Corrective Action Verification Audit (CVA) Report

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<th>Organization:</th>
<th>PT. Sari Bumi Kusuma</th>
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<tr>
<td>Cert/Ver/Val Code:</td>
<td>RA-FM/COC-002645</td>
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<td>Report Date:</td>
<td>March 29, 2017</td>
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I. AUDIT PROCESS

Auditor, Qualifications: Lely Puspitasari (Lead auditor)

Lely graduated from faculty of forestry, University of 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 Forest management and chain of custody lead auditor training, fulfills ISO training requirement FSC-STD-20-001, Annex 2, 1.2. She has been a part of several FSC FM and VLC audits in Indonesia.
II. NON-CONFORMITY REPORT (NCR) EVALUATION

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<th>MAJOR NCR#</th>
<th>NC Classification</th>
<th>Major X</th>
<th>Minor</th>
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<tr>
<td>03/15</td>
<td>FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Indicator 4.2.3 and 4.2.7</td>
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Report Section: Appendix IV

Description of Nonconformance and Related Evidence:

**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.

Audit Date(s): 7 - 8 March 2017

CVA Type: Desktop review

On-site Location(s): Central Kalimantan

Audit Overview:
The opening meeting was held on March 7 and attended by the management staff from Jakarta office, Pontianak office, and site office. The FME has sent corrective action documents prior to field evaluation and the document review was carried out prior the field visit and during field visit in main camp KM 35. Field observations were conducted on March 7. The auditors visited active harvesting site in RKT 2017 (harvesting year 2017) in compartment Q28, worker camp in KM 72 (workshop), worker camp in KM 93 (logging), and buffer zone along Posang river KM 84. The auditors interviewed 20 workers, worker union and other staff, (including a group discussion in camp KM 72 and main camp KM 35), and 4 management staff. On March 8, the auditors conducted documents review and, interviews including a discussion with the worker union, A closing meeting concluded the on-site evaluation.

Changes to Scope since last Audit: There has been no change since last audit.
4.2.7 *Health and safety measures comply with national minimum requirements.*

**Finding:**
Some PPEs were not provided by the FME and some workers did not receive all the required PPE appropriate for their task. The FME management staff explained that this issue has been brought up several times by the staff to the upper management level, but no attention has been given. The provision of relevant PPE by the FME is mandatory and required by law (i.e. Permenakertrans PER.08/MEN/VII/2010).

2016 Finding:
Based on field observation in active harvesting site, it was found that worker has been equipped with a complete PPE. However, interview with several workers indicated that the worker bought some of their own PPE if the PPE has broken and new PPE was rarely supplied by the FME. Not all PPE requests submitted by workers (collectively by each camp group) have been distributed. PPE condition used by workers some of them were not proper for their working condition such as welding googles, gloves and shoes used in workshop. There was no monitoring system to ensure proper PPE used by each worker as well as PPE distribution to workers.

SOP for Health & Safety (SOP/SOS/HR/08, 1st April 2011) does not refer to the updated regulation (PP 50/2012 for implementation of health & safety management/SMK3). Four employees have had K3 certification valid until 8th of November 2016. Socialization about K3 had been conducted by FME along with RIL socialization in April 2015 attended by staffs and workers, including field operators. FME also has created K3 committee (P2K3), however an intensive SMK3 program as stated in PP 50/2012 such as developing SMK3 policy, planning of SMK3 program based on HIRA (Hazard Identification Risk Assessment) approach, implementing K3 plan, monitoring and evaluating K3 implementation, and assessing K3 performance has not been conducted. The report of health & safety only available for work accident analysis.

The FME provided additional evidence of the PPE stocks and distribution to the worker, however field observation is needed to verify the conformance.

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<td><strong>Timeline for Conformance:</strong></td>
<td>3 months from report finalization date</td>
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| Evidence Provided by Organization: | - List of PPE ordered by FME  
- List of PPE distribution to worker  
- Document of P2K3 (Health and safety committee) establishment  
- Document of PPE monitoring  
- Health and safety system (SMK3) manual  
- Interview with staff and workers |
| Findings for Evaluation of Evidence: | The FME has established P2K3 (health and safety committee) on December 5, 2016. The P2K3 consists of eight members who are responsible to plan and implement the health and safety (SMK3) policy. The FME provided the health and safety system manual that includes health and safety measure based on hazard identification risk assessment. The FME also provided letters to be signed by all workers stating that the worker is required to wear proper PPE as per their working conditions. The counter signed letters are kept in FME’s main office.  
The FME provided the revised health and safety manual (SMK3 manual) that has been updated as per the national regulation. The P2K3 committee also established a monitoring system for PPEs. The documents of PPE monitoring and PPE purchased order documents were presented to the auditor during document review.  
The auditor interviewed 3 workers in an active harvesting site (compartment
Q28, 4 workshop technicians, and P2K3 committee members. Based on the interviews, all interviewees confirmed that the FME has distributed new PPE in January and March 2017, and has established a system to monitor and replace broken PPE with new PPE. The block supervisor (mandor) is responsible to monitor the use of PPE and its distribution. The auditor verified all workers in active harvesting site compartment Q28 have been equipped with new PPEs such as safety boots, gloves, helmet, high visibility vest, and ear plug (for chainsaw operator). Interviews with workshop operators also confirmed that the FME has provided new PPE in workshop KM 72 such as goggles, boots, gloves, helmet and mask.

Based on the evidence above, organization has met the requirements of the indicators 4.2.3 and 4.2.7, and this NCR is closed.

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<td>Standard &amp; Requirement:</td>
<td>FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Indicator 4.2.14</td>
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<td>Report Section:</td>
<td>Appendix IV</td>
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**Description of Nonconformance and Related Evidence:**

**4.2.14: FME shall implement a periodic review on the welfare of employees.**

**Finding:**
Although there were some physical improvements to staff/workers’ facility over the years, there was no documented record that such welfare review has ever been done. The last review on staff income was done in back in 2012, but this is not done regularly. As this indicator requires a periodic review and the FME does not have a regular plan/schedule for such review, this is raised as minor NCR.

**2016 Finding:**
The FME has conducted review on workers welfare in 2012 among others concerning employees needs, analysis the factors that affecting employees welfare, effect of employees welfare on employees performance, work accident analysis, reward & punishment system, employees economic welfare program, etc. However, the welfare review is not conducted periodically and there was no record of worker welfare has been conducted after 2012.

**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:**
3 months from report finalization date

**Evidence Provided by Organization:**
- Review on the welfare of employee (Kajian kesejahteraan karyawan), December 2016
- Letter of management’s feedback on welfare review (No. 555/XII/SBK/PTK/2016), signed by the director.
- Announcement letter on the monthly salary payment that due on 25 each month (No. 102/III/SBK/PTK/2017), signed by the director.
- Interview with staff, workers and worker union committee

**Findings for Evaluation of Evidence:**
The FME has conducted an analysis of welfare review in December 2016 (Sistem kesejahteraan karyawan). The analysis covers several issues...
identified on the field during 2012-2016 such as staff turnover, working hours, social security and health and safety system, payday schedule, training, welfare review based on current economic conditions, as well as the worker union agreement with the management based on the latest regulation.

The welfare analysis team provided several recommendations for the management to resolve the issues noted above. The recommendations are as follows:

- The FME should consider conducting the welfare review once every two years.
- Policy or information that may be affecting worker conditions shall be informed and socialized through the worker union.
- FME's policy and regulation shall be consistent with the latest government regulations.
- Social insurance (BPJS ketenagakerjaan) should be paid on time.
- Improvement of the health and safety and worker welfare socialization.

This welfare analysis has been sent to the upper management and feedback from the director also has been documented on Letter of management's feedback on welfare review (No. 555/XII/SBK/PTK/2016). The management has agreed to use the result of the welfare analysis as one of management considerations on the decision-making process, particularly the decision related to worker condition. Besides that, the management also provided the auditor with announcement letter on salary payment that is planned to be completed on 25th each month.

Based on the evidence above, the organization has met the requirements of the indicator.

NCR Status: CLOSED

Comments (optional):

MAJOR NCR#: 07/15  NC Classification: Major X Minor

Standard & Requirement: FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Indicator 5.5.3

Report Section: Appendix IV

Description of Nonconformance and Related Evidence:

**5.5.3**: FME shall protect riparian zones along all watercourses, streams, pools, springs and lakes/pones, consistent with the requirement of national regulations or best management practices.

**Finding:**
Auditor found that riparian buffer zone at Logyard (TPK 84) were not maintained according to the best management practice adopted by FME (RIL). As the LY is located next to a river (Posang River), the disturbance resulting from the activities in the LY was visible affecting the river. The physically existing riparian buffer at TPK 84 was found less than 10 m.

It was also found that buffer zones of some intermittent water bodies were not consistently maintained. The FME staff explained that some of those water bodies were not necessarily natural, as they might be developed/emerged during the road construction. While it is unclear whether those water bodies emerged naturally or as results of road construction, it was mentioned that some of the visited water bodies have been
around for decades, thus it appears natural and provides habitat for aquatic flora and fauna.

The FME staff advised that such buffer for standing water bodies and small intermittent streams has not been considered as important to the same degree as buffer on permanent river for example. Therefore, there is no SOP for buffer on intermittent stream and standing water bodies, even though per RIL guideline adopted by FME, streams inundated with water for at least 2 month should be buffered.

The lack of buffer on these water bodies as non-conformity to this indicator and this has caused that such water bodies are not protected from sediments carried by surface runoff, which may lead to the siltation problem. But since it does not affect all water bodies, this is raised as a minor NCR.

2016 Findings:
Based on field observation, FME has regular monitoring of riparian buffer zone maintenance and planting local trees in ex logyard TPK 84 that located near riparian buffer zone. However, based on document review of harvesting plan maps and interview with the staff in active harvesting indicated that the map has not completed with riparian buffer for small river, therefore logging was still occurring near the small river. FME’s procedure for buffer zone only consider the river with 5-10 m width, 11-20 m width, and more than 21 m. Small water bodies or river less than 5 m has not considered in FME’s procedure and planning.

During the report writing phase, the FME provided the auditor with the revised procedure of buffer zone that has been includes the small water bodies as per RIL guideline. FME also provided the planning and realization maps of compartment CC09, CC10, DD09, DD10 that has been buffered based on the revised procedure. However, field verification is needed to verify this corrective action, therefore this NCR remain open and upgraded to major.

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- Report of river buffer zone maintenance (Posang river) KM 84  
- Procedure of skidding trail planning (SOP/PRO/PC/014)  
- Procedure of buffer zone planning (SOP/PRO/PC/015)  
- Procedure of working area planning (SOP/PRO/PC/002 Penataan areal kerja/PAK)  
- Map of skidding trail plan and river buffer zone in block II TPTJ (Selective Cutting and Line Planting Silvicultural System) RKT 2017, in compartment Q25-28 and R25-27  
- Interview with staff and workers |
| Findings for Evaluation of Evidence: | FME provided the auditor with a revised procedure for buffer zone planning (SOP/PRO/PC/015). This procedure elaborates the river classification and buffer requirements for each classification. The buffer zones classifications are as below:  
1. River with < 21 m width (class 1) shall be buffered 50 m  
2. River with 11-20 m width (class 2) shall be buffered 25 m  
3. River with 5-10 m width (class 3) shall be buffered 10 m  
4. River with > 5 m width (class 4) shall be buffered 5 m  
River with class 1 and 2 are buffered in the field and mapped during PAK (Penataan areal kerja/working area planning) activity or two years prior to harvesting. Buffer zone maintenance for class 1-2 have been conducted annually. The auditor visited buffer zone along the Posang river to verify the buffer maintenance.  
Buffers for small rivers and intermittent streams (class 3 and 4) are mapped during skidding trail planning (RKT 2017, compartment Q25-28 and R25-
Buffers for small rivers and intermittent streams are not marked in the field, however the FME’s planning department are responsible for removing the harvestable trees located within the buffer zone from the working maps and tree maps. The FME presented the working maps for compartment Q25-Q28 and R25-R27 that has been equipped with class 2, 3 and 4 river buffers.

Auditor visited active harvesting in compartment Q28 and interviewed the chainsaw operator and block inspector (BI). Both chainsaw operator and block inspector were aware of the buffer zones requirements and confirmed that the harvesting is based on the tree maps prepared by the planning department. Auditors were provided with the tree maps used by each chainsaw operator and block inspector. The chainsaw operator only harvested the trees with barcode label and as identified on the tree map. The block inspector is responsible to monitor the harvested trees and mark it on his tree maps for post harvesting record. The auditor visited the intermittent stream (class 4) near the harvesting site Q28 and verified that there was no harvestable tree label near the intermittent stream, only protected tree label found near the stream.

Based on the evidences above, the requirements of the indicator have been met and this NCR is closed.

NCR Status: CLOSED
Comments (optional):

MAJOR NCR#: 03/16  NC Classification: Major X  Minor
Standard & Requirement: FSC-STD-IDN-01-01-2013 Indonesia Natural, Plantations and SLIMF EN Harmonised, Indicator 4.2.6
Report Section: Appendix IV

Description of Nonconformance and Related Evidence:

4.2.6: 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.

Based on interview with field workers who stayed in the Log pond camp, Production camp (KM 93), workshop logging camp (KM 72) and Nanga Nuak base camp (KM 34), it was found that it has been for more than a year that the daily meals provided by the FME to the workers only consist of rice and instant noodles. Other daily supply like vegetable and protein was arranged by the canteen worker with the collective contribution with the worker. This issue has been affecting all level of worker and staff for more than one year. This is not in accordance with the ILO Code of Practice on Safety and Health in Forestry Work stating that the nutrients provided must be balanced between carbohydrates, fats and animal proteins. Given this condition has been going on for long enough and given an impact to almost all workers and staff who stay in the camps, the finding is raised as major NCR.

The FME provided additional evidence related to FME’s SOP for daily meals supply for employee, list and schedule of food supply and documentation of vegetable and protein distribution to the employee. However, field verification is needed to verify this corrective action.

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: 3 months from report finalization date
Evidence Provided by - List of food supply from Cooperative (January – March 2017)
### Findings for Evaluation of Evidence:

The FME provided the auditor with a list of food material ordered by the cooperative and the record of food supply distribution to the camp (25 kitchens in 11 camps) from January to March. The FME has started to distribute complete food material (carbohydrate, vegetables, animal proteins, and vegetable proteins) since December 2016 and started to record the monitoring of food supply (the type and the amount of food materials) since January 2017. The food supply distribution is scheduled every 5 days and the kitchen supervisor is responsible to record the supply and the daily menu. The monthly report of the food is sent every end of the month to the main camp KM35. The food supply provided by the FME includes vegetables, animal protein (eggs, chicken, dried fish), and vegetable protein (tofu, tempe).

The auditor visited the camp for mechanic workers in KM72 and conducted group discussion with the kitchen workers and kitchen supervisor. During the interview, the workers confirmed that the FME has improved the food supply since end of 2016 by providing vegetables, eggs, and vegetable proteins and has been improved with animal protein (chicken, dried fish, etc.) since January. Auditor also visited logging camp in KM93 to interview the workers and verified that the complete food supply has been distributed as well. Interview with workers at harvesting sites and worker unions also confirmed that there has been improvement in term of food supply, and specifically that the FME not only provides carbohydrate but also completed with fresh vegetables, vegetable proteins (tofu and tempe), and animal proteins (eggs, dried fish and chicken). From three times a day meals, the workers were provided with carbohydrates and vegetable on each meal and at least once a day the worker is provided with animal protein.

Based on the above evidence, requirements of the indicator have been met and the NCR is closed.

### III. CONCLUSIONS

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#### NCRs Closed:
- ☒ No follow-up required related to closed NCRs
- ☐ Original NCRs closed and new NCR(s) issued, see section IV below

#### NCRs Open:
- ☐ Certification/Verification/Validation not approved; conformance with NCRs required
- ☐ Major NCRs not closed; suspension of certification/verification required
- ☐ Minor NCRs are upgraded to Major; see section IV below
- ☐ New NCR(s) issued, see section IV below
Comments/Follow-up Actions:

IV. OPEN NCRs
Newly issued or upgraded NCRs:

No new NCRs issued.

V. AUDIT REPORT APPROVAL

Note: a formal Q-09 Report Review and Approval (RRA) Checklist conducted by an independent, authorized reviewer is required when the CVA results in certificate/verification/validation issuance or suspension/termination, or when there is a change in scope. In all other cases, the report may be approved with the 2nd checkbox below by an authorized RRA reviewer which may be the CVA auditor, or by a Senior Auditor.

☐ Refer to separate Q-09 RRA Checklist
☒ Report approved by way of this checkbox
Approved by: Christine Korol
Date: March 29, 2017
☒ Salesforce has been completed with applicable files uploaded, and is updated based on any changes to the Organization details or other areas relevant to the CVA.