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Forest Management
Controlled Wood
Performance Verification Audit
Report for:

PT. Bina Silva Nusa
in
Kalimantan Barat Indonesia

Certificate: NC-CW/FM-006154
issued on February 13, 2019
type: single FMU
Auditors: Lely Puspitasari
Medita Hermawan
Audit Dates: 17 - 18 December 2018
Report Finalized: February 13, 2019

Certificate holder information:
Primary contact: Ateng Surya Sandjaya
Address: Komplek Villa Ceria Lestari No. 1,
Jalan Arteri Supadio
Pontianak, Kalimantan Barat
Phone / Fax: +62-561-581416
Webpage: -
Contract signer: Ateng Surya Sandjaya

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. NEW NONCONFORMITY REPORTS ISSUED AS A RESULT OF THIS AUDIT .............................. 5
   2.3. OBSERVATIONS ......................................................................................................................... 5
   2.4. ACTIONS TAKEN BY COMPANY AFTER THE AUDIT AND PRIOR TO REPORT FINALIZATION... 5

3. AUDIT PROCESS ................................................................................................................................ 6
   3.1. AUDIT SCHEDULE/ITINERARY ................................................................................................. 6
   3.2. AUDIT TEAM AND QUALIFICATIONS ...................................................................................... 6
   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 NEPCon. The purpose of the evaluation was to evaluate changes to the FMEs management systems or any corrective actions implemented in response to CARs/NCRs issued during the main assessment and impacts of those changes on the FMEs compliance with the FSC standard for forest management enterprises supplying non FSC-certified controlled wood (FSC-STD-30-010, version 2.0) used for evaluation as required by FSC.

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 NEPCon or the Forest Stewardship Council (FSC) to interested parties. All the appendices are confidential, to be reviewed only by authorized NEPCon 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 RA-Cert/FSC requirements, the auditor makes the following recommendation:

- ☒ FSC Controlled Wood Certificate approved:
  - No NCRs issued

- ☐ Certification not approved:
  - Conformance with Major NCR(s) required

FME’s management system, if implemented as described, 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:

The FME has sufficient documented management systems that cover the requirements of the FSC CW standard. On this PVA (Performance Verification Audit), the auditors verified FME’s corrective actions on CoC procedures to covers procedures for FSC CoC certified and Non-certified buyer. The auditors concluded that FME is in conformance with the requirements of FSC-STD-30010 (CW-FM)

The FME has demonstrated, subject to correction of the identified non-conformances, that their management system is being consistently implemented over the whole forest area covered by the scope of the certificate.

Comments:

The audit team conducted interviews with the FME’s staff, workers, and local communities and regional stakeholders, visited several relevant sites, and reviewed various documents. The FME demonstrated corrective actions to address non-conformances identified on the previous reassessment and implement their management systems over the forest area covered by the scope of this evaluation.

Issues have been identified during the evaluation as controversial or hard to evaluate.

Comments: No Issue identified during re-assessment and PVA considered as controversial or hard to evaluate.
2.2. New nonconformity reports issued as a result of this audit

No new NCR issued.

2.3. Observations

<table>
<thead>
<tr>
<th>OBS 01/19</th>
<th>Reference Standard &amp; Requirement: FSC Controlled Wood Standard for Forest Management Enterprises FSC-STD-30-010 (Version 2-0) 3.1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All harvesting shall take place in compliance with all laws applicable to harvesting in the jurisdiction in accordance with the criteria outlined in table 1.</td>
</tr>
</tbody>
</table>

The FME provided all legally required fees payment including PSDH payment, concession license fee, PPh 21, PPN, and PBB for 2015 & 2016 with sixth instalment that will be completed in February 2019 as agreed between tax authority and the FME. For PBB 2017, the FME will follow similar process to submit their objection regarding their Tax Object Sales Value (NJOP). The auditors understand that the process is legally recognize in Indonesia’s law and FME is committed to pay the PBB as per the decision of tax office regarding their objection. The FME has been implementing this process since the last two years. The auditor concluded that this issue worth an observation.

**Observation:**
The FME should keep on track to pay the PBB fees and agree to follow the decision of tax office regarding their objection.

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

N/A

**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.
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>PT. BSN</td>
<td>13 – 17 November 2017</td>
<td>Reassessment</td>
</tr>
<tr>
<td>PT. BSN</td>
<td>17 December 2018</td>
<td>Opening meeting, document review</td>
</tr>
<tr>
<td>PT. BSN</td>
<td>18 December 2018</td>
<td>Field observation and interview in RT 4 and RT 2 in Tj. Beringin village, field observation in FME’s nursery, workshop, waste storage, and firefighting storage, and document review.</td>
</tr>
<tr>
<td>PT. BSN</td>
<td>19 December 2018</td>
<td>Field observation and interview in harvesting and planting site, meeting with FME’s management staff to present the preliminary findings of field observations.</td>
</tr>
<tr>
<td>Pontianak</td>
<td>20 December 2018</td>
<td>Interview and document review of COC documents in Pontianak office.</td>
</tr>
<tr>
<td>Denpasar</td>
<td>18 - 20 January 2019</td>
<td>Document review</td>
</tr>
</tbody>
</table>

Total number of person days used for the audit: 4, of this
2 days for onsite document review and field inspection
2 desk review

3.2. Audit team and qualifications

<table>
<thead>
<tr>
<th>Auditor Name</th>
<th>Lely Puspitasari</th>
<th>Auditor role</th>
<th>Audit Team Leader</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifications:</td>
<td>Lely is a Master of Science student at the School of Forestry, Northern Arizona University (NAU), with research interests on the invasion of non-native plants in gap created by harvesting activities. Prior to beginning her MS degree, she worked for the Rainforest Alliance as forest management coordinator. She is qualified as lead auditor for FSC (Forest Stewardship Council) Forest Management (fulfills ISO training requirement FSC-STD-20-001, Annex 2, 1.2.) and has completed FSC Trademark Training for certification bodies and SAN (Sustainable Agriculture Network) lead auditor training. She has involved in more than 20 audits, CVA, assessment and reassessment of FSC forest management (FM), Controlled Wood (CW) and Rainforest Alliance Verification Legal Compliance (VLC) standards in the Asia Pacific region (Indonesia, Malaysia, Singapore, Thailand, Australia, and Papua New Guinea). Prior to working for the Rainforest Alliance, she worked with TRAFFIC, the wildlife trade monitoring network, Southeast Asia and WWF-Indonesia. She received her bachelor’s degree from the faculty of forestry, Universitas Gadjah Mada, Indonesia, majoring in forest products engineering.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Medita Hermawan</td>
<td>Auditor role</td>
<td>Auditor trainee</td>
</tr>
</tbody>
</table>
Medita graduated from faculty of forestry, Universitas Gadjah Mada. He work as Forest Management (FM) Coordinator in NEPCon – Asia Pacific Regional Office and responsible to manage Asia Pacific clients. He previously worked with plantation company in Sumatra, Indonesia as Operational Planning & License Staff. He completed FSC Forest Management Expert Training.

### 3.3. Audit detail

<table>
<thead>
<tr>
<th>Overview of Inspection and sampling method used:</th>
<th>The overall auditing approach consisted of a combination of documents review, field visits and interviews (triangulation techniques). The documents review took place prior and after the field work as well as on-site at the FME office. The interview and consultation with stakeholders and local community representatives/members, FME's staffs and contractors took place in a similar fashion throughout the audit process. The audit team selected number of sites particularly to the “problem” areas which identified as major NCR from previous reassessment.</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMUs selected for evaluation and rationale for selection.</td>
<td>The FME is a single FMU.</td>
</tr>
<tr>
<td>Approach to evaluation of management system:</td>
<td>The audit team searched for evidence of compliance by examining procedures, reports and other documentation of the FME; interviewing staff, contractor/workers and local communities; and carried out field visits in various locations of the forest management unit.</td>
</tr>
<tr>
<td>Additional techniques used for evaluation (e.g. flyover):</td>
<td>N/A</td>
</tr>
</tbody>
</table>
4. STAKEHOLDER CONSULTATION

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 RA-Cert 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>-</td>
</tr>
<tr>
<td>Local Community members</td>
<td>8</td>
</tr>
<tr>
<td>Govt agency</td>
<td>-</td>
</tr>
<tr>
<td>Worker</td>
<td>15</td>
</tr>
</tbody>
</table>

Description of the stakeholder consultation activities and methods
Stakeholder consultations were conducted through one on one interviews and group discussion with local communities, indigenous community members, and also with the FME’s management staff and workers to identify any issues regarding the operation and performance of the FME related to CW categories.

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>response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Illegally harvested wood</td>
<td>The FME operates within FME’s area and conduct stakeholder consultation every year.</td>
<td>N/A</td>
</tr>
<tr>
<td>2. Wood harvested in violation of traditional and civil rights</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>3. Wood harvested from forest areas where high conservation values are threatened by forest management activities</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>4. Wood harvested from areas being converted from forests and other</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Table 5: Wood Harvesting and FME’s Stakeholder Consultation Process</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><strong>5. Wood harvested from genetically modified trees</strong></td>
<td>N/A</td>
<td><strong>6. FME’s stakeholder consultation process</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>During the consultation, the communities raised their concern to the FME’s staff that FME’s staff installed a sign board on the HCV area without any permission from the communities who own the land. The FME agree to uninstall the sign board and pay the fine to the communities. On the same day of consultation, auditor verified that the FME uninstalled the sign board and conducted the follow up meeting and paid the fine the next day. The sign board mentioned that the HCV area is a protected area and shall be protected from forest fire. On the sign board also mentioned that destroying protected areas are illegal and subject to a fine based on Indonesia’s law. However, the community seems to misunderstand the information of the sign board and saw it as a threat to them. The FME aware that this misunderstanding was due to no consultation prior to installing the sign board and agreed to take the fine from the communities. The FME also produced a report on the conflict resolution with the communities regarding this issue. No ongoing conflict was identified during audit.</td>
</tr>
</tbody>
</table>
APPENDIX I: Audit and Non-Conformance Findings

Audit Background

<table>
<thead>
<tr>
<th>Date Range Audit Covers:</th>
<th>1 January 2018 – 30 November 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes to the Operation / Procedures since Last Audit:</td>
<td>No change since previous re-assessment</td>
</tr>
</tbody>
</table>

Evaluation of Open nonconformity reports (NCRs)

Note: this section indicates the company’s actions to comply with NCRs that have been issued during or since the last audit. Failure to comply with a minor NCR results in the NCR 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 NCR.</td>
</tr>
<tr>
<td>Open</td>
<td>Operation has either not met or has partially met the NCR.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NCR#: 01/17</th>
<th>NC Classification: FSC Controlled Wood Standard for Forest Management Enterprises FSC-STD-30-010 (Version 2.0) part 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report Section:</td>
<td>Appendix II 1.1</td>
</tr>
</tbody>
</table>

Description of Nonconformance and Related Evidence:

1.1. The Forest Management Enterprise (FME) shall have procedures and/or work instructions covering all the applicable elements specified in this standard (1.1).

The FME categorized their SOP into 4 major section namely, Production, Social, Environment and Legality. Furthermore, the FME developed FSC CW Guideline which includes detail requirements of this standard. However, minor NCR is issued due to the FME Guideline for FSC CW FM is still refers to previous standard (version 1). Some of the detail for new FSC CW FM standard (version 2) are missing. Also, there are SOPs attached in the guideline which all the SOPs are expired and the new SOPs are developed in different documents.

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 surveillance audit
Evidence Provided by Organization:

- Procedure of timber administrative (Penataan hasil hutan BSN-PRO-2.3D-ED.02) issued 1 May 2016, latest update Oct 5, 2018 – this procedure elaborates the COC procedure as per government requirement.
- Procedure of COC (Ketelusuran kayu bulat kecil (KBK)) issued 1 May 2016, latest update on Oct 5 2018 – this procedure described the overall COC system from the harvesting site up to shipping process. The CW procedure is elaborated in this document.
- Procedure of public consultation BSN-PRO-4.1A-ED.02 effective March 19, 2018

Findings for Evaluation of Evidence:

The departments related to the CW implementation include social, production, environment, and legality and each of them have bundles of procedures for the work guidance. In 2018, the FME revised several procedures listed below:

- Production department:
  - Timber administration procedure (Prosedur penataan hutan). This procedure covers the step by step of timber administration based on national regulation. The procedure was revised to follow the newest regulation on timber administration as prescribed in P.42. The logs transported from TPK to the industry are accompanied with shipping documents which includes SKSHHK, DKBK, and packing list.
  - COC procedure (Prosedur ketelusuran kayu bulat kecil). This procedure covers the COC process from the harvesting site up to the shipping and include the CW requirements. The revised procedures provides the updated CW requirement based on CW standard V-2. The main revisions cover several requirements below:
    - CW product only issued to FSC COC certified holder
    - CW and non-CW product shall be clearly identified.
    - Only CW products are labelled with CW code
    - Annual sales summary is made every end of fiscal year for both CW and non-CW product

- Social department:
  - Procedure of public consultation. The procedure was revised to include the detail process of stakeholder consultation for the affected stakeholder and excluded stakeholder.

NCR Status: CLOSED

Comments (optional):

Standard & Requirement:

FSC Controlled Wood Standard for Forest Management Enterprises
FSC-STD-30-010 (Version 2-0) part 1

Report Section:

Appendix II 1.3

Description of Nonconformance and Related Evidence:

1.3 All interviewed staff shall be aware of their responsibilities and shall have sufficient overview of the controlled wood requirements to ensure their fulfillment.

The auditors interviewed the FME staff, including forestry and CoC. Based on the interviews, the auditors found that some of the interviewed staff lack adequate knowledge on FSC CW-FM
requirements in relation to their corresponding areas of responsibilities. For example, staff who responsible to issue invoice and transport document cannot explain the difference between document for FSC CoC certified buyer and non-FSC CoC certified buyer, they also cannot explain well how they monitor their HCV areas since their HCV expert staff was resign couple months ago and currently handled by Manager Pembinaan (supervisor) since the recruitment for this position is on progress.

**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 surveillance audit

**Evidence Provided by Organization:**
Interview with production staff, ecology staff, social staff, planning staff, COC staff (Pontianak office)

**Findings for Evaluation of Evidence:**
Auditor interviewed the responsible staff in each department including production, planning, social, planting, ecology, and health and safety staff in main camp. All interviewed staff able to describes their job as per the procedure and provide the monitoring and the relevant reports that was produced in 2018. The production staff aware that all the transported logs shall be accompanied with the required documents and summary of the transported logs in packing list were available during audit. Ecology and planning staff aware of the protected area including HCV areas and its buffer requirements. Monitoring of the HCV areas from Acacia invasion also has been conducted this year in River Sui Kluang and report of fauna monitoring also available during audit. Staff of social department explained the stakeholder consultation process and the CSR program conducted this year. Interview with the COC staff who responsible of issuing invoice and CW claim was conducted in Pontianak office. The responsible staff aware that the claim of CW in invoice only can be issued for FSC COC certificate holder and the auditor verified all 17 invoices issued in 2018 does not have CW claim since the certificate is terminated during 2018 and also staff aware that the buyer is not FSC COC certificate holder. The staff also provides the sales summary of 2018 and all the sales are listed as non-CW product.

**NCR Status:**
CLOSED

**Comments (optional):**

<table>
<thead>
<tr>
<th>NCR#</th>
<th>03/17</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Requirement:</td>
<td>FSC Controlled Wood Standard for Forest Management Enterprises FSC-STD-30-010 (Version 2-0) part 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report Section:</td>
<td>Appendix II 3.1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Description of Nonconformance and Related Evidence:**

3.1 *FME procedures shall provide effective control of forest products from standing timber until ownership is transferred at the point of sale or forest gate.*

In BSN SOP for CoC still describes previous log transport documents called FAKB and DKBK. The
updated regulation for this stated in P.42 which actually already included as FME reference in CoC SOP but the content is still from the previous regulation. The FME implementation in the field has already incorporated new regulation in term of log transport documents. Based on above evidences, the auditors concluded to issued minor NCR for this criterion.

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 surveillance audit

Evidence Provided by Organization:
- SOP ketelusuran kayu bulat kecil (KBK) BSN -PRO-2.3-ED.02 effective date May 1st 2016, latest revision Oct 5th 2018.
- SOP penatausahaan hasil hutan BSN-Pro-2.3D-ED.02 effective date May 1st 2016, latest revision Oct 5th 2018

Findings for Evaluation of Evidence:
Timber administration procedure (Prosedur penataan hutan) covers the step by step of timber administration based on national regulation. The procedure was revised to follow the newest regulation on timber administration P.42. The logs transported from TPK to the industry are accompanied with shipping documents which includes SKSHHK, DKBK, and packing list. COC procedure (Prosedur ketelusuran kayu bulat kecil) covers the COC process from the harvesting site up to the shipping and include the CW requirement. The revised procedure provides the updated CW requirement based on CW standard V-2. The main revisions cover several requirements below:
  - CW product only issued to FSC COC certified holder
  - CW and non-CW product shall be clearly identified. Only CW products are labelled with CW code
  - Annual sales summary is made every end of fiscal year for both CW and non-CW product

NCR Status: CLOSED

Comments (optional):

<table>
<thead>
<tr>
<th>NCR#</th>
<th>NC Classification: Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>04/17</td>
<td>FSC Controlled Wood Standard for Forest Management Enterprises FSC-STD-30-010 (Version 2.0) part 1</td>
<td>Appendix II 3.4</td>
</tr>
</tbody>
</table>

Description of Nonconformance and Related Evidence:

3.4 FME shall have a system in place, to ensure that sales invoices issued for sale of FSC Controlled Wood products include the following information (1.4):

  a) the FME name and address
  b) the name and address of the buyer;
  c) the date on which the invoice was issued;
  d) description of the product;
  e) the quantity of the products sold;
  f) reference to the product’s batch and/or to related shipping documentation sufficient to link the invoice to the goods received by the customer;
  g) the certification code issued by Rainforest Alliance/RA-Cert.
The procedures to ensure that sales invoices/ shipping documents issued for FSC Controlled Wood products include the required information above (a-g) developed by the FME in FSC Controlled Wood Guidelines V-1. The auditors also reviewed FME packing list as FME shipping document and concluded that the FME has implemented the required information properly. However, since in the near future the FME will also sell their logs to non FSC certified operation, the auditors concluded that the FME procedure is not sufficient to accommodate this requirement. There was no differentiation in the FME SOP between shipping the logs to FSC certified operation and not FSC certified operation. It can lead to misunderstanding for staff in the field that requirement point “g” on this criterion can be used for all invoices.

<table>
<thead>
<tr>
<th>Corrective Action Request:</th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timeline for Conformance:</td>
<td>By the next surveillance audit</td>
</tr>
</tbody>
</table>
| Evidence Provided by Organization: | • Commercial invoice 16/BSN INV-HTI/XII/2018 date 3rd December 2018  
• Commercial invoice 15/BSN INV-HTI/XII/2018 date December 3rd 2018  
• Commercial invoice 07/BSN INV-HTI/VI/2018 date June 11th 2018  
• Commercial invoice 03/BSN INV-HTI/III/2018 date March 19th 2018  
• Summary of sales in 2017 and 2018  
• SOP ketelusuran kayu bulat kecil (KBK) BSN -PRO-2.3-ED.02 effective date May 1st 2016, latest revision Oct 5th 2018. |
| Findings for Evaluation of Evidence: | COC procedure *(Prosedur ketelusuran kayu bulat kecil)* covers the COC process from the harvesting site up to the shipping and include the CW requirement. The revised procedure provides the updated CW requirement based on CW standard V-2. The main revisions cover several requirements below:  
▪ CW product only issued to FSC COC certified holder  
▪ CW and non-CW product shall be clearly identified. Only CW products are labelled with CW code  
▪ Annual sales summary is made every end of fiscal year for both CW and non-CW product  
Auditor reviewed randomly selected invoices issued in 2018 to ensure that the FME did not claim the logs with CW prior to reinstatement of the CW certificate. Auditor confirms that all invoices does not use CW claim as buyer of the logs is not FSC COC certificate holder. The template of invoice, packing list, and annual sales summary attached on the revised SOP have clearly distinguish CW and non-CW product. |
| NCR Status: | CLOSED |
| Comments (optional): | |
| NCR#: | 05/17 | NC Classification: | Major | Minor X |
| Standard & Requirement: | FSC Controlled Wood Standard for Forest Management Enterprises  
FSC-STD-30-010 (Version 2-0) part 1 |
### Description of Nonconformance and Related Evidence:

3.5 FME procedures shall ensure that invoices and shipping documents with claims regarding FSC Controlled Wood

a) are issued only to FSC certified chain of custody operations;

b) include the claim “FSC Controlled Wood” and the FSC Controlled Wood certificate code when products are sold to FSC certified companies.

c) clearly distinguish between controlled and uncontrolled wood when sales and shipping documents cover both types of products. (1.5; Annex 3 points 1.4 and 1.6).

The FME has developed SOPs and FSC CW FM guideline to meet the requirements. These documents mostly cover requirements needed regarding FSC CW claims and how they handle their logs as well as related documentation. However, based on document review and interview, it was confirmed that the FME were unclear about CW-FM rules and thus could not ensure that FSC controlled wood claim are issued to FSC certified chain of custody operations only. Since in the near future the FME also will sell their logs to non FSC CoC certified operation, this procedure become critical. The auditors concluded that the FME only partially meet the requirement, thus Minor NCR issued for this criterion.

### 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 surveillance audit

### Evidence Provided by Organization:

Procedure of COC (*Ketelusuran kayu bulat kecil (KBK)*) issued 1 May 2016, latest update Oct 5 2018 – this procedure described the overall COC system from the harvesting site up to shipping process. The CW procedure is elaborated in this document.

### Findings for Evaluation of Evidence:

COC procedure (*Prosedur ketelusuran kayu bulat kecil*) covers the COC process from the harvesting site up to the shipping and include the CW requirement. The revised procedure provides the updated CW requirement based on CW standard V-2. The main revisions cover several requirements below:

- CW product only issued to FSC COC certified holder
- CW and non-CW product shall be clearly identified. Only CW products are labelled with CW code
- Annual sales summary is made every end of fiscal year for both CW and non-CW product

The template of invoice, packing list, and annual sales summary attached on the revised SOP have clearly distinguish CW and non-CW product.

### NCR Status:

CLOSED

### Comments (optional):

NCR#:

06/17

NC Classification:

Major

Minor X

Standard & Requirement:

FSC Controlled Wood Standard for Forest Management Enterprises

FSC-STD-30-010 (Version 2-0) part 1
### Description of Nonconformance and Related Evidence:

**3.6 FME procedures shall provide for compiling an annual report that includes monthly sales of controlled product by purchaser.**

The FME has developed BSN-PRO-2.3C-ED.02 to meet the requirement of this criterion. The SOP described that the FME will compiling an annual report that includes monthly shipment logs as LMKB (Laporan Mutasi Kayu Bulat). The FME staff are able to provide the records in 2017 during audit. However, in the near future the FME also will sell their logs to non FSC CoC certified operation and currently the procedures don’t provide clear differentiation between these two types of consumer in term of monthly sales report of controlled wood product. The auditors conclude to raise Minor NCR against this criterion.

### 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 surveillance audit

### Evidence Provided by Organization:

- Packing list (SKSHH) for Controlled Wood claim (period of January-Dec 2017)
- Packing list (SKSHH) for non-Controlled Wood claim (Period of January-Dec 2018)
- Summary of sales PT. BSN (period of January-Dec 2018). This summary includes columns for CW and non-CW claim.

### Findings for Evaluation of Evidence:

FME record of the logs production in SKSHH and packing list and summarize the production data every year. Based on document review of 2018 packing list, the auditor verified that all product was recorded as non-CW. In addition to the packing list, the FME also produce summary of sales which include total logs in cubic meter and the revenue. This summary includes columns for CW and non-CW products.

### NCR Status:

CLOSED

### Comments (optional):


### Major NCR#:

| 07/17 |

### NC Classification:

| Major X | Minor |

### Standard & Requirement:

FSC Controlled Wood Standard for Forest Management Enterprises
FSC-STD-30-010 (Version 2-0) part 1.

### Report Section:

Appendix II

### Description of Nonconformance and Related Evidence:

**4.1. FME shall develop and implement procedures for stakeholder consultation as defined in this standard and include at least the following (1.3 a-d):**

- **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
Finding:
FME has developed SOP for public consultation (BSN-PRO-4.1A-ED.02, published on 1 May 2016, revision 1). The objectives of this SOP is to provide guidance in conducting public consultation, to open access of information between FME and stakeholders who are impacted with FME operations and how to respond and follow up the complaint or claim from stakeholders. According to the SOP, the target of public consultation is all identified stakeholders that have interest of FME operations, including indigenous people, local community and local government. The public consultation process includes stakeholders identification (consisted of stakeholders that directly impacted, impacted but have no access yet, and not directly impacted.
Auditors have visited RT (neighborhood association) 01 and RT 04 of Tanjung Beringin Village and interviewed several of village people there.
Based on documents reviewed and interview with FME staffs and people of Tanjung Beringin Village, it was found that:
1. Meeting with the local community in the village is not regularly conducted by FME and FME has not yet reached all local community representatives in the village adjacent to the FME working area
2. List of stakeholders prepared by FME is mostly filled with stakeholders from local government (provincial, district, sub-district and village levels), NGOs and universities, while key stakeholders from village level have not been identified.
3. Information on the agreement of livelihood plantation fee payment between the FME and Tanjung Beringin Village and the realization of the payment cannot be accessed by the villagers interviewed. The villagers interviewed were generally unaware of the amount of the fee paid by the FME to the village, because it delivery was done in Pontianak and received only by village head, the BPD head and one community informal leader and witnessed by Batu Ampar and Terentang Sub-districts Head, Police Sector Head (Kapolsek) of Batu Ampar and Terentang, and Commander of the Military Rayon (Danramil) of Batu Ampar and Terentang. The interviewees felt that there was no transparency from the village head in terms of money management and distribution to the community.

Based on above findings, auditors concluded that FME has not identified all key stakeholders mainly in the village level, the consultation process has not yet reached all local community representatives in the village and not all identified parties have been provided with access to sufficient information regarding the production fee payment of the livelihood plantation given by FME to the village. Therefore, Major NCR is raised for this criterion.

Additional evidences:
During the report writing phase, the FME provided additional evidence on documents of:
1. Updated list of stakeholders of PT BSN that included officers/staffs/head of government institutions in the province, district, sub-district and village level; experts from local and national universities; local and national NGOs; informal leaders or local community representatives in the village level. The list consisted of Position, Name, E-mail, Organization, Address and Phone No. of the stakeholders.
2. Meeting invitation dated on 22 December 2017 from FME to the police head of Batu Ampar sector (Kapolsek), military rayon commander (Danramil) of Batu Ampar, Batu Ampar village head, Batu Ampar village representative body (BPD) head, customary leader, sub-village (dusun) head and local community representatives of Batu Ampar village, with meeting agenda of socialization on Annual Work Plan (RKT) of 2018, HCVF, FME vision and mission, livelihood plantation and awareness on forest fire prevention that to be conducted on 17 January 2018 in the FME office in Kubu Raya District.

It is informed by FME that they are committed to have meetings with local community and other stakeholders, the same as meeting planned on 17 January 2018 according to the above invitation
letter, at least twice a year. However, the additional evidence provided by FME above is not clearly show how FME will include the excluded groups in the stakeholder consultation process and how to ensure the consultation process will be opened to all interested or affected parties and sufficient information will be given or accessed by all identified parties. Therefore, Major NCR is still maintained for this criterion.

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<th><strong>Corrective Action Request:</strong></th>
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<td>Prior to recertification</td>
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| **Evidence Provided by Organization:** | - Updated stakeholder list dated October 2018.  
- Record of livelihood plantation’s fees 2017  
- Record of CSR program in July 6th, 2017 for Tanjung Beringin and Tanjung Betuah village  
- Record of public consultation for PHPL audit on December 6th, 2018. This consultation discusses the Christmas CSR program, livelihood plantation’s payment, and job opportunity in BSN  
- Report of new harvesting site (RKT) 2019 socialization in November 2018. This socialization also discusses the FME’s vision and mission, forest fire protection, and job opportunity.  
- Updated procedure of public consultation (BSN-pro-4.1A-ED.02) konsultasi publik  
- Operational planning for social program (RO sosial)  
- Report of fine settlement with RT. 04  
- Record of stakeholder feedbacks in 2017 and 2018 |
| **Findings for Evaluation of Evidence:** | Based on HCV assessment report, there are two villages (Tj. Betuah and Tj. Beringin) are located nearby the FME’s area. Based on this document, the FME identified the directly and indirectly affected stakeholder on stakeholder list (latest update in Oct 2018). The villages consist of several sub-group (RT), Tj. Beringin consist of 6 RT and Tj. Betuah consist of 4 RT. Not all the RTs are easily accessible for transportation and communication, therefore the FME have different system for consultation and communication with each village and RT. Stakeholder with difficult access of transportation is considered as excluded stakeholder, since intensive consultation is limited. The FME use phone communication to reach out this stakeholder and record their feedback.  
In Tj. Beringin for example, only RT. 04, 02, and 01 are intensively visited by the FME because RT. 04 and 02 are directly affected by the FME operation and the FME’s area are located in their land and RT. 01 is where the village official is located. Other RTs are not intensively visited by the FME, since they are not affected directly by the operation. However, the FME’s still provide updates to these RTs via the village official as the legal administrative and also engage with the local figure (tokoh masyarakat) Mr. Hartono to communicate with all RTs in Tj. Beringin. Auditor confirmed this practice to Mr. Hartono. |
Auditor also conducted interview with stakeholder in RT. 04, RT. 02 and other villagers does not listed in stakeholder list. The interview confirmed that the FME often visited the local figures in the RTs and maintain communication with them. They also confirmed that public consultation has been conducted this year for several occasion (PHPL and RKT opening).

The FME procedure mentioned that public consultations at least will be conducted twice a year and their operational plan (RO) confirmed that the FME’s have include the budget for two times public consultation.

Based on the interview with the stakeholder in RT. 02, the auditor confirmed that the FME have been directly and indirectly involved with all RTs. The direct involvement mostly conducted between RT. 04, 02, 01 and 05 with consideration that RT 4 and 2 are directly affected by the operation and the FME’s operation is within their land, RT 1 is where the office official located and RT 5 since it is located in the same main land. Other RTs also invited through the village leader to attend the annual meeting in village office but since they are not directly affected and located in remote area, they usually did not participate in them meeting. While Betuah village is annually received the livelihood plant (if any) and the CSR program from the FME.

| NCR Status: | CLOSED |
| Comments (optional): | |

**MAJOR NCR#: 09/17**

**NC Classification:**
- Major X
- Minor

**Standard & Requirement:**
- FSC Controlled Wood Standard for Forest Management Enterprises

**Report Section:** Appendix II

**Description of Nonconformance and Related Evidence:**

5.1.11 FME shall provide evidence that legally required occupational health and safety laws applicable to workers involved in forest operations are considered for the following (FSC-ADV-30-010-1: 3. Timber Harvesting Activities, 3.4 Health & Safety):

- a. proper personal protective equipment;
- b. safe and proper felling and transport practice;
- c. establishment of protections zones around harvest sites;
- d. safety requirements for machinery used, and;
- e. safety requirements in relation to chemical usage,

**Finding:**

Based on documents review, filed observation and workers interview, auditors found that:

1. Free PPEs provided by FME for workers in tree maintenance are cap and boots, however no helmet is provided and the workers have to provide gloves by themselves.

2. Workers conducted herbicides spraying activity for weed control is provided with PPEs by FME which consisted of cap, cloth masker and boots, however, there is no safety glass, plastic gloves and apron provided. And there is no regular medical check-up for the herbicides spraying workers are given by FME.

3. Contractor’s workers are only provided with worker insurance (BPJS Ketenagakerjaan) by
FME and not with health insurance (BPJS Kesehatan) even though both insurances are mandatory required by government regulations (Peraturan Presiden (Perpres) No.12/Tahun 2013 tentang Jaminan Kesehatan and Perpres No.109/tahun 2013 tentang Penahapan Kepersertaan Jaminan Sosial). Auditor also found that in the work agreement of contractor’s worker there is a clause stated that FME only cover the medical expenses of workers due to occupational accidents and not for other illness although still working with FME. It is confirmed by the worker interviewed during the field visit.

4. Storage of B3 waste is still not in accordance with the government regulation requirements (PP No. 101 tahun 2014). B3 waste such as used oil, used spare parts, used batteries (acu bekas) are stored in the workshop, separated from other B3 waste such as herbicide, fertilizer sack, chainsaw spare parts and used batteries that keep in the logistics warehouse, and there is no labeling of B3 waste in accordance with the rules in PP. 101 of 2014 Chapter IV Article 19.

5. There is no record of the received, storage and disposal of B3 waste made by FME.

6. The used herbicide containers are stored in the sacks in the open area without protection from rain and sunlight according to PP. 101 of 2014 Chapter IV Article 16, some of used herbicides containers and fertilizer sacks are even used again for other purposes and some are buried in the ground. According to PP. 101 years 2014, B3 waste must be dispose off-site within 90 days at minimum period based on the waste volume produced.

7. Currently, the available firefighting equipment are water pump, water hose and nozzle, while other firefighting equipment such as ax, backpack sprayer, shovel, sharp rake, spade, flaper etc. are still not yet available.

Based on above findings, auditors found that not all PPEs appropriate for the work have been provided to the workers by FME, not all workers (mainly contractor’s workers) have been registered to the mandatory work insurance required by government regulations, and there is still lacking of the appropriate hazardous and toxic waste management that not fulfill the legal requirement. Therefore, Major NCR is raised for this criterion.

Additional evidences:

During the report writing phase, the FME provided additional evidence on documents of:

1. Report of Handover of PPEs for Herbicides Application from FME to the Contractor of Tree Planting and Maintenance dated on 23 December 2017 stated that six set of PPEs for Herbicides Application consisted of helmet (hard hat), safety shoes, apron, rubber gloves, masker, safety glass have been handed over to the Contractor.

2. Work contract with certain period of time (Kontrak Kerja Waktu Tertentu) for chainsaw operator with revision in the clause of medical expenses for workers. In the Article 3 of the work contract point 1.f “FME covers the medical expenses of the workers during in the work, except for congenital diseases such as diabetes, heart attack, lungs, tumors, cancer, cholesterol, and others”. The congenital diseases such as diabetes, heart attack, lungs, tumors, cancer, cholesterol, and others will be covered by the contractor or group leader who signed this work contract as stated in the Article 3 point 2.f.

3. Template of work contract of Acacia Planting between FME and the contractor or group leader with revision in the clause of medical expenses for workers. In the Article 2 of the work contract point 1.d “FME covers the medical expenses of the workers during in the work, except for congenital diseases such as diabetes, heart attack, lungs, tumors, cancer, cholesterol, and others”. The congenital diseases such as diabetes, heart attack, lungs, tumors, cancer, cholesterol, and others will be covered by the contractor or group leader who signed this work contract as stated in the Article 2 point 2.g.

4. Template of form for hazardous chemical waste (B3) stock in the warehouse

5. Template of form for lubricant stock in the warehouse.

6. Picture of building and floor plan of hazardous chemical waste (B3) warehouse will be built by FME.

7. Pictures of hazardous chemical waste (B3) warehouse that still under construction.
8. Pictures of socialization and handover of PPEs for herbicides application to the contractors, however there is no documentation about the socialization content and the participants list of this activity.

Together with the additional evidences mentioned above, the FME also provide statement that they will not charge for the use of PPEs to the workers and contractor. However, there is no information about where this policy is formally written as company policy. The FME also provided statement that they committed to fulfill the facilities and infrastructure of forest and land fire prevention and control in accordance with Ministry of Environment and Forestry Regulation no. 32 years 2016. However, there is no activity plan or steps provided by FME on how this commitment will be fulfilled. FME also does not provide any evidence on how they will provide the worker with health insurance (BPJS Kesehatan) as required by government regulation.

Regarding the hazardous chemical waste (B3) management, auditors found that it is still not clear on the procedures and implementation of managing the B3 waste, such as on how is the procedure in recording of the hazardous chemical waste, who is the person in charge for recording, where is the place for B3 waste disposal, how is the waste placement in the warehouse that still in preparation etc.

Auditor concluded that field observation and direct interview needed to verify the evidence provided by FME, and the Major NCR is still maintained for this criterion.

**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:**

- Prosedur struktur organisasi K3 BSN/PK-K3/02 issued on December 16th, 2018.
- SPK contract with seasonal worker (list of APDs are consistent with the procedure)
- Field observation in new waste storage, fire fighter equipment storage, workshop, clinic, harvesting site, planting site, nursery, herbicide & pesticide storage.
- Interview with worker in nursery, workshop, harvesting site, planting site, waste storage, clinic, Purchase order for safety vest for chemical spraying.
- Record of PPE distribution 2018
- Document of highly hazardous waste management request to BLH agency in Batu Ampar.
- BPJS Kesehatan and BPJS Ketenagakerjaan documents.

**Findings for Evaluation of Evidence:**

The auditor visited the nursery and interview with the worker and confirmed that the FME provided them with the PPE consist of mask, boots, helmet and cap. When they work for pesticide spraying, they use plastic sheet to cover their cloth and avoid spillage. Based on document review, the FME have ordered the sheet and will be purchased by the main office in Pontianak. The auditor also visited the newly built waste storage and verified that the liquid chemical waste are organized and kept in the building and recorded by the health and safety staff.

The FME revised the seasonal contract, specifically for PPE clause, they FME listed that PPE consist of boots, helmet, gloves and helmet...
with safety glasses (for chainsaw operator) are provided by the FME. Field observation and interview with the worker in harvesting and planting site confirmed that the PPE are provided by the FME and the FME replace the PPE when they are worn out. All the permanent and monthly worker interviewed confirmed that they have social and health insurance (BPJS). While the seasonal staff are provided with social security insurance and free health care in FME’s clinic. Their health insurance (BPJS) have been provided by the village government from their origin.

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