as Minor as this is the first time this issue has been highlighted.

**Corrective action request:** It shall be guaranteed that this NC is corrected and corrective action(s) has/have been carried out on the causes of this NC to minimize recurrence [in exceptional cases additional text may be added to this CAR, provided that no advice is given]

**Evidence received, and analysis of corrections and corrective actions provided for NC closure:**
Observations during NC Verification

The company conducted SIA in 2012 based on their operational location at that time, therefore there are some villages which are not included in SIA report. But PT BRT plan to do SIA for all villages around the company, it can be shown that they made some actions and planning to close this NC.

- In 24th September 2016, the company had been doing socialization regarding indigenous people rights and social impact assessment in Desa Muara Tiq as village near with Block A. The socialization and consultation is done by Mr Puguh as Human Relation officer.
- In 25th October 2016, the company will conduct stakeholder consultation and social impact assessment in Desa Mamahak Besar and Desa Mamahak Hulu as villages around Block C to close the NC. The responsible person to do the stakeholder consultation is Mr Marjiyono as “Binhut”.

Corrective actions to be further evaluated during re-evaluation before settling the NC.

**Status:** OPEN

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<th>Category: Minor</th>
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<td>1.06.2016</td>
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**Description of indicator:**
Where degraded sites are identified in the FMU, the silviculture and/or management systems shall include a program for the restoration of these sites.

**Description of non-conformity:**
The company adopts the TPTI [Indonesian Selective cutting] silvicultural system. The system relies on natural regeneration and only allows enrichment planting for land rehabilitation [e.g. log landings, skid roads] due to soil compaction and or erosion. FME managers demonstrate awareness and understanding of implementing TPTI in the field. The programme for restoration follows TPTI [3 month inspection after planting, followed by 6 monthly inspections up to 3 years from planting date]. The majority of reinstated sites observed in BLOK 2012 had stocking levels of 50% or less. Other more recently worked Bloks [under 3 years] exhibited similar stocking levels. This raises questions whether methods used to ensure that adequate stocking is achieved are working properly. There does not appear to be a system in place to ensure that adequate reinstatement is achieved at the end of the 3 yr monitoring period.
Corrective action request: It shall be guaranteed that this NC is corrected and corrective action(s) has/have been carried out on the causes of this NC to minimize recurrence [in exceptional cases additional text may be added to this CAR, provided that no advice is given].

Evidence received, and analysis of corrections and corrective actions provided for NC closure:

Observations during NC Verification

The company has analysed the root cause of less stocking levels which are:
- In 2012, the company just started making new nursery in Block C, in that time the seedlings is not ready to be planted for Block 2012 even though they planted in the rainy season.
- Lack of knowledge of nursery workers regarding the needs of seedlings adaptation’s plot before seedlings planted in the field.
- Very long dry season in 2015 caused most of company’s planting dead.

Corrective actions:

The company has done rehabilitation maintenance and monitoring as per rehabilitation SOP (SOP no BRT/TPTI-02/02) dated 10th March 2010, stated that monitoring needs to be done in 3 months and 6 months afterward. The rehabilitation staffs are also aware to do monitoring such as replanting and soil maintenance as per SOP timeframe. However, the NC was about the effectiveness of the rehabilitation program which was done by company, because stocking level in block 2012 is similar with stocking level block 2015. Therefore, to improve their bad rehabilitation result in block 2012 – 2013 due to long dry season in 2015, the company plans to improve their maintenance practice by adding fertilizer to the block which has low stock level. The monitoring and maintenance planning and record are available. But the NC cannot be closed since we can’t see whether adding fertilizer can be an effective method to improve their rehabilitation program in regards to stocking level improvement or not.

- Sighted report of rehabilitation maintenance report that was done in 21st March 2015 – 20th April 2015 in block 2012.
- Sighted rehabilitation plan 2016, dated 1st October 2016, in Block 2012 and Block 2013 by improving their planting maintenance (adding fertilizer to planting areas).
- Interview with Mr Jati Nusantara
- Interview with Mr Suhartana as forest rehabilitation staff.

Status: OPEN

5. New NC’s identified
None

6. Issues hard to assess
None
7. Possible issues related to the adaptation of the locally adapted standard (only applicable in case a CUC locally adapted standard has been used)

None
8. Conclusions

☑ All Major NC’s are closed, but follow-up is required for the minor NC’s are issued. Certificate can be re-instated.