Forest Management
Controlled Wood
Annual Audit Report for:

PT Bina Silva Nusa
in
West Kalimantan, Indonesia

Certificate: RA-CW/FM-006154
issued on November 20, 2012
type: single FMU

Auditors: Wahyu F Riva & Happy Tarumadevyanto

Audit Dates: 28 November-2 December 2013
Report Finalized: 4 March 2014

Certificate holder information:
Primary contact: Mr. Fairus Mulia
Address: Komplek Villa Lestari No. 1 Jalan Arteri Supadio, Pontianak, Kalimantan Barat, Indonesia
Phone / Fax: (62-561) 581416 / 581417
Webpage: -
Contract signer: Djaya Iskandar

This report is based on following standard(s):
FSC-STD-30-010 (version 2-0, approved 4th October, 2006)
# TABLE OF CONTENTS

1. INTRODUCTION .......................................................................................................................... 3

2. AUDIT CONCLUSIONS .................................................................................................................. 4
   2.1. AUDITOR RECOMMENDATION ........................................................................................... 4
   2.2. CORRECTIVE ACTION REQUESTS ..................................................................................... 5
   2.3. OBSERVATIONS .................................................................................................................. 5
   2.4. ACTIONS TAKEN BY COMPANY AFTER THE AUDIT AND PRIOR TO REPORT FINALIZATION .... 6

3. AUDIT PROCESS ............................................................................................................................ 6
   3.1. AUDIT SCHEDULE/ITINERARY ........................................................................................ 6
   3.2. AUDIT TEAM AND QUALIFICATIONS .............................................................................. 7
   3.3. AUDIT DETAIL .................................................................................................................. 7

4. STAKEHOLDER CONSULTATION .................................................................................................. 8
   4.1. STAKEHOLDER CONSULTATION PROCESS ..................................................................... 8
   4.2. STAKEHOLDER COMMENTS RECEIVED .......................................................................... 8

APPENDIX I: Audit and Non-Conformance Findings ........................................................................ 10
1. INTRODUCTION

This report presents the findings of an independent evaluation conducted by a team of specialists representing the SmartWood Program of the Rainforest Alliance. The purpose of the evaluation was to evaluate the ability of the company to supply controlled wood as defined by the Forest Stewardship Council (FSC) in the *FSC standard for forest management enterprises supplying non FSC-certified controlled wood (FSC-STD-30-010, version 2-0)*. The intent of this standard is to allow forest management enterprises to supply FSC Controlled Wood to FSC chain-of-custody certified operations for mixing with FSC certified materials in production of FSC mixed products.

Compliance with the specified controlled wood standard allows forest management enterprises (FME) to provide evidence that the wood they supply has been controlled to avoid wood from the five controversial categories defined by FSC. Controversial categories include wood that is: 1) illegally harvested, 2) harvested in violation of traditional and civil rights, 3) harvested in forest management units in which high conservation values are threatened by management activities, 4) harvested in areas in which forests are being converted to plantations or non-forest use or 5) harvested from forests in which genetically modified trees are planted. FSC-STD-30-010 provides the basic requirements at the forest management unit level to demonstrate that wood from the FME’s forest area(s) is controlled. Products from verified controlled sources can be used by manufacturers mixing FSC-certified wood and controlled wood.

This report contains three main sections and several appendixes. The main part of the report will become publicly available and may be distributed by SmartWood or the Forest Stewardship Council (FSC) to interested parties. All the appendices are confidential, to be reviewed only by authorized SmartWood and FSC staff and reviewers bound by confidentiality agreements.
2. **AUDIT CONCLUSIONS**

2.1. **Auditor Recommendation**

<table>
<thead>
<tr>
<th>Controlled Wood Category</th>
<th>Conformance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Illegally harvested wood</td>
<td>Yes □ No ☒</td>
</tr>
<tr>
<td>2. Wood harvested in violation of traditional and civil rights</td>
<td>Yes □ No ☒</td>
</tr>
<tr>
<td>3. Wood harvested from forest areas where high conservation values are threatened by forest management activities</td>
<td>Yes □ No ☒</td>
</tr>
<tr>
<td>4. Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses</td>
<td>Yes □ No ☒</td>
</tr>
<tr>
<td>5. Wood harvested from genetically modified trees</td>
<td>Yes □ No ☒</td>
</tr>
</tbody>
</table>

Based on Company’s conformance with SmartWood/FSC requirements, the auditor makes the following recommendation:

- **FSC Controlled Wood Certificate approved:**
  - No CARs issued

- **Certification not approved:**
  - Conformance with Major CAR(s) required

**Comments:** FME has long-term management plan (10-years forest management plan for 2009-2018) and annual management plan (2013). FME also has guidelines and procedures for the implementation of FSC controlled wood standard documented in *Panduan Pelaksanaan FSC Controlled Wood Versi 1-0*, 23 May 2011.

FME has implement management system documented in Report on Management and Monitoring of HCVF for 2013, Report on Management and Monitoring of Environmental (RKL/RPL) for 2013, and Report on Social Management for 2013. FME also has implement harvesting and traceability wood system documented in several documents such as Report on Production (*Laporan Hasil Penebangan*), transportation of timber documents (*FA-KB* and *DKB*), and sales document (Invoice and packing list).

Audit team has reviewed all of these documents and concluded that the system is capable of ensuring conformance with all the requirements of the FSC Controlled Wood standard over the whole forest area covered by the scope of the evaluation.

**Comments:** Based on result of assessment in 2012, Audit team has issued Minor 01/12 regarding FME shall provide equal access to information to the members of local communities in the surrounding villages. At the time of audit, FME has
demonstrated, subject to correction of the identified non-conformances and accordance with the Stakeholder Consultation procedure (BSN-PRO-1.3-ED.01).

The audit team also observed all key aspects of FME forest operations, including forest planning, harvesting, replanting, CoC implementation, conservation, and social management. Based on review of documents and observation of management system implementation, the audit team concluded that the FME’s management system is being consistently implemented over the entire forest area covered by the scope of the certificate.

Issues have been identified during the evaluation as controversial or hard to evaluate. Yes  No

Comments: At the time of the audit, the Audit team no found issues have been identified as controversial or hard to evaluate.

2.2. Corrective Action Requests

No new Corrective Action Requests

2.3. Observations

Note: Observations are issued for areas that the auditor sees the potential for improvement in implementing standard requirements or in the quality system; observations may lead to direct non-conformances if not addressed.


Based on SK.473/Menhut-II/2012, the FME predetermined area of 9,270 ha (SK.286/Menhut-II/2007 covering 9,040), resulting in differences in the interpretation of 230 ha. Based on interviews with the Director and forest manager, SK.286 determination based on the measurement through a digital map in 2007. Meanwhile, SK.473 determination based on the measurement and management of their own limits and fellowship through a consultant in the field of independently in 2010. This is also confirmed in SK.473. However, the company has not made changes to the socialization of the Ministry of Forestry decree to stakeholders. Socialization is done in order to avoid miscommunication and potential conflicts of land.

Observation:
The FME should conduct socialization of the Ministry of Forestry decree (SK.473/Menhut-II/2012) to stakeholders in order to avoid miscommunication and potential conflicts of land.


FME has permit from Ministry of Forestry No. SK.286/MENHUT-II/2007 valid from 20 May 2002 – 19 May 2042 with approximately 9,040 ha Acacia plantation located in Kubu Raya District, West Kalimantan Province. Meanwhile, in 2012, FME has new permit from Ministry of Forestry No. SK.473/Menhut-II/2012 on Determination of Working Area Boundary of PT BSN with 9,270 ha located in Kubu Raya District, West Kalimantan Province (Penetapan Balas Areal Kerja IUPHHK-HTI PT BSN tanggal 31 Agustus 2012). This permit has attached map of determination of working area boundary, with scale 1:50,000. There are differences in the total area of approximately 230 ha between SK.473 and SK.286. However, these differences do not change the actual area in the map and also in the field. The difference occurs because the acreage of the previous permit (SK.286) mentions ‘approximately’ 9,040 ha and has not been definitively established by the Minister of Forestry. But, for new permit in 2012 (SK.473), Minister of Forestry has definitively sets the total area of PT BSN is 9,270 ha. FME also has long-term management plan (RKT, 2009 - 2018) and annual management plan (RKT 2013). Both documents are also equipped with a work area maps with a scale of 1:50,000. However, the FME has not adjusted definitively total area of PT BSN.
Observation:
The FME should make revisions to RKU, RKT and the identification of HCVF that adjusted with SK.473 covering 9,270 ha.

2.4. Actions Taken by Company after the audit and prior to report finalization

None

3. AUDIT PROCESS

3.1. Audit schedule/Itinerary

<table>
<thead>
<tr>
<th>Location</th>
<th>Date(s)</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bina Silva Nusa Camp, Kubu Raya District (FME site office)</td>
<td>28 November 2013</td>
<td>Opening meeting, documents review, and interview with forest manager and staffs.</td>
</tr>
<tr>
<td>FME site office, Tanjung Beringin village, FME forest area</td>
<td>29 November 2013</td>
<td>Documents review, staffs interview, interview with community, field observation in riparian zone.</td>
</tr>
<tr>
<td>FME site office, FME forest area (cutting block, local livelihood plantation and high-value local species planting area)</td>
<td>29 November 2013</td>
<td>Documents review, staffs interview, field observation in RKT 2013 (cutting block 14 and 15), high-value local species planting area (tanaman unggulan lokal) at compartment of 43, 52, and 53; and local livelihood plantation (tanaman kehidupan) at compartment of 54.</td>
</tr>
<tr>
<td>FME site office, FME forest area (nursery, KPPN, and TPN/log yard)</td>
<td>30 November 2013</td>
<td>Documents review, interview with staffs and workers, chain of custody checking, field observation in nursery site, KPPN, and TPN/log yard.</td>
</tr>
<tr>
<td>FME site office</td>
<td>01 December 2013</td>
<td>Documents review, interview with staffs and workers, closing meeting and travel back to Pontianak</td>
</tr>
<tr>
<td>Pontianak</td>
<td>02 December 2013</td>
<td>Discussion with local NGOs, Forestry Agency and wrap up draft report. Travel back to Jakarta</td>
</tr>
</tbody>
</table>

Total number of person days used for the audit: 8, of this
2 days for pre-evaluation and preparation
5 days for document, record review and onsite audit.
1 stakeholder consultation
3.2. Audit team and qualifications

Wahyu F Riva, Lead Audit:
Wahyu holds a Professional Master’s degree in Management Studies Program for Regional Development (MPD) and Sarjana Degree in Faculty of Forestry, both from Bogor Agricultural University (IPB), Indonesia. He has been working for IDEAS Consultancy Services as a founder and Director. He also previously worked for The Indonesian Ecolabeling Institute (LEI) as a manager of certification development. He has been trained and passed for audits of Global Forestry and Trade Network (GFTN) under WWF and SmartWood VLO. He had participated in 3 audits for forest management unit, 1 audit for industry unit, and 3 peer reviewer for GFTN-WWF in Indonesia. He had also participated in audits for SmartWood/Rainforest Alliance: 7 audits Verification of Legal Origin (VLO), 1 audit for Verification of Legal Compliance (VLC), 6 FM/CoC pre-assessments, 1 FM/CoC assessment, 2 FM/CoC annual audits, and 1 FM/CoC re-assessment. Wahyu Riva completed FSC Lead Auditor Training Course which fulfill ISO training requirement FSC-STD-20-001, Annex 2, 1.2.

Happy Tarumadevyanto, Auditor:
Happy graduated from Bogor Agricultural University and continued his experience with UNDP Program on Asia Young Leaders and Governance (AYLG) in 2006 to support his expertise in developing environmental governance issue. Another knowledge management in Environmental Leadership Program (BEAHS ELP – with School of Natural Resources of Berkeley University) has made his experience strengthened in environmental-related and governance activities. Recent experience with Forest governance Learning Group (FGLG) and ASEAN Social Forestry Network Secretariat has strengthen Happy’s expertise on climate change, social forestry and field activities related with climate change policy making process in ASEAN level. Happy is also familiar with Chain of Custody both in Industry and Forest Management Unit since 1998 when Rainforest Alliance began its partnership with the Indonesian Tropical Institute and conducted around 75 CoC assessments and 8 Forest Management Unit assessments and pre assessments in the past. Happy completed FSC Lead Auditor Training Course which fulfill ISO training requirement FSC-STD-20-001, Annex 2, 1.2.

3.3. Audit detail

| Overview of Inspection and sampling method used: | The audit team selected randomly the places where potential problems might occur. Borderline is crucial to be visited. Bina Silva neighbors with several villages. The distance quite far from the cultivating sites and operation areas but it is still considered to oversee community’s perspective regarding the company’s operation. The auditors also considered to look at the conservation sites that the company had been developing. Critical issue of high conservation value forest and specieses being reserved are evaluated through HCVF sites the FME has been designated. |
| FMUs selected for evaluation and rationale for selection. | The FME only has single FMU under its control. |
| Approach to evaluation of management system: | Audit team conducted documents review and interview with relevant staffs and forest workers of the FME management systems. Field observation and interview with key stakeholders were conducted to confirm the status of management system implementation. |
| Additional techniques used for evaluation (e.g. flyover): | No additional and special techniques used for this evaluation. |
4. STAKEHOLDER CONSULTATION

[Note: Stakeholder consultation is not required for SLIMF evaluations, although it might be still recommended depending on the FME and context of the evaluation. If no consultation was conducted, include a short section here explaining this.]

4.1. Stakeholder consultation process

The purpose of the stakeholder consultation for this evaluation was to ensure that the public is aware of and informed about the assessment process and its objectives and to assist the SmartWood audit team in identifying potential issues in relation to the operations conformance with the Controlled Wood standard.

The table below summarizes the extent of the stakeholder consultation for this Controlled Wood assessment process.

<table>
<thead>
<tr>
<th>Stakeholder Type Contacted</th>
<th>Stakeholders consulted directly or provided input (#)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGOs</td>
<td>1</td>
</tr>
<tr>
<td>Local Community members</td>
<td>5</td>
</tr>
<tr>
<td>Govt agency</td>
<td>1</td>
</tr>
<tr>
<td>other</td>
<td></td>
</tr>
</tbody>
</table>

Description of the stakeholder consultation activities and methods
The Audit team has conducted interview with local non-governmental organization (NGO) and local government office in district level. At the time of the audit, the audit team also conducted interview and focus group discussion with community in Tanjung Beringin village as stakeholder representing the nearest local community to the FME.

4.2. Stakeholder comments received

The stakeholder consultation was organized to give stakeholders opportunity to comment the activities of the FME in relation to the five controlled wood categories. The table below summarizes the issues presented by the stakeholders and the response of the assessment team to each comment.

<table>
<thead>
<tr>
<th>CW Category</th>
<th>Stakeholder comment</th>
<th>SmartWood response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Illegally harvested wood</td>
<td>The FME has clearly demonstrated that the timber is harvested only from authorised areas.</td>
<td>Not needed.</td>
</tr>
<tr>
<td>2. Wood harvested in violation of traditional and civil rights</td>
<td>There are no conflicts related to land tenure or land use rights of traditional or indigenous people in the areas managed by the FME</td>
<td>Not needed.</td>
</tr>
<tr>
<td>3. Wood harvested from forest areas where high conservation values are</td>
<td>No particular comments received.</td>
<td>Not needed.</td>
</tr>
<tr>
<td>threatened by forest management activities</td>
<td></td>
<td>Not needed.</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>4. Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses</td>
<td>Woods harvested from the forest would threaten biodiversity. Peat swamp should be treated specifically.</td>
<td>Not needed.</td>
</tr>
<tr>
<td>5. Wood harvested from genetically modified trees</td>
<td>No particular comments received.</td>
<td>Not needed.</td>
</tr>
<tr>
<td>6. FME’s stakeholder consultation process</td>
<td>FME has socialized regarding spatial areas, vision and mission, and determination of boundary area of PT BSN in Tanjung Beringin village.</td>
<td>Not needed.</td>
</tr>
</tbody>
</table>
APPENDIX I: Audit and Non-Conformance Findings

[This appendix is only needed for audits and reassessments – delete for assessments]

Audit Background

Date Range Audit Covers: 28 November 2013 – 02 December 2013

Changes to the Operation / Procedures since Last Audit: No Changes to the operation/Procedures since Last Audit

Evaluation of Open Corrective Action Requests (CARs)

Note: this section indicates the company's actions to comply with CARs that have been issued during or since the last audit. Failure to comply with a minor CAR results in the CAR being upgraded to major; the specified follow-up action is required by the company or involuntary suspension will take place.

<table>
<thead>
<tr>
<th>Status Categories</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed</td>
<td>Operation has successfully met the CAR.</td>
</tr>
<tr>
<td>Open</td>
<td>Operation has either not met or has partially met the CAR.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NCR#:</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor</th>
<th>X</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/12</td>
<td>FSC-STD-30-010 (Version 2-0): 1.3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Report Section: Appendix II

Description of Non-conformance and Related Evidence:

“1.3. The Forest Management Enterprise shall ensure that where stakeholder consultation is required by the Forest Management Enterprise in relation to implementation of this standard, procedures for consultation include at least the following:

a) key stakeholders shall be identified and invited to participate in the consultation with sufficient prior notice;

b) excluded groups shall be given particular attention when identifying interested or affected parties;

c) the consultation process shall be opened to parties claiming an interest in or affected by implementation of this standard;

d) all identified parties shall be provided with access to sufficient information

e) Forest Management Enterprise shall maintain records to demonstrate the completeness of their consultation process

f) The Forest Management Enterprise shall be responsive to stakeholder questions or concerns”

The FME has developed a standard operating procedure for stakeholder consultation (Prosedur Konsultasi Publik - BSN-PRO-1.3-ED.01) that describes processes of stakeholder identification,
consultation, information dissemination and handling of complaints. List of stakeholders identified, results of stakeholder consultations, complaints and requests for information received from stakeholders and FME’s response to these comments and requests were made available for review by the auditors during the assessment. The audit team found the FME to be in general conformance with this criterion with one exception related to point d.

1.3.d. FME has not provided equal access to information to the members of local communities in the surrounding villages. Local communities in Tanjung Beringin Village consulted during the assessment commented that many of the villagers have not been provided sufficient information regarding the FME’s CSR program (planting for local livelihood). This lack of adequate and equal access to information could potentially result in conflicts among the local communities as well as between local communities and the FME. FME staff explained to the auditors that information regarding the CSR program is a sensitive issue involving distribution of financial benefits, and as such, they have provided information to the village leaders with the expectation that they will disseminate the information in the most appropriate manner.

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 non-conformance.

Timeline for Conformance: Prior to next annual audit

Evidence Provided by Organization:
1. Stakeholder consultation procedure (BSN-PRO-1.3-ED.01).

Findings for Evaluation of Evidence:
FME has socialized in Tanjung Beringin village regarding spatial area, vision & mission, and determination of boundary area of PT BSN, including planting for local livelihood (tanaman kehidupan) on 9 November 2013. FME has also conducted a public consultation to stakeholders at the district level associated with recertification mandatory scheme (PHPL), including an invitation from the Tanjung Beringin village on 19 November 2013 in Kubu Raya district. Based on interviews and results of focus group discussions with
communities in Tanjung Beringin village, they have to know and understand the spatial and boundaries of FME, including the activities of planting for local livelihood area of 450 ha, most of the land area in the territory of Tanjung Beringin village.

Based on the above findings, it can be concluded that this indicators complies with the standard.

<table>
<thead>
<tr>
<th>NCR Status:</th>
<th>CLOSED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comments (optional):</td>
<td></td>
</tr>
</tbody>
</table>