Corrective Action Request Verification Report

| Organization Name: | PT. Sari Bumi Kusuma |
| Certificate Code:  | SW FM/COC 002645    |
| Location:          | Central Kalimantan, Indonesia |
| Report Date:      | November 30, 2009 |

I. AUDIT PROCESS

Auditor, qualifications: Irwan Gunawan, Forestry Services Manager of Rainforest Alliance-Smartwood program for Asia Pacific region. He holds a bachelor degree in forestry from Bogor Agricultural University. Before joining Smartwood in March 2009, he worked for WWF-Indonesia as GFTN-coordinator and other several programs related to corporate engagement in forestry. November 30, 2009
Review process:
(Documents reviewed, persons interviewed, etc.)
Auditor reviewed FME's documents which were submitted to SW on July 2009 combined with findings from Annual Audit 2009:
The following documents were reviewed during this CVA:
1. Laporan Identifikasi Hak dan Kawasan Tradisional Masyarakat Desa (for 9 villages); (Report on Identification of the Communities' Rights and Traditional areas of the Villagers (9 Villages).
2. Laporan Kegiatan Perladangan oleh Masyarakat Desa Hutan; (Report on the Shifting Cultivation by Villagers)
3. Laporan Monitoring Usaha Pengolahan Kayu dan Atap Masyarakat Desa di Dalam dan Sekitar Kawasan IUPHHK; (Report on Monitoring of Local Timber & Roof Processing by The Villagers inside and adjacent to the FME's area)
4. Laporan Kegiatan Pengelolaan Hutan Serta Pengukuhan Kawasan-kawasan Penting dan Dilindungi Pada Areal IUPHHK. (Report of Management and Establishment of Important and Protected Areas inside the The FME's area.
6. Rencana Program Kegiatan Pembinaan Masyarakat Desa Hutan 2009; (Planning of Community Development Program 2009)
7. Laporan Evaluasi Kegiatan Pembinaan Masyarakat Desa Hutan. (Report on the Evaluation of Community Development Program)
8. Prosedur Penilaian Dampak Sosial; (Prosedur of Social Impact Assessment)

Audit overview:
FME submitted relevant documentation to demonstrate the evidences in meeting the required actions of this CAR.
The document was sent in sequence with the documents for verification of Major CARs and evidences for Annual Audit 2009 which was conducted on July 2009.

Changes to procedures since last audit:
This CAR was referenced to criterion 4.4.1 of FM interim Standard for Evaluating Forest Management in Indonesia version 2006. However changes in this particular criterion was not found on FM Standard version November 2008.

II. CAR REVIEW

Note: Paste full CAR tables from last audit report

<table>
<thead>
<tr>
<th>CAR #: 11/07</th>
<th>Reference Standard #: 4.4.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>No socio-economic impact evaluation has been carried out by the company to determine impacts of management activities on the local people’s livelihoods.</td>
</tr>
</tbody>
</table>
The company shall carry out a socio-economic impact assessment on all forest management activities and include the results of the assessment as input for revising the management plan. Company shall also develop and implement a system for ongoing monitoring of socio-economic impacts, consultation and document this process and how results are used to adapt management planning and operations. (i.e., adaptive management)

<table>
<thead>
<tr>
<th>Timeline for Compliance:</th>
<th>Two years after the certificate is granted.</th>
</tr>
</thead>
</table>
| Audit findings:         | The FME has carried out social impact assessment in 5 villages at the time of the audit and it plans to complete the 6 other villages in 2010. In addition, It has completed the identification of indigenous people’s land use rights and traditional areas in 9 villages in June-July 2009. The reports depicted mapped boundaries, general condition and history of the villages, traditional rights related to cultures and local customs and activities to meet the basic needs to sustain that livelihood. It was verified that for each village the FME signed written agreement for mutual agreement and respect of the the both parties’ existence, rights and responsibilities.  

The members of the communities who were being interviewed during the audit provided auditor with information that the FME has made improvement related to the community development program. Consultations have also been verified to be carried out by the FME prior to the operation, i.e. logging and land preparation. The communities members interviewed by auditor were from Tanjung Paku and Tumbang Keburai Village that are situated inside the FME’s area. 

The FME provided a report on the consultation of the FME’s operation with the local communities held on April 2009. The consultation covered subjects related to the activities carried out by the FME during the ongoing operational year beside the logging: i.e. tree inventory, planting, research, establishment of protected zones and forestfire and the impact of shifting cultivation. The feedback from the communities were also recorded, among others to mentioned, relocations where the communities can gather the woods for their non-commercial needs, questioning the impacts of shifting cultivations and ways to seek better agricultural techniques and collaboration to suppress the forest fires. The response from the company were also recorded in the report. 

The operational document for social aspect is reflected in the PMDH (Community Development program for the villages affected by the forest operation) Annual program planning. The program primarily contains 5 major areas: intensive agriculture, local economic generation, infrastructure development, socio-culture and conservation of natural resources. 

The Community Development Unit has also been restructured and expanded by the FME to cover all villages and aimed at enhancing and maintaining the communication with the local communities. It was noticed that the community member in Tumbang Teberau confirmed that the new liaison staff has been more open, communicative and blended with the locals. It has brought better relationship between the community and the FME. 

In the report, it was noted that the FME has increased the budget for community development by 41.6% y-to-y, the budget is primarily to
cover the following:
1. Building Schools, from kindergarten class to junior high school.
2. Teacher Support program.
3. Scholarships for the students and communities members up to university level.

From above findings, it is considered that CAR 11/07 can be CLOSED.

Status: CLOSED

Follow-up Action
(if applicable):

III. CONCLUSIONS

Audit Conclusions:
- CAR(s) closed
- No follow-up required
- New CAR issued
  (document new noncompliance in CAR table below)
- CAR(s) open
  - Company shall be suspended (Major CAR is not met)
  - Minor non-conformance has become a major non-conformance
    (see CAR tables below)

Comments/Follow-up actions at next audit:
None noted

Report Approved by: Gabe Bolton, Certification Quality Manager
Date: December 1, 2009

NOTE: Report approval is required when auditor is not an authorized to approve SW reports or when the audit conclusion is suspension of the certificate.