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# Rainforest Alliance

## Forest Management **Controlled Wood** Assessment Report for:

PT SUMALINDO HUTANI JAYA  
(UNIT I)  
in  
EAST KALIMANTAN, INDONESIA

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

## TABLE OF CONTENTS

Glossary of terms.....	3
1. INTRODUCTION.....	4
2. AUDIT CONCLUSIONS .....	5
2.1. AUDITOR RECOMMENDATION .....	5
2.2. NEW NONCONFORMITY REPORTS ISSUED AS A RESULT OF THIS AUDIT .....	6
2.3. OBSERVATIONS .....	11
2.1. ACTIONS TAKEN BY COMPANY AFTER THE AUDIT AND PRIOR TO REPORT FINALIZATION.....	11
3. AUDIT PROCESS.....	13
3.1. AUDIT SCHEDULE/ITINERARY .....	13
3.2. AUDIT TEAM AND QUALIFICATIONS.....	13
3.3. AUDIT DETAIL .....	14
4. STAKEHOLDER CONSULTATION .....	16
4.1. STAKEHOLDER CONSULTATION PROCESS.....	16
4.2. STAKEHOLDER COMMENTS RECEIVED .....	16

## Glossary of terms

Bahasa term	English term
AMDAL (Analisa Mengenai Dampak Lingkungan)	Environmental impact assessment
BKSDA (Balai Konservasi Sumber Daya Alam)	Nature Conservation Agency; Indonesia
BPJS Kesehatan	Mandatory social security program for health
BPJS Ketenagakerjaan	Mandatory social security program for manpower
Desa	Village
DPSL (Daerah Perlindungan Satwa Liar)	Wildlife protection area
HTI (Hutan Tanaman Industri)	Plantation
ISFMP	Integrated Sustainable Forest Management Plan
IUPHHK	Forest Concession License
LHC (Laporan Hasil Cruising)	Cruising report
LHP (Laporan Hasil Produksi)	Production report
NPWP (Nomor Pokok Wajib Pajak)	Valid Tax Identity Number
PBB	Land and building tax
PHPL certification	Mandatory national scheme of sustainable forest management
PHTPK (Pengelolaan Hutan Tanaman Pola Kemitraan)	Plantation Forest Management with Partnership Pattern
PKB (Perjanjian Kerja Bersama)	Joint Work Agreement (between worker union and the FME)
Pos Faktur	Log administration Post
PSDH	Forest product fee
RKL (Rencana Pengelolaan Lingkungan)	Environment Management Plan
RKT (Rencana Kerja Tahunan)	Annual working plan
RKU (Rencana Kerja Usaha)	10 years working plan
RPL (Rencana Pemantauan Lingkungan)	Environment Monitoring Plan
SIPUHH (Sistem Informasi Penataan Usaha Hasil Hutan)	Forest Product Information System
SIUP (Surat Ijin Usaha Perdagangan)	Trading Business License
SKSHHK (Surat Keterangan Sah Hasil Hutan Kayu)	Mandatory Log Transport Document
SP (Serikat Pekerja)	Worker Union
SVLK	Mandatory certification on Timber Legality Assurance System
Tanaman Kehidupan	Livelihood Plantation (Mandatory for every concessions license 20% at minimum of total area)
TDP	Company Registration Certificate
TPK (Tempat Penimbunan Kayu)	Log yard
TPK Antara	Log yard transit
TPN (Tempat Penimbunan Sementara)	Log landing yard
TPS	Temporary Hazardous Chemical Waste Storage

# 1. INTRODUCTION

As a part of Asia Pulp & Paper Group's (APP) preparation to meet the Forest Stewardship Council's (FSC) conditionally approved "*Roadmap towards ending the Disassociation from APP*"<sup>1</sup> requirements, APP will undertake assessments on APP's own and a selection of supplier concessions in Indonesia. This will be one of fifteen assessments that will inform APP where its strengths and weaknesses lie in relation to the *FSC Controlled Wood Standard for Forest Management Enterprises (FSC-STD-30-010, version 2-0)*. These assessments are not a formal part of the Roadmap. No certificates will be issued as a result of these audits<sup>2</sup>.

This report presents the findings of an independent evaluation of PT. Sumalindo Hutani Jaya I (hereafter SHJ I) conducted by a team of specialists representing the RA-Cert Program of the Rainforest Alliance. The purpose of the evaluation was to evaluate the FME's level of conformance to the Forest Stewardship Council (FSC) Controlled Wood requirements as defined in the *FSC Controlled Wood Standard for Forest Management Enterprises (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.

Conformance with the specified controlled wood standard allows forest management enterprises (FME) to demonstrate 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.

The scope of this evaluation is for the FME PT. Sumalindo Hutani Jaya I, located in Kalimantan Timur, Indonesia, with a total area of 10,976.4 ha (Ministry of Forestry Decree No. SK.273/MENHUT-II/2007).

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<sup>1</sup>Further information about the Roadmap process can be found at <https://ic.fsc.org/en/what-is-fsc/what-we-do/dispute-resolution/current-cases/asia-pulp-and-paper-app>

<sup>2</sup>The issuance of FSC certificates will depend on the decision by the FSC Board to end the disassociation from APP and the subsequent demonstration of compliance by APP and its suppliers with the applicable FSC standards as part of a new, formal certification process.

## 2. AUDIT CONCLUSIONS

### 2.1. Auditor Recommendation

Controlled Wood Category	Conformance
1. Illegally harvested wood	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
2. Wood harvested in violation of traditional and civil rights	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
3. Wood harvested from forest areas where high conservation values are threatened by forest management activities	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
4. Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non- forest uses	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
5. Wood harvested from genetically modified trees	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

Based on Company's conformance with RA-Cert/FSC requirements, the auditor makes the following recommendation:	
<p><i>Level of Conformance to FSC Controlled Wood Requirements:</i></p> <p>Minor NCRs and Major NCRs issued</p>	
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	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<p>Comments: The evaluation of SHJ I's management system was undertaken through a review of its management planning documentation, staff and stakeholder interviews and implementation of management plans systems in the field. The long term management plan (RKU), annual working plans (RKT for 2016 and 2017), the Integrated Sustainable Forest management plan (2016), which included consolidated results of the social conflict mapping, the high carbon stock assessment (2015) and HCV assessment (2014)) were among documents reviewed by the audit team. SHJ I also provided detailed procedural documents and work instructions (SOPs) covering production, environmental protection, human resource and financial management as well as chain of custody procedures. The audit team concluded that SHJ I's management system adequately covers the CW-FM requirements and if implemented as documented would be able to demonstrate conformance to this standard. Having said this, it is important to note that the non conformances outlined in this report identify specific gaps in the design and implementation of the management system which must be addressed for the operation to be in full conformance across the concession.</p>	
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.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Comments: The evaluation of SHJ I included inspection of production areas	

(new plantation sites, established plantations), ecological protection areas (riparian areas, KPPN) and infrastructure (camp facilities, warehouse/storage facilities, roads, fire towers, border areas). The auditor team likewise interviewed FME staff, stakeholders affected by the management as well as NGOs and Government agencies tasked with oversight. The fact that SHJ I has yet to implement any harvesting and wood shipment activities, limited the scope of evaluation of these elements of the management system. However, based on documentation review and observation of management system implementation, the audit team considers that the FME's management system can be consistently implemented over the entire forest area, once the identified non conformances had been addressed	
Issues have been identified during the evaluation as controversial or hard to evaluate.	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Comments:	

## 2.2. New nonconformity reports issued as a result of this audit

MAJOR NCR#:	01/17	NC Classification:	Major X	Minor
Standard & Requirement:	FSC Controlled Wood Standard for Forest Management Enterprises FSC-STD-30-010 (Version 2-0) 1.4, 1.5 Annex 3 points 1.4 and 1.6			
Report Section:	Appendix II 3.5			
Description of Nonconformance and Related Evidence:				
<p>3.5 FME procedures shall ensure that invoices and shipping documents with claims regarding FSC Controlled Wood</p> <ul style="list-style-type: none"><li>a) are issued only to FSC certified chain of custody operations;</li><li>b) include the claim “FSC Controlled Wood” and the FSC Controlled Wood certificate code when products are sold to FSC certified companies.</li><li>c) clearly distinguish between controlled and uncontrolled wood when sales and shipping documents cover both types of products</li></ul> <p>In the SOP for timber selling, it is clearly defined that SHJ I will supply to only one company and that all invoices will include a “FSC Controlled Wood” claim (although in the template, it appeared as “FSC Controll Wood”). In the COC SOP, it is clearly defined that all shipping documents for wood included in the FSC CW/FM scope will be marked with “FSC-CW” claim using stamp.</p> <p>Interviews with SHJ I staff responsible for COC and for invoicing confirmed that they will supply the wood to single buyer. All invoices will use FSC claim although the staff was not sure if the right claim to use was “FSC Control wood” or “FSC Controlled Wood”. The staff also confirmed that all shipping document will be marked with “FSC-CW” as per SOP and may include a FSC checkmark tree logo too. The interviewed staff did not know whether the buyer is certified or not. However, they will still use the claim.</p> <p>Based on document review and interviews, it was confirmed that SHJ I staff were unclear about CW-FM rules and thus could not ensure that FSC controlled wood claims are issued to FSC certified chain of custody operations only. Additionally, there are contradictions in the CoC documents, e.g. CoC SOP point 7.5 b clearly specifies that the claim can be issued to FSC certified chain of custody operations only, however, in the timber selling SOP it is specified that SHJ I will use the claim to sell to the buyer which currently is not an FSC CoC certified operation. Thus SHJ I procedures do not provide clear guidance of when to use the CW claim. The procedures are not precise about the FSC CW-FM requirements (e.g. SHJ I SOP specifies use of “FSC-CW” and “FSC Control Wood” in claims instead of “FSC Controlled Wood”).</p> <p>SHJ I does not fully conform with points a &amp; b of this requirement which are central to the CW-FM Standard.</p>				

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 certification (this audit is part of a special project with APP and will not result in certification)		
Evidence Provided by Organization:	PENDING		
Findings for Evaluation of Evidence:	PENDING		
NCR Status:	OPEN		
Comments (optional):			
NCR Evaluation:			
Evaluation Method:		Estimated Level of Effort:	
Auditor Specialty:			

MAJOR NCR#:	02/17	NC Classification:	Major X	Minor
Standard & Requirement:	FSC Controlled Wood Standard for Forest Management Enterprises FSC-STD-30-010 (Version 2-0) 4.5 & FSC-ADV-30-010-1: Third parties' rights 4.1, 4.2 & 4.3			
Report Section:	Appendix II 5.2.4			
Description of Nonconformance and Related Evidence:				
<i>5.2.4. If there are conflicts relating to land tenure or land use rights of traditional or indigenous peoples, a resolution process shall be established by the FME and evidence regarding following aspects shall be presented by the FME (4.5 &amp; FSC-ADV-30-010-1: Third parties' rights 4.1, 4.2 &amp; 4.3):</i> <i>a) the process genuinely addresses the concerns and is aimed at resolving the disputes</i> <i>b) the process has the support of the parties involved in the dispute</i> <i>c) an interim process for addressing the dispute and for the management of the forest area concerned has been agreed with parties to the dispute</i>				
<p>SHJ I has developed SOP on land conflict resolution (SOP Penyelesaian Konflik Lahan) based on APP standard SOP. At the beginning 2013, SHJ I identified conflicts over land related to land tenure and land use rights. The documents reviewed indicate that there are conflicts with communities in Miau Baru area, where communities occupied lands and developed rice field before they established oil palm plantation. Out of 100% land related conflicts, 10% of conflict has been declared as resolved which is land conflict with elementary school within the concession land. This conflict, while regarded as resolved, in fact still has potential conflict in the long run as the land continues to be under forest zone and, according to one of the articles of the MoU between SHJ I and school, the cooperation is only valid as long as SHJ I operates.</p> <p>Some of the conflicting parties are not aware that they are in conflict with the FME. As an example, interview with head of farmers' group of Goa Indah showed that they did not know about the conflict and the resolution process plan proposed by the FME. Other farmers group of Sehati is aware of the conflict but is not yet approached for the proposed solution from the FME.</p> <p>Although SHJ I provided documentation related to the outreach meeting with stakeholders held in April 2017, including the attendance list, presentation material and SHJ I internal meeting notes, no evidence was provided to demonstrate that the process to resolve the conflicts has been agreed by both, SHJ I and the relevant parties. One document that was provided was a list of communities of Miau Baru village proposed to be involved in the development of livelihood plantation (tanaman kehidupan) program along the main road. This program is a compensation system for the parties who have land conflicts with SHJ I where land claims</p>				

are given up by the occupant in exchange for agricultural use of land (oil palm is not permitted as a crop in the livelihood plantation program).			
In summary, since there is no evidence of agreement between SHJ I and relevant parties on the resolution process as required by clause b) of this indicator, a non-compliance to this criterion is issued.			
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 certification (this audit is part of a special project with APP and will not result in certification)		
Evidence Provided by Organization:	PENDING		
Findings for Evaluation of Evidence:	PENDING		
NCR Status:	OPEN		
Comments (optional):			
NCR Evaluation:			
Evaluation Method:		Estimated Level of Effort:	
Auditor Specialty:			

MAJOR NCR#:	03/17	NC Classification:	Major X	Minor
Standard & Requirement:	FSC Controlled Wood Standard for Forest Management Enterprises FSC-STD-30-010 (Version 2-0) 5.2 c			
Report Section:	Appendix II 5.3.4			
Description of Nonconformance and Related Evidence:				
<p>5.3.4 FME shall have a list of the high conservation values identified in the FMUs, together with evidence indicating that precautionary measures have been taken to eliminate potential negative impacts to the high conservation values present (5.2 c).</p> <p>Finding:</p> <p>During field observation it was found that most of the border of the protected areas (identified as HCV and HCS area) has not been marked in the field. SHJ I has just recently marked the border of buffer zone of Pesab river, located near SHJ I camp for a total distance of two kilometers. Auditors found that protected areas (e.g. buffer zone of Pesab and Miao river, KPPN and KPSL) visited during the audit have been damaged and converted in several locations into agricultural (mainly palm oil plantation) and settlements by local people.</p> <p>During field visit in KPPN 1 germplasm protection area, the audit team found that a signboard recently erected by SHJ I has been burned by unidentified people indicating unresolved conflict on land within SHJ I concession area.</p> <p>The findings above indicate that precautionary measures taken by SHJ I have not been adequate to eliminate destruction or other negative impacts to the HCV area. Regarding the social pressure to the HCV area, it is found that SHJ I has no intensive socialization program on the HCV presence and its importance to prevent or reduce the local community activity in the HCV area.</p>				
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 certification (this audit is part of a special project with APP and will not result in certification)		
Evidence Provided by Organization:	PENDING		
Findings for Evaluation of Evidence:	PENDING		
NCR Status:	OPEN		
Comments (optional):			
NCR Evaluation:			
Evaluation Method:		Estimated Level of Effort:	
Auditor Specialty:			

MAJOR NCR#:	04/17	NC Classification:	Major X	Minor
Standard & Requirement:	FSC Controlled Wood Standard for Forest Management Enterprises FSC-STD-30-010 (Version 2-0) 6.1, 6.2			
Report Section:	Appendix II 5.4.1, 5.4.3			
Description of Nonconformance and Related Evidence:				
<p>5.4.1. No conversion of natural and semi-natural forests and other wooded ecosystems such as woodlands and savannahs to plantations or non-forest uses shall take place. This shall be supported by records or verifiable evidence (e.g. records of forest area within the management of the FME) (6.2).5.4.3. If any forest conversion has occurred, it shall be under at least one of the following circumstances (6.3):</p> <p>a) conversion entails a very limited portion of the FMU (&lt; 0,5% per year and &lt; 5% in total in long term).</p> <p>b) conversion shall not occur on high conservation value forest areas</p> <p>c) conversion shall enable clear, substantial, additional, secure long term environmental and social benefits across the FMU.</p> <p>Finding:</p> <p>As APP supplier, SHJ I has made a commitment of ceasing conversion or clearance of remaining natural forest in their concession area into plantation that started in February 2013 based on APP’s Forest Conservation Policy. APP and its suppliers will only develop areas that are not forested, as identified through independent HCV and HCS assessments. Based on staff interview, SHJ I will not develop plantation in the area identified as HCS and HCV area, even though these areas may be located outside the defined protected areas.</p> <p>However, based on field observation in various locations within SHJ I concession area, auditors directly observed the ongoing conversion of forests into agriculture (especially oil palm plantations) and settlements by local people, both in secondary forests and HCV/protected areas (see map in finding section of 5.4.1). Recent forest conversion that has been conducted in the last 1-2 years can also be seen and dated via the age of the planted palm oil trees in the community plantations.</p> <p>The area of recent conversion observed by the auditor during the field visit has not yet been definitively determined. The extent, however, surely exceeds 5% of SHJ I working area cited under 5.4.3 subpoint a. Extensive conversions in SHJ I area are also likely to occur in existing forest plantation areas that were developed by previous management around 7-10 years ago. However, no evidence has been provided by SHJ I that this conversion occurs only in the developed forest plantation areas. Similarly, no evidence was presented by SHJ I that the conversion occurring on SHJ I provides secure long term environmental and social benefits across the FMU.</p>				
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 certification (this audit is part of a special project with APP and will not result in certification)		
Evidence Provided by Organization:	PENDING		
Findings for Evaluation of Evidence:	PENDING		
NCR Status:	OPEN		
Comments (optional):			
NCR Evaluation:			
Evaluation Method:		Estimated Level of Effort:	
Auditor Specialty:			

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) 1.3 a-d			
Report Section:	Appendix II 4.1			
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				
Audit team consultation with stakeholders involved in land conflicts with SHJ I found that in April 2017, SHJ I held an outreach meeting to make proposal to the stakeholders to resolve the land conflicts. At this meeting a livelihood plantation program was proposed to the communities where the communities are provided with land for agriculture practices, not for oil palm. However, there were communities with land conflicts who did not receive an invitation to this meeting which created some confusion and resentment. SHJ I shall ensure that all relevant key stakeholders are involved in consultation activities (e.g. invited to consultation meetings).				
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:	This audit is part of a special project with APP and will not result in certification.			
Evidence Provided by Organization:	PENDING			
Findings for Evaluation of Evidence:	PENDING			
NCR Status:	OPEN			
Comments (optional):				

<b>NCR Evaluation:</b>			
Evaluation Method:		Estimated Level of Effort:	
Auditor Specialty:			

### 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.*

OBS 01/17	FSC Controlled Wood Standard for Forest Management Enterprises FSC-STD-30-010 (Version 2-0) 1.2 Report requirement Appendix II 1.2
<p>1.2. FME shall identify the person (or position) responsible for implementing each procedure and/or work instruction (1.2).</p> <p>FME has not initiated harvesting activities and tree planting has not taken place on the concession since 2014. Identified problems with damage to HCVs and conversion of natural forest by local farmers highlight the inadequacy of security/protection patrols. Interviews with staff and review of HR records indicate that current staffing levels are reduced and not adequate to cover key activities in the management plan.</p> <p>Observation:</p> <p>SHJ I should review staffing levels to ensure that there is adequate capacity to implement the management plan as activities expand. (e.g. CoC, forest planning, social team, monitoring/patrol) and to ensure protection of the concession resources.</p>	
OBS 02/17	FSC Controlled Wood Standard for Forest Management Enterprises FSC-STD-30-010 (Version 2-0) Annex 3 point 1.2 Report requirement Appendix II 3.8
<p>3.8 FME procedures shall ensure that no on-product claims are made using the statement "FSC Controlled Wood" or the FSC or Rainforest Alliance trademarks. Point of sale materials or any other promotional material shall not include these claims or trademark use. (Annex 3 point 1.2)</p> <p>SHJ I provided SOP of CoC (SOP/SHJ I/COC-01 Rev.2 dated 12 June 2017). In point 7.5 it is clearly mentioned the segregation mark and trademark use regulation. However, responsible staff interviewed could not exhibit sufficient knowledge. The staff also mentioned that all shipping document will be stamped using FSC checkmark-tree logo. This could become risk in the future. Therefore, an observation is raised related to training</p> <p>Observation:</p> <p>Prior to the start of operations of the CoC system, SHJ I should ensure that responsible staff fully understand the FME SOP and FSC regulations of trademark use. SHJ I should provide training to staff responsible for CoC to ensure that trademark rules are understood and implemented</p>	

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



### 3. AUDIT PROCESS

#### 3.1. Audit schedule/Itinerary

Location	Date(s)	Activities
Samarinda	21 July	Stakeholder meetings
SHJ I Sei Pesab Camp	24 July	Opening meeting, review of documentation, interview with SHJ social team, planning, plantation establishment, IT, R&D, COC...
SHJ I concession and adjacent areas Farmers around and within concession Miau Baru village  Company and farmer group oil palm plantations	25 July	SHJ I boundary checking (multiple areas), Protected areas (riparian buffer on Miau river verification of boundary marking) Permanent plot sites (flora and fauna and germplasm reserves) Fire tower Areas of conversion to oil palm and other crops. 2013/14 plantation area, 2017 planting area. Erosion research plot, Pesab river hydrological monitoring station.
SHJ I Sei Pesab Camp  Miau Baru village Wahau Village	26 July	Visit to KPAS plantation (no access provided) Stakeholder meetings ICS (fire crew) facility inspection Workers housing Inspection of first aid station
SHJ I Sei Pesab Camp	27 July	Final documentation review Security post Closing meeting
Berau city	28 July	Meeting with Stakeholders
Total number of person days used for the audit:24, of this 4 days for pre-evaluation and preparation 16 days for onsite document review and field inspection 4 stakeholder consultation		

#### 3.2. Audit team and qualifications

Name	Qualifications	Role / Audit Focus
Jon Jickling	Jon Jickling, Technical Director of Rainforest Alliance Certification, based in Richmond Vermont. M.Sc. Forestry- Forest Economics, (Univ. of Minnesota, USA); B.S. Forestry (Univ. of Michigan, USA). He is a qualified lead auditor for FSC certification and has conducted more than 20 forest management assessments, scopings, and/or audits;	Audit Team Leader

	conducted over 30 chain of custody assessments and/or audits. Jon is also and experienced instructor of forest and chain of custody assessor-training courses. Participated in ISO 9001:2000 Lead Auditor training.	
I Gusti Ngurah Agus Eka Putera	Ngurah graduated from the Forest Conservation Department, Faculty of Forestry, Bogor Agricultural University (IPB). His work experience includes biological studies as part of environmental impact assessment, forest dynamics research, forest biomass assessments, ecotourism management, facilitation of community forest groups in achieving FSC certification and risk assessments for palm oil plantations in preparation for RSPO certification. Ngurah is a Forestry Specialist at PT Hatfield Indonesia. Ngurah completed FSC Lead Auditor Training Course which fulfill ISO training requirement FSC-STD-20-001, Annex 2, 1.2.	Auditor
Yudi Iskandarsyah	Yudi earned his forestry degree from Bogor Agricultural University in 1997 and his Master's degree in environmental management from Yale University in 2003. He has experiences as an auditor in forestry, forest products industry and palm oil plantation in environmental and social aspects.	Social Expert
Pratama Bagus Kurniaji	Graduated from Universitas Gadjah Mada with Forest Resource Conservation major. Experienced in FSC FM/CoC assessments and audits in Indonesia, Malaysia and Thailand and conducting Indonesia mandatory forest certification audit (PHPL). He has completed FSC FM Lead auditor training, SAN lead auditor training, Trademark Training for certification bodies and FSC Chain of Custody lead auditor training.	Translator

### 3.3. Audit detail

Overview of Inspection and sampling method used:	SHJ I system documents were selected and reviewed based upon their relevance/applicability to the CW-FM requirements. Likewise, the implementation of relevant management activities was the focus of field inspections. SHJ I had not undertaken any harvesting activities so sampling focused on other aspects of the management plan. For example, site selection for inspection focused on SHJ I planning, forest monitoring activities, safe working conditions (infrastructure, chemical storage) as well as protection activities for defined HCVs and natural forest/shrub areas. Community areas with identified conflicts, as well as some groups without conflicts, were sampled to verify conflict resolution processes.
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FMUs selected for evaluation and rationale for selection.	Single FMU
Approach to evaluation of management system:	The audit team evaluated SHJ I's management system through a review of documented management system and verifying the consistent implementation of these procedures and policies through interviews with staff, communities and other stakeholders. The audit team also sampled sites across the concession to evaluate the implementation of SHJ I's management system
Additional techniques used for evaluation (e.g. flyover):	Drone overflight of riparian protection area were able to document both protection and conversion of HCVs

## 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.

Stakeholder Type Contacted	Stakeholders consulted directly or provided input (#)
NGOs	4
Local Community members	5
Govt agency	2
Other	2

### Description of the stakeholder consultation activities and methods

Consultation with stakeholders involved email notification and face to face meetings. Following FSC consultation requirements, on June 15, 2017 a stakeholder briefing notice (Bahasa Indonesia and English versions) was submitted to a stakeholder list which combined the list of RA's Indonesia, FSC Indonesia's and SHJ I's list (provided by APP Jakarta). APP was also asked to distribute the notice to local and regional stakeholders without email addresses.

Meetings were set up in Samarinda, provincial capital with government agencies, social and environmental NGOs, regional labor union and research organization.

Onsite visits were made to neighboring communities and farmers groups, particularly those that have registered conflicts with SHJ I.

### 4.2. Stakeholder comments received

The stakeholder consultation was organized to give stakeholders opportunity to comment the activities of SHJ I 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.

CW Category	Stakeholder comment	RA-Cert response
1. Illegally harvested wood	SHJ I is in compliance with MOF concession and management regulations and up to date on payment of required fees.	No response necessary.
2. Wood harvested in violation of traditional and civil rights	Some of the areas of SHJ I are already occupied by communities. Effective production areas might be less than the areas set out in the permit.  Suggested that land conflict with Miao	Verified during the audit. Significant portion of the concession has agricultural crops established. Conflicts management processes not



	<p>Baru Village needs solution that provide benefits for communities such as through the development of institution that can represent communities so that there will be no individual claiming representing communities but in fact trying to get personal advantage of the situation in the name of communities. Social forestry program can be one option to solve social /land conflict and endorsed by Kesatuan Pemangkuan Hutan (KPH)/Forest Management Unit.</p> <p>Miau Baru village established for communities came from Apo Kayan. With their growing population, Miau Baru expands their areas. However, SHJ I areas are under customary areas of Dayak Wehea communities. Dayak Wehea is in the process to get recognition for their customary areas through a legal recognition. An effort at district level of Kutai Timur to pass district law (Peraturan Daerah) is going on with support from relevant stakeholder. Dayak Wehea has made effort to map out their customary areas and has identified and negotiated the borders with the areas of other neighboring customary group.</p>	<p>clearly understood by all parties. <b>See NCR 02/17</b></p> <p>FME has developed a proposed plan to establish partnership with communities to utilize areas surrounding main road for livelihood plantation program.</p> <p>The FME has no conflict with Dayak Wehea. In the past, the areas were under the same administration but now the FME areas under Kongbeng sub district. However, Dayak Wehea leader is still part of the key stakeholders.</p>
<p>3. Wood harvested from forest areas where high conservation values are threatened by forest management activities</p>	<p>Protection of conservation zones is probably most critical factor in maintaining orangutan habitat.</p> <p>Generic comment to all APP plantations:</p> <p>A significant part of APPs plantations occupies peatlands which are drained for the production of Acacia wood pulp.</p>	<p>Audit team found inadequate protection of natural forest, HCV areas and existing plantations. Most of protected area (identified as HCV and HCS area) border have not been marked in the field. SHJ I has just marked the border of buffer zone of Pesab river that located near the camp for two kilometers. Buffer zone of Pesab and Miao river, KPPN and KPSL area were found damaged and converted in several locations into agricultural (mainly palm oil plantation) and settlements by local people. <b>See NCR 03/17</b></p> <p>No peat identified during field work in SHJ I</p>

	Drainage of peatlands leads to high GHG emissions, increases fire risk, and drainage leads to peatland subsidence resulting in serious environmental, social and economic consequences. Drainage based plantations on peatlands should be rewetted and used in an environmental and economic sensible way involving communities	
4. Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses	Some of the areas of SHJ I are already occupied by communities. Conversion of shrub or forest result in reduction in productive area.	Active conversion documented by the audit team. Auditors found ongoing conversion of forests into agriculture (especially oil palm plantations) and settlements by local people, both in secondary forests and HCV/protected areas. Older forest conversion that has been conducted in the last 1-2 years can also be seen from the age of the planted palm oil trees in the community plantations. Extensive conversions in SHJ I area are also likely to occur in existing forest plantation areas that have been developed by previous management. However, no evidence has been provided by SHJ I that this conversion occurs only in the developed forest plantation areas. See <b>NCR 03/17</b>
5. Wood harvested from genetically modified trees	No comments	
6. FME's stakeholder consultation process	Some stakeholders were not invited to SHJ I stakeholder meeting held in April 2017	The audit confirmed that some stakeholders who have land conflicts were not invited to the meeting. See <b>NCR 05/17</b>