



FSC AUDIT REPORT

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<b>Region/ Country:</b>	Kampong Speu Province / Cambodia	
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<b>Type of audit:</b>	<b>Main audit</b>	
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<b>Auditor(s):</b>	Martin Opitz, Neak Phearoom	
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# 1 Scope of Certification

<b>Geographic location:</b>  Latitude: <u>104°08'30.28" O</u>  Longitude: <u>11°31'19.34" N</u>	<b>Forest zone:</b>  <input type="checkbox"/> Boreal <input type="checkbox"/> Temperate <input type="checkbox"/> Subtropical <input checked="" type="checkbox"/> Tropical	<b>Forest Type:</b>  <input type="checkbox"/> Natural <input checked="" type="checkbox"/> Plantation <input type="checkbox"/> Semi-natural and mixed plantation & natural forest								
<b>Tenure management:</b>  <input checked="" type="checkbox"/> Concession <input type="checkbox"/> Community <input type="checkbox"/> Private <input type="checkbox"/> Public	<b>Major tree species*:</b>  <table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:50%;">Common name</th> <th style="width:50%;">Scientific name</th> </tr> </thead> <tbody> <tr> <td>Teak</td> <td>Tectona grandis</td> </tr> </tbody> </table> <p><small>*max. 10 species, if more a separate list shall be submitted as annex. If certain species are not included in all below mentioned product types, a separate list indicating the correlation shall be attached.</small></p>		Common name	Scientific name	Teak	Tectona grandis				
Common name	Scientific name									
Teak	Tectona grandis									
<b>Certified products and product type:</b>	<input checked="" type="checkbox"/> Roundwood (logs) (# W1.1) <input type="checkbox"/> Fuel wood (# W1.2) <input type="checkbox"/> Christmas trees (#N6.3.1) <input type="checkbox"/> Other products: _____ (# _____)									
<b>Certified forest area:</b>  Total: <u>12,746 ha</u>  <b>FMU numbers:</b>  <table style="width:100%;"> <tr> <td style="width:60%;"><u>&lt;</u>100 ha:</td> <td style="width:40%;">FMUs</td> </tr> <tr> <td>100-1000 ha:</td> <td>FMUs</td> </tr> <tr> <td>1000-10.000 ha:</td> <td>FMUs</td> </tr> <tr> <td>&gt; 10.000 ha:</td> <td>1 FMUs</td> </tr> </table> Total FMUs: <u>1</u>	<u>&lt;</u> 100 ha:	FMUs	100-1000 ha:	FMUs	1000-10.000 ha:	FMUs	> 10.000 ha:	1 FMUs	<b>AAF class</b>  <input type="checkbox"/> SLIMF <input checked="" type="checkbox"/> Plantations  Natural forests: <input type="checkbox"/> Boreal forests <input type="checkbox"/> Community forestry <input type="checkbox"/> Conservation of natural forests <input type="checkbox"/> Temperate forests <input type="checkbox"/> Tropical forests	<b>Type of certificate:</b>  <input checked="" type="checkbox"/> Single FMU <input type="checkbox"/> Multiple FMU <input type="checkbox"/> Group <input type="checkbox"/> SLIMF Group <input type="checkbox"/> SLIMF <input type="checkbox"/> small <span style="margin-left: 150px;"><input type="checkbox"/> low intensity</span>  Number of Group members: _____
<u>&lt;</u> 100 ha:	FMUs									
100-1000 ha:	FMUs									
1000-10.000 ha:	FMUs									
> 10.000 ha:	1 FMUs									
<b>Applied standard(s):</b>  <input type="checkbox"/> National FSC Standard for (country) _____, Version _____ <input checked="" type="checkbox"/> GFA Generic FM Standard, adapted for Cambodia, version 1.0 <input type="checkbox"/> FSC standard for group entities in forest management groups - FSC-STD-30-005 V1-0 <input checked="" type="checkbox"/> Requirements for the use of FSC trademarks by certificate holders - FSC-STD-50-001 V1-2										

## 2 Description of the area under the scope of certification

Not applicable in surveillance audit reports.

## 3 Forest operation

Not applicable in surveillance audit reports.

## 4 Changes since last evaluation

### 4.1 Changes of scope

Description of changes since last audit in accordance to FSC-STD-20-007-a (Chapters "Scope of Certification", "Description of the area under the scope of certification" and Forest operation in main evaluation report):

No changes since last audit

### 4.2 Accidents in forest work since last audit

No serious/fatal accidents occurred

### 4.3 Use of pesticides since last audit

No pesticides used

Name of pesticide	Reason for application	Applied quantity (in kg/ha or l/ha)	Frequency of use
Isopropylamine salt of glyphosate	weed control	23.500 l rd. 14.2 l/ha	<input type="checkbox"/> permanent use <input checked="" type="checkbox"/> occasional use

## 5 Evaluation process (Pre-evaluation)

Not applicable in surveillance audit reports.

## 6 Evaluation process (Main evaluation)

Not applicable in surveillance audit reports.

## 7 Evaluation process (Surveillance audits)

### 7.1 Standards used for the evaluation

See Chapter "Forest Characteristics".

Explanation of any changes to the Forest Stewardship Standard used in the previous evaluation:

No changes since last audit

## 7.2 Sampling and Field Visit

### 7.2.1 List of FMUs selected for evaluation

According to the procedures for sampling as stated in the GFA FM-CoC Auditors Handbook and according to FSC-STD-20-007 the following FMUs have been selected for field visits:

List of selected FMUs: All  Not all, see below

Justification for selection:

Single FMU

### 7.2.2 General itinerary with dates (for each FMU)

Date	Location	Scope of Visit	Remarks/Participants
19.05.2014	Grandis Timber office in Phnom Penh	Opening meeting Presentation of auditors and GT key management staff Detailed planning of surveillance audit, check of documents	Jodie Millsom, HSG Manager Grandis Timber Lina Hong, Sustainability officer Wayne Burton, CEO Grandis Timber Yin Thavy, Deput. CEO Naek Phaerom, Local Auditor Martin Opitz, Lead Auditor
	Ministry of Environment	Stakeholder interview with Put Sorithy, Director of EIA Dep and Representative of MoE	Naek Phaerom, Local Auditor Martin Opitz, Lead Auditor
	Office of stakeholder	Stakeholder interview with Heng Kourn, Director of the Department of Environment Kampong Speu	Naek Phaerom, Local Auditor Martin Opitz, Lead Auditor
20.05.2014	Hotel Kirirom, Kampong Speu Province	Stakeholder interview with Meach Samol, Deputy Governor Mann Men, Commune Chief Hoeng Chorn, Village Chief	Naek Phaerom, Local Auditor Martin Opitz, Lead Auditor
	Nursery 1	Visit of nursery 1	Wayne Wren, Nursery Manager Naek Phaerom, Local Auditor Martin Opitz, Lead Auditor
	Field Office, Grandis Timber Concession Area	Check of first aid station Check of stores for spare parts and other equipment Check of mechanical workshop and fuel store Visit of nursery 2	Wayne Wren, Nursery Manager Philipp Degens, Operation Manager Naek Phaerom, Local Auditor Martin Opitz, Lead Auditor
	Compartment 6, Block 4	Trial plot planted in November 2012 with improved land preparation	Jodie Millsom, HSG Manager Grandis Timber Lina Hong, Sustainability officer Wayne Burton, CEO Grandis Timber Yin Thavy, Deput. CEO Philipp Degens, Operation Manager Naek Phaerom, Local Auditor Martin Opitz, Lead Auditor
	Block 10	Land cleared in 2014, ploughed and ripped (tractor and bulldozer), standing trees remain, road construction, riparian zones, Interview with contractor	
	Compartment 11, Block 8	Teak planted in 2013 (good performance), Interview of women weeding group	<b>Minor CARs 2014-01 to 06 and Observations 2014-01 to 03</b> due to incompliances identified in regard to the

	Compartment 13, Block 7	Swietenia macrophylla, Afzelia xylocarpa and Dalbergia cochinchinensis planted in 2013	contractor interviewed
	Compartment 6, Block 6	Teak planted in 2010, pruning (significantly improved since last audit due to new equipment)	
21.05.2014	Grandis Timber office in Phnom Penh	Auditor meeting – drawing conclusions of the audit Closing meeting – CARs and observations	Jodie Millsom, HSG Manager Grandis Timber Lina Hong, Sustainability officer Shauna Matkovich, Investment Manger IWC Wayne Burton, CEO Grandis Timber Yin Thavy, Deput. CEO Naek Phaerom, Local Auditor Martin Opitz, Lead Auditor

**7.2.3 Total person days required for audit**

	Pre-evaluation	Main audit	Surveillance audit
Stakeholder consultation			0,75
Document review			2
Field Audit			4
Report			1,0
<b>TOTAL</b>			<b>7,75</b>

**7.2.4 Surveillance audit plan for the Forest Management Enterprise**

Audit type	Date of evaluation	Duration in auditor days	Issues
Pre-evaluation	2012 / June	4,25	Scoping document and field check of compliance of forest management operations with applicable FSC standards
Main audit	2013 / April	11,00	Detailed document and field check of compliance of forest management operations with applicable FSC standards
Surveillance 1	2014 / May	7,75	Contractors, environmental issues with teak plantations, performance of teak plantations, forest management practices (in particular pruning), work conditions of field workers
Surveillance 2	2015 / May	7,75	Focus on following issues: Contractors, performance of teak plantations, forest management practices (in particular road construction), work conditions of field worker, development strategy for conservation areas
Surveillance 3	20 / month		
Surveillance 4	20 / month		

**7.3 Consultation with stakeholders / comments / complaints**

There were neither comments nor complaints from stakeholders since last audit.

During the audit, stakeholders may also have been contacted and interviewed by the audit team. The auditors interviewed the following stakeholders:

The interviewed stakeholders did not submit comments requiring a formal reply within the framework of this audit report.

Relevant comments towards compliance or non-compliance with the requirements of the FSC Standard as a result of the stakeholder consultation, as well as further information, are summarized in the matrix below.

Principles & Criteria	Stakeholder Comments	Answer
Principle 1	No comments	
Principle 2	No comments	
Principle 3	No comments	
Principle 4	No comments	
Principle 5	No comments	
Principle 6	No comments	
Principle 7	No comments	
Principle 8	No comments	
Principle 9	No comments	
Principle 10	No comments	

## 8 Results of the pre-evaluation

Not applicable in surveillance audit reports.

## 9 Results of the audit

### 9.1 Findings by Principle and Criteria (Surveillance Audits)

The evaluation of forest management enterprises are based on indicators. Each identified non-compliance results in a Corrective Action Request (See also chapter "Corrective Action Requests (CARs)").

A detailed listing of the findings of the audit and field visits can be found in the overview below.

In case of group certification the below listed findings refer to all evaluated FMUs unless specified otherwise.

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Principles and Criteria	Findings (en)	Result / CARs
<b>Principle #1: Compliance with laws and FSC Principles</b>		
1.1 Forest management shall respect all national and local laws and administrative requirements.	Grandis Timber Ltd. is in full compliance with Cambodian Law and administrative requirements. Key areas of focus are Investment Law (Commercial Code), Labor Law, Land Law and Environmental Law. The management personnel interviewed during the audit demonstrated awareness of the legal context Grandis Timber Ltd. operates within. No conflicts between national laws and FSC P& C could be identified during the audit.	
1.2 All applicable and legally prescribed fees, royalties, taxes and other charges shall be paid.	Not part of the audit	
1.3 The provisions of all binding international agreements such as CITES and Convention on Biological Diversity, shall be respected.	Grandis Timber Ltd. forest managers respect CITIES provisions, ITTA and the Convention on Biological Diversity.	
1.4 Conflicts between laws, regulations and the FSC Principles and Criteria shall be evaluated for the purposes of certification, on a case by case basis, by the certifiers and the involved or affected parties.	The persons interviewed did not notify of any contravention. No conflicts between national legislation and FSC P&C have been identified so far.	
1.5 Forest management areas should be protected from illegal harvesting, settlement and other unauthorized activities.	The company has a security policy ('Security Policy 9002') in place. This policy describes the company's position related to security within the concession area in general terms. Grandis Timber staff was trained with respect to security and is well aware of the company's policy. This could be sustained via interviews held during the onsite visit. Grandis Timber Ltd. has established checkpoints at the entrance roads to the forest concession. All visitors have to register and explain why they want to enter the area. Within the concession area, supervisors control if adjacent smallholder farmers respect the company regulations. The boundaries between the land concession of Grandis Timber Ltd. and neighboring smallholder farmers are clearly marked. All mentioned measures could be sustained during the onsite visit.	
1.6 Forest managers shall demonstrate a long-term commitment to adhere to the FSC Principles and Criteria.	Not part of the audit	
<b>Principle #2: Tenure and use rights and responsibilities</b>		
2.1 Clear evidence of long-term forest use	Grandis Timber Ltd. owns a 70-year contract for a land concession called 'Contract on the investment of	



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<p>rights to the land (e.g. land title, customary rights, or lease agreements) shall be demonstrated.</p>	<p>Teak Tree Plantation' signed between the company and the Cambodian Ministry of Agriculture, Forestry and Fisheries. Thus, the land is property of the Cambodian State.</p>	
<p>2.2 Local communities with legal or customary tenure or use rights shall maintain control, to the extent necessary to protect their rights or resources, over forest operations unless they delegate control with free and informed consent to other agencies.</p>	<p>Grandis Timber Ltd. has conducted an 'Environmental and Social Impact Analysis' in the context of that there has been evaluated if there are any legal or customary tenure or use rights. Within the boundaries of the FMU there are farms occupied by villagers. As detailed in Grandis Timber's Land Tenure Policy 9008, persons who were occupying land when Grandis Timber took possession of the FMU, have not been relocated. These villagers have no legal title of enforceable rights to the land. At present the Government of Cambodia is conducted a survey across the land, commonly known as the "students-survey" assessing legal or customary tenure and developing a respective cadaster. The study is not yet officially accomplished. Grandis Timber support the study on its land, granting land use rights for the farmers claiming tenure rights. This was sustained via interviews with all stakeholders consulted during the onsite visit (see also Section 7.2.2).</p>	
<p>2.3 Appropriate mechanisms shall be employed to resolve disputes over tenure claims and use rights.</p>	<p>See comments on P&amp;C 2.2.                  A dispute resolution process is in place (Reference SOP 5022 Community Dispute Resolution Process). This process is focused on the resolution of land tenure related disputes, because they are the most frequent type of disputes in Cambodia. The process engages the village authorities. There are no serious disputes with the local community left. This was sustained via interviews with all stakeholders consulted during the onsite visit (see also Section 7.2).</p>	
<p><b>Principle #3: Indigenous peoples' rights</b></p>		
<p>3.1 Indigenous peoples shall control forest management on their lands and territories unless they delegate control with free and informed consent to other agencies.</p>	<p>There are no communities of indigenous people or ethnic minorities within or near the land concession. The nearest community of Suoy ethnic minority, with a total national population of 1,833 persons is far away from the concession area (References: HCVF Identification Study).</p>	
<p>3.2 Forest management shall not threaten or diminish, either directly or indirectly, the resources or tenure rights of indigenous peoples.</p>	<p>See comment to P&amp;C 3.1.</p>	
<p>3.3 Sites of special cultural, ecological, economic or religious significance to indigenous peoples shall be clearly identified in cooperation with such peoples, and recognized and protected by forest managers.</p>	<p>See comment to P&amp;C 3.1.</p>	
<p>3.4 Indigenous peoples shall be compensated for the application of their traditional knowledge regarding the use</p>	<p>See comment to P&amp;C 3.1.</p>	

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of forest species or management systems in forest operations.		
<b>Principle #4: Community relations and worker's rights</b>		
4.1 The communities within, or adjacent to, the forest management area should be given opportunities for employment, training, and other services.	<p>Local people present the major part of the forest workers force. The company ensures that they have equal access to employment and training.</p> <p>Grandis Timber Ltd. provides a 6-week training program to all permanent staff entering from local communities, in particular forest workers. This was sustained during onsite visit via interviews (see section 7.2.2)</p> <p>Grandis Timber Ltd. supports local communities in the context of a 'friendly and supportive neighborhood'. Support has been granted to local religious events, schools (materials) and maintenance of road infrastructure.</p> <p>Recently a Sustainability Officer was employed whose scope of duties include the development of a rural development plan with emphasis of improving and strengthening the relationship to the adjacent communities respectively their livelihood. Future audits will have to assess the effectiveness of the program to be developed.</p> <p><b>Minor CAR 2014-01</b></p> <p>Grandis Timber was unable to ensure if all contractors and subcontractors assigned by Grandis Timber are paid a fair wage and other benefits (See also Observation 2014-01).</p>	<b>Minor CAR 2014-01</b>
4.2 Forest management should meet or exceed all applicable laws and/or regulations covering health and safety of employees and their families.	<p>The company's managers are aware of national and international (ILO) guidelines regarding health and safety of staff.</p> <p>The company has developed a labor policy ('Labor Policy 9007') which is applied in practice.</p> <p>The risks of all work employed in the context of teak reforestation and management is analyzed and protective measures are described in different procedures ('Labor Policy 9007, SOP 4013 Occupational Health and Safety – Risk Quantifying').</p> <p>All permanent staff receives safety training for the task to fulfill, before entering into the job and after that at a regular period maintaining and improving related skills. This could be sustained via interviews (see section 7.2.2).</p> <p>All workers are provided with safety equipment as demanded by ILO and national regulations.</p> <p>Employees' payment (wage) continues also in the case of severe accidents, which do not allow employees to continue working.</p> <p>During the audit at Block 10 a contractor assigned for land clearing with tractors was interviewed and its machinery checked.</p> <p><b>Minor CAR 2014-02</b></p>	<b>Minor CAR 2014-02                  Minor CAR 2014-03                  Observation 2014-01</b>

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	<p>The contractor assigned for land clearance in block 10 did not have a proper first aid kit in compliance with ILO conventions in place.</p> <p><b>Minor CAR 2014-03</b>  Although the contractor in block 10 did not have a proper first aid kit in compliance with ILO conventions in place it was not excluded from forest operations.</p> <p><b>Observation 2014-01</b>  During the onsite visit, the contractor was not questioned whether the wages paid are equal or higher than the average level in the region. The next audit shall lay an emphasis on outsourcing and all corresponding issues related to and armed with requirements by the standard.</p>	
4.3 The rights of workers to organize and voluntarily negotiate with their employers shall be guaranteed as outlined in Conventions 87 and 98 of the International Labor Organization (ILO).	<p>In regard to its employees, Grandis Timber Ltd. acts in full compliance with Cambodian Labor Law and the ILO Conventions.</p> <p>Workers can contact their next superior to express their concerns or any other manager. They are also permitted to express their concerns in written form.</p> <p>The procedure SOP 5001 'Grievance Procedure' regulates how to handle grievance and disputes.</p> <p>All employees of Grandis Timber Ltd. sign written contracts (permanent staff) or are employed as seasonal workers without written contracts.</p>	
4.4 Management planning and operations shall incorporate the results of evaluations of social impact.	<p>At the local level, the company has established regular meetings with the village chiefs and neighboring smallholder farmers. This could be confirmed via interviews during the onsite visit (see also section 7.2.2).</p>	
4.5 Appropriate mechanisms shall be employed for resolving grievances and for providing fair compensation in the case of loss or damage affecting the legal or customary rights, property, resources, or livelihoods of local peoples.	<p>Community issues are resolved through the process defined in a particular procedure (SOP 5022 Community Dispute Resolution Process).</p> <p>Neighboring communities have been informed and provided with a physical copy of the procedure and the complaints process has been explained to them.</p> <p>This could be confirmed via interviews during the onsite visit (see also section 7.2.2).</p>	
<b>Principle #5: Benefits from the forest</b>		
5.1 Forest management (FM) should strive toward economic viability, while taking into account the full environmental, social, and operational costs of production, and ensuring the investments necessary to maintain the ecological productivity of the forest.	<p>Grandis Timber Ltd. is a large-scale forestry investment, financed by Capricorn Forest Fund. Capricorn Forest Fund has contractually committed approximately US\$ 32 million investment into the project.</p> <p>There is an investment plan and a work plan, even for each year in place.</p> <p>The annual budget details all costs related to the investment.</p> <p>For the next years there will be no income as the project is within its investing phase.</p>	
5.2 FM and marketing operations should encourage the optimal use and local	<p>The company is at the establishment phase of a forestry plantation. At present, there are no products,</p>	

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processing of the forest's diversity of products.	which are harvested. At the earliest, in 10 years (2021) there will be the first thinnings, which will provide products.	
5.3 FM should minimize waste associated with harvesting and on-site processing operations and avoid damage to other forest resources.	At present, there is no harvesting, as the company is at the implementation phase of a forestry plantation. At the earliest, in 10 years (2021) there will be the first thinning, which will provide products.	
5.4 FM should strive to strengthen and diversify the local economy, avoiding dependence on a single forest product.	Not part of the audit	
5.5 FM operations shall recognize, maintain, and, where appropriate, enhance the value of forest services and resources such as watersheds and fisheries.	Due to the topography (nearly flat terrain) of the FMU, there is minimal watershed impact. There are guidelines in place on how to protect watercourses (conservation areas), avoid erosion and minimize soil degradation (Reference: 'Master Plan'). Enhancement of the values of the forest plantation is supposed to occur through a series of measures (use of clones, pruning, thinning).	
5.6 The rate of harvest of forest products shall not exceed levels, which can be permanently sustained.	All future prospects for the forestry investment are clearly stated within the 'Master Plan'. It is still too early to predict harvesting levels now (establishment phase of investment).	
<b>Principle #6: Environmental impact</b>		
6.1 Assessment of environmental impacts shall be completed -- appropriate to the scale, intensity of FM and the uniqueness of the affected resources -- and adequately integrated into management systems.	Grandis Timber Ltd. has conducted an extensive 'Environmental Social Impact Assessment - ESIA' embracing all relevant aspects related to environmental dimensions. The planning in the context of the company's 'Master Plan' and operational work plans (yearly), are based on the findings and conclusions of the ESIA.	
6.2 Safeguards shall exist which protect rare, threatened and endangered species and their habitats (e.g., nesting and feeding areas). Conservation zones and protection areas shall be established.	All potentially rare, endangered or threatened species and their habitats have been identified. In 2010 Grandis Timber Ltd. carried out a profound environmental and social impact study (see annex). At present, there are no rare, threatened and endangered species within the FMU (Reference: HCVF Area Identification Report and ESIA). Nonetheless, Grandis Timber Ltd. has signed a Memorandum of Understanding with the environmental NGO 'Conservation International – CI'. A total of 2,559 hectares, not including the riparian zones (686 ha of the area under the management of Grandis Timber Ltd. under the Concession Agreement) is set-aside as conservation area. Hunting and fishing is prohibited. Procedure SOP 7003 'Hunting, Grazing, Fishing and Gathering' is in place.	
6.3 Ecological functions and values shall be maintained intact, enhanced, or restored, including Forest regeneration and succession, Genetic, species, and	According to research results presented by Grandis Timber Ltd, teak seems to be appropriate to the natural conditions (soils, rainfall regime, climate) found in the area where the forest plantation is being established.	

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<p>ecosystem diversity, Natural cycles that affect the productivity of the forest ecosystem.</p>	<p>The harvesting system is not defined yet, as the project is still in its establishment phase.                  The establishment of teak plantations varies in terms of compartment size. Compartments planted with teak also include small conservation areas (rocky areas, wet areas, riparian conservation zones, small hills). There are also several trial plantations with a number of native and exotic species: Swietenia macrophylla, Khaya senegalensis, Afzelia xylocarpa, Dalbergia cochinchinensis, Terminalia alata and Pterocarpus macrocarpus.                  See also P&amp;C 10.5.</p>	
<p>6.4 Representative samples of existing ecosystems within the landscape shall be protected in their natural state and recorded on maps.</p>	<p>Samples of existing ecosystems within the concession area are maintained, as for instance:</p> <ul style="list-style-type: none"> <li>• Riparian zones along water courses</li> <li>• Wet areas</li> <li>• Rocky areas</li> <li>• Small hills</li> </ul>	
<p>6.5 Written guidelines shall be prepared and implemented to: control erosion; minimize forest damage during harvesting, road construction; and protect water resources.</p>	<p>No harvesting activities at present and for the next 10 years (thinning).                  Roads are being constructed during land clearing. Appropriate machinery is used (excavator, grader and roller). Road design is simple and appropriate.                  Procedure SOP 3031 'Road Construction and Maintenance' specifies all details regarding road construction and maintenance.                  Buffer zones (riparian zones) are established as conservation areas along watercourses (small rivers and creeks).</p> <p><b>Observation CAR 2014-2</b>                  The tractors inspected in block 10 were not equipped with oil leakage equipment.                  However, there are two guidelines referring to the handling of oil spillages: The procedures SOP 3026 'Clearing, Burning and Plowing' and SOP 4011 'Hazardous Materials and Biological Waste'.</p>	<p><b>Observation 2014-02</b></p>
<p>6.6 Management systems shall promote the development and adoption of environmentally friendly non-chemical methods of pest management and strive to avoid the use of chemical pesticides.</p>	<p>Not part of the audit</p>	
<p>6.7 Chemicals, containers, liquid and solid non-organic wastes including fuel and oil shall be disposed of in an environmentally appropriate manner.</p>	<p>The procedure SOP 4011 'Hazardous Materials and Biological Waste' describes in detail how to handle chemicals, containers and other kinds of wastes.                  There is responsible staff named for waste disposal.                  All stores of fuel and lubricant disposal are well designed in order to protect soils and water from pollution.                  They own extinguishers, oil-binding material (sand) and have a border at the entrance to avoid oil-runoff</p>	

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<p>6.8 Use of biological control agents shall be documented, minimized, monitored and strictly controlled in accordance with national laws and internationally accepted scientific protocols. Use of genetically modified organisms shall be prohibited.</p>	<p>There are no biological control agents used.                  Grandis Timber Ltd. does not use genetically modified organisms.</p>	
<p>6.9 The use of exotic species shall be carefully controlled and actively monitored to avoid adverse ecological impacts.</p>	<p>Not part of the audit</p>	
<p>6.10 Forest conversion to plantations or non-forest land uses shall not occur, except if it entails a very limited portion of the forest management unit; and does not occur on high conservation value forest areas; and will enable clear, substantial, additional, secure, long term conservation benefits across the forest management unit.</p>	<p>Not part of the audit.</p>	
<p><b>Principle #7: Management plan</b></p>		
<p>7.1 The management plan and supporting documents shall provide a) Management objectives. b) Description of the forest resources to be managed, environmental limitations, land use and ownership status, socio-economic conditions, and a profile of adjacent lands. c) Description of silvicultural and/or other management system, based on the ecology of the forest in question and information gathered through resource inventories. d) Rationale for rate of annual harvest and species selection. e) Provisions for monitoring of forest growth and dynamics. f) Environmental safeguards based on environmental assessments. g) Plans for the identification and protection of rare, threatened and</p>	<p><b>Observation 2014-03</b>                  In section 5.3.8.3 table 15 of the master plan there is an error in regard of volume to be harvested at age 20 at the end of the rotation age.</p>	<p><b>Observation 2014-03</b></p>

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<p>endangered species. h) Maps describing the forest resource base including protected areas, planned management activities and land ownership. i) Description and justification of harvesting techniques and equipment to be used.</p>		
<p>7.2 The management plan shall be periodically revised to incorporate the results of monitoring or new scientific information.</p>	<p>There is an annual review of the management plan for operational planning for the next year. There are also monthly operational plans.                  There is also a procedure describing the revision and adaptation process of the company's 'Standard Operating Procedures (SOP)'.</p>	
<p>7.3 Forest workers shall receive adequate training and supervision to ensure proper implementation of the management plan.</p>	<p>All Grandis Timber Ltd. staff, including workers, are trained in basic ecological and technical aspects of the forest management task they fulfill.                  There is an initial 6-week training for new workers, which could be sustained via interviews.                  To special tasks, like herbicide use, workers are introduced by particular training.                  Each worker group has an assigned supervisor who controls permanently the work quality.                  Forest managers at a superior level control periodically supervisors and workers.                  The frequency of control is appropriate to the tasks – supervisors control forest workers at daily intervals.</p>	
<p>7.4 While respecting the confidentiality of information, forest managers shall make publicly available a summary of the primary elements of the management plan, including those listed in Criterion 7.1</p>	<p>Grandis Timber Ltd. provides the Master Plan on request as long as the company's website has not been established.</p>	
<p><b>Principle #8: Monitoring and assessment</b></p>		
<p>8.1 The frequency and intensity of monitoring should be determined by the scale and intensity of forest management operations as well as the relative complexity and fragility of the affected environment.</p>	<p>Grandis Timber Ltd. has identified several activities which require monitoring, for instance:</p> <ul style="list-style-type: none"> <li>• Monitoring of seedlings produced in the nurseries.</li> <li>• Monitoring of planted areas.</li> <li>• Monitoring of expenses.</li> <li>• Erosion monitoring system for identified areas and roadways.</li> </ul> <p><b>Minor CAR 2014-05</b>                  The monitoring of compliance of contractors with requirements of the standard is not defined. See also Minor CARs 2014-01,02 and 04)</p>	<p><b>Minor CAR 2014-04</b></p>
<p>8.2 FM should include the research and data collection needed to monitor, at a minimum, the following indicators: a)</p>	<p>No harvest at present.                  Standard growth models are applied for teak growth projections. See also Observation 2014-03.                  The first teak plantation was established in 2010. This area is being monitored regarding plant health and</p>	<p><b>Observation 2014-04</b></p>

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<p>Yield of all forest products harvested. b) Growth rates, regeneration and condition of the forest. c) Composition and observed changes in the flora and fauna. d) Environmental and social impacts of harvesting and other operations. e) Costs, productivity, and efficiency of forest management.</p>	<p>vitality.</p> <p><b>Observation 2014-04</b>          A monitoring scheme of the conservation areas is still in development. Thus, the conservation area is not yet regularly monitored to ensure that there is no evidence of deterioration or disturbance.</p> <p><b>Minor CAR 2014-06</b>          Contractors' performance is not monitored in compliance with the standard. See also Minor CARs 2014-01, 02 and 04.</p>	<p><b>Minor CAR 2014-05</b></p>
<p>8.3 Documentation shall be provided by the forest manager to enable monitoring and certifying organizations to trace each forest product from its origin, a process known as the "chain of custody."</p>	<p>Currently no forest products.          No use of the FSC trademark at present.</p>	
<p>8.4 The results of monitoring shall be incorporated into the implementation and revision of the management plan.</p>	<p>Not part of the audit.</p>	
<p>8.5 While respecting the confidentiality of information, forest managers shall make publicly available a summary of the results of monitoring indicators.</p>	<p>Not part of the audit.</p>	
<p><b>Principle #9: Maintenance of high conservation value forests (HCVF)</b></p>		
<p>9.1 Assessment to determine the presence of the attributes consistent with HCVF will be completed.</p>	<p>Grandis Timber Ltd. has conducted an extensive assessment of all high conservation values. The assessment has been sent to major stakeholders. The outcome of the assessment is that there are no HCVF in the FMU. The HCVF assessment is documented and sources of information are referred to. No HCV are present in the FMU.</p>	
<p>9.2 The consultative portion of the certification process must place emphasis on the identified conservation attributes, and options for the maintenance thereof.</p>	<p>No HCVF identified.</p>	
<p>9.3 The management plan shall include and implement specific measures that ensure the maintenance and/or enhancement of the applicable</p>	<p>No HCVF identified.</p>	



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conservation attributes consistent with the precautionary approach.		
9.4 Annual monitoring shall be conducted to assess the effectiveness of the measures employed to maintain or enhance the applicable conservation attributes.	No HCVF identified.	
<b>Principle #10: Plantations</b>		
10.1 The management objectives of the plantation, including natural forest conservation and restoration objectives, shall be explicitly stated in the management plan.	The Master Plan describes the objectives of plantation management in detail. An extensive conservation area is protected and planned to be restored. Other degraded sites are reforested with teak.	
10.2 The design and layout of plantations should promote the protection, restoration and conservation of natural forests, and not increase pressures on natural forests.	The area planted with teak is clearly demarcated on maps and in the field. Natural forests covering the adjacent conservation areas are maintained by protection and restoration measures. The Master Plan embraces the following aspects: <ul style="list-style-type: none"> <li>• Description of plantation design (mosaic of plantation and conservation plots).</li> <li>• Rationale and description of conservation areas, including riparian zones with corridor function.</li> </ul> The landscape of the concession area consists of totally degraded remnants of natural forest (no longer being defined as forest), wild grazing areas and small agricultural plots. The teak plantation will restore the totally degraded site.	
10.3 Diversity in the composition of plantations is preferred, so as to enhance economic, ecological and social stability.	Teak plantation compartments are of different size and interwoven with smaller and bigger conservation zones. The enterprise does only work with teak for commercial forest plantation. Other tree species are planted in the conservation zones. On areas with poor performance, a change of species is considered.	
10.4 The selection of species for planting shall be based on their overall suitability for the site and their appropriateness to the management objectives.	Teak ( <i>Tectona grandis</i> ) is suitable to plant under given climatic and soil conditions. Grandis Timber Ltd. is using a wide range of genetic provinces, inclusive of wild seed sourced from natural stands in Thailand and selected clones. On areas with poor performance, a change of species is considered.	
10.5 A proportion of the overall forest management area, appropriate to the scale of the plantation and to be determined in regional standards, shall be managed so as to restore the site to a natural forest cover.	2,559 ha are managed primarily for conservation objectives. Grandis Timber Ltd. describes in the Master Plan the mechanisms for restoring the degraded parts of the conservation area.  <b>Observation 2014-05</b> At present, the enterprise is negotiating with a NGO to develop a documented strategy for the restoration	<b>Observation 2014-05</b>

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	of the conservation area.	
10.6 Measures shall be taken to maintain or improve soil structure, fertility, and biological activity.	<p>Soils on the FMU are primarily of sandy composition and susceptible to nutrient leaching. This factor has been illustrated in the change of forest cover over the past 30 years on the site, in a large part due to regular (typically annual) fires, which results in a high loss rate of nitrogen stored in plant biomass during the combustion process, and the remaining nutrients are left in a highly stock soluble state (ash), which is very susceptible to leaching.</p> <p>Details of soils management plan are provided in the 'Master Plan'.</p> <p>Degraded land is planted with teak trees.</p> <p>The reforestation of the degraded land will improve the water retention capacity of the soils.</p>	
10.7 Measures shall be taken to prevent and minimize outbreaks of pests, diseases, fire and invasive plant introductions. Integrated pest management shall form an essential part of the management plan, with primary reliance on prevention and biological control methods rather than chemical pesticides and fertilizers.	<p>Teak has limited susceptibility to diseases and pest. The primary issue is defoliants in the nursery environment.</p> <p>The company's Master Plan describes pest management in detail and there is also a Policy in place (9005).</p> <p>Fire is primarily controlled through regular disc plowing (annually during first 2 years) between the tree rows. Vines and other competitive plants are manually weeded as required.</p> <p>Only the herbicide 'Round-up' is used in the nurseries to control weeds at the establishment phase and on planting sites for the same purpose.</p>	
10.8 Monitoring of plantations shall include regular assessment of potential on-site and off-site ecological and social impacts, in addition to those elements addressed in principles 8, 6 and 4. No species should be planted on a large scale until local trials and/or experience have shown that they are ecologically well-adapted to the site, are not invasive, and do not have significant negative ecological impacts on other ecosystems.	<p>Trials of teak in the region have shown that the species is appropriate to the given site conditions.</p> <p>Teak plantations are established on degraded land.</p> <p>On areas with poor performance, a change of species is considered.</p>	
10.9 Plantations established in areas converted from natural forests after November 1994 normally shall not qualify for certification.	Grandis Timber Ltd. has purchased the concession in 2009 and thus is not responsible for natural forest degradation and transformation in the past.	

n.a. = not applicable, criterion not applicable for evaluation.

## 9.2 Group Certification results (only groups)

Responsibilities for implementation of the applicable standard(s) at the group entity level are complied with, especially FSC standard for group entities in forest management groups (FSC-STD-30-005):

yes  no , see "Corrective Action Requests".

Each non-SLIMF group member complied with all of the requirements of the FSC P&C, except those requirements already complied with at the group level.

yes  no , see "Corrective Action Requests".

## 9.3 Issues hard to assess

Description of issues that were hard to assess, for example, because of contradictory evidence or difficulty in interpreting the standard(s) in the field, and explanation of the conclusion reached:

No issues

## 9.4 Chain of Custody

### 9.4.1 Integrated processing or trading activities

Integrated processing or trading associated with the forest management enterprise must be inspected for compliance with the appropriate COC standard with a separate report required.

Integrated processing facilities or trading activities of wood from other sources are included in the scope:

yes, see separate COC report in Annex  
 no

### 9.4.2 Tracking, tracing and identification of certified products

A description of the internal chain-of-custody (COC) is necessary, since timber is sold from specific landings and/ or transported over longer distances, where a mix with products from non-certified sources might be possible.

Grandis Timber Ltd. is at the very beginning of its reforestation activities. Teak (*Tectona grandis*) is a relatively slow growing species. First thinning operations through which a product will be harvested that should be tracked through an internal CoC, will not be carried out before 2021 (10 years after having planted the first plots).

Thus, at this stage of forest plantation management it is not necessary to have an internal CoC system in place.

#### 9.4.3 Balance of sold FSC products

Products sold with FSC Claim (only recertification and surveillance audits):

yes  no

An annual volume balance of sold products specifying product type, species and quantity has been provided by the forest management enterprise. In case of group certification the volumes are specified for each member:

yes  no , see "Corrective Action Requests".

Overview on products sold as FSC certified since the last audit

Product type (#)	Species (botanical name)	Amount in m <sup>3</sup>	Comments
<b>No sale of FSC certified wood (establishment stage of teak plantation)</b>			

#### 9.4.4 Invoicing for FSC certified products

The following elements are included in all trading documents having to do with FSC certified material sold as FSC certified and thus in compliance with the applicable FSC COC requirements:

Certification code: yes  no , see "Corrective Action Requests".  
"FSC 100%" claim: yes  no , see "Corrective Action Requests".

### 9.5 FSC trademark use

The company shall submit all FSC trademark use to GFA (Email to logo@gfa-certification.de) for approval prior to publishing, printing and distribution.

The FSC trademark is not used

The FSC trademark is used for:

- Segregation
- Invoices, delivery documents
- Stationary
- Business cards
- Web page
- others:

All FSC trademark use complies with FSC trademark standards and all GFA trademark approvals are obtained and documented:

yes  no , see "Corrective Action Requests".

### 9.6 Strength and weaknesses

As main strength points for the forest enterprise / the group are recognized:

- Well established and documented (e. g. Standard Operating Procedures) management system.
- Well qualified and experienced staff (Plantation Management Partners Pty Ltd.).
- Integration of FSC P&C into the Master Plan for forest management operations.
- A considerable area is designated for conservation purposes and planned to be enhanced by enrichment planting of native tree seedlings.
- Strong commitment to social responsibility related to the adjacent populations.
- Strong emphasis on training and improving skills and performance of not experiences forest workers.

As main weaknesses for the forest enterprise / the group are recognized:

See chapter "Corrective Action Requests (CARs)" / "Identified non-compliances"

## 10 Identified non-compliances (Pre-evaluation)

Not applicable in surveillance audit reports.

## 11 Corrective Action Requests (CARs)

According to the importance of the non-compliances with respect to scale and intensity of the forest operation, the corrective action requests are classified as Minor or Major.

**„Major Corrective Action Requests“ (Major CARs)** result from fundamental failures to achieve the objective of the relevant FSC requirements. Adequate corrective action needs to be implemented by the organization before a certificate can be issued or re-issued. If Major CARs are not complied with within the timeframe existing certificates shall be suspended according to the accredited FSC system.

**„Minor Corrective Action Requests“ (Minor CARs)** result from failures to achieve the objective of the relevant FSC requirements which are not considered to be fundamental. They do not inhibit the issuing or re-issuing of the certificate but adequate corrective actions needs to be implemented until the next surveillance audit. Otherwise Minor CARs are upgraded to Major CARs automatically. Repeated disregard leads to a suspension of the certificate.

**“Observations”** do not influence the status of the certificate but identify the early stages of a problem which does not of itself constitute a non-compliance, but which may lead to a future non-compliance if not addressed by the client.

In the case of Major CARs the organization has to send evidence of both corrective and preventive actions to the GFA certification department within the given timeframe. In addition the organization shall keep the evidence available on site for the next audit. In the case of Minor CARs the organization has to keep evidence of corrective actions available on site for the next audit.

### 11.1 CARs from previous audits

Not applicable, no previous CARs open

<b>Minor CAR 2013-01</b>	
Scope of CAR :	<input checked="" type="checkbox"/> Forest Management Enterprise
FSC P & C	4.2.7 Health and care measures are supported by the employer (e. g. allowance for personal safety equipment).
Standard / Norm	GFA Generic FM Standard, adapted for Cambodia, version 1.0
Deviation / Explanation	During the audit compartment 15, blocks 3 and 6 were visited. The drinking water for the women workers, carrying out weeding, stood in full sunlight and was just protected by some leaves. This did not avoid to water warm up in the strong sunlight, affecting the water's refreshing quality.
Corrective action	The company shall implement appropriate measures to correct the nonconformity detected in this audit and described above within the given timeline. The measures shall be adequate to correct the current problems and to eliminating causes of nonconformities in order to avoid recurrence. Evidence for implemented measures shall be sent to info@gfa-certification.de.
<b>Timeframe</b>	<b>within 12 months, latest till 06.04.2014</b>
<b>Status:</b>	<b>Fulfilled</b>
<b>Reason or next steps:</b>	<b>New SOPs for pruning were compiled and provided. See also Hand Weeding SOP 3013. During onsite visit all canisters with drinking water were stored in shaded conditions.</b>

<b>Minor CAR 2013-02</b>	
Scope of CAR :	<input checked="" type="checkbox"/> Forest Management Enterprise
FSC P & C	5.5.3 Guidelines and measures for the protection and enhancement of forest values and services are in place and implemented
Standard / Norm	GFA Generic FM Standard, adapted for Cambodia, version 1.0
Deviation / Explanation	Pruning done in compartments 17 and 24 was of low quality, not ensuring that the pruned trees develop high quality stems (leaving stumps of pruned branches; ripped stumps of pruned branches; pruning done to high and leaving a very small crown, causing the proliferation of new branches on the pruned stems).
Corrective action	The company shall implement appropriate measures to correct the nonconformity detected in this audit and described above within the given timeline. The measures shall be adequate to correct the current problems and to eliminating causes of nonconformities in order to avoid recurrence. Evidence for implemented measures shall be sent to info@gfa-certification.de.
<b>Timeframe</b>	<b>within 12 months, latest till 06.04.2014</b>
<b>Status:</b>	<b>Fulfilled</b>
<b>Reason or next steps:</b>	<b>New SOPs for pruning were compiled and provided. See also Pruning SOP 3014. Further hand saws are used for pruning instead of nippers as these were of poor quality causing ripped stumps. During onsite visit recently pruned parcel were examined and found to be of better quality.</b>

<b>Minor CAR 2013-03</b>	
Scope of CAR :	<input checked="" type="checkbox"/> Forest Management Enterprise
FSC P & C	<b>6.7.4</b> Soils and water are being protected from pollution.
Standard / Norm	GFA Generic FM Standard, adapted for Cambodia, version 1.0
Deviation / Explanation	All stores of fuel and lubricant disposal are well designed in order to protect soils and water from pollution. They own extinguishers, oil-binding material (sand) and have a border at the entrance to avoid oil-runoff Only in the mechanical workshop there was some minor oil-leakages. The new workshop was under construction.
Corrective action	The company shall implement appropriate measures to correct the nonconformity detected in this audit and described above within the given timeline. The measures shall be adequate to correct the current problems and to eliminating causes of nonconformities in order to avoid recurrence. Evidence for implemented measures shall be sent to info@gfa-certification.de.
Timeframe	<b>within 12 months, latest till 06.04.2014</b>
Status:	<b>Fulfilled</b>
Reason or next steps:	<b>The new workshop is completed and functional. It was examined during the field visit, no oil leakages could be identified.</b>

<b>Minor CAR 2013-04</b>	
Scope of CAR :	<input checked="" type="checkbox"/> Forest Management Enterprise
FSC P & C	10.3.3 Not applicable to SLIMF operations: A minimum 20% of the plantation consists of mixed species crops, unless it is consistent with the natural distribution pattern for the species in the region concerned.
Standard / Norm	GFA Generic FM Standard, adapted for Cambodia, version 1.0
Deviation / Explanation	Grandis Timber will maintain or enhance biodiversity within teak plantations by the following means: <ul style="list-style-type: none"> <li>• Maintain riparian zones and rocky areas and its natural vegetation as protection areas.</li> <li>• Standing, alive native trees and also standing deadwood is maintained.</li> <li>• Up-coming native shrubs and trees within the teak plantation, which will not present a severe competition to teak trees, will be maintained.</li> <li>• To a smaller extent, also other tree species are planted (native as well as exotic).</li> </ul> Nonetheless, these practical measures are not described in the company's 'Master Plan' yet.
Corrective action	The company shall implement appropriate measures to correct the nonconformity detected in this audit and described above within the given timeline. The measures shall be adequate to correct the current problems and to eliminating causes of nonconformities in order to avoid recurrence. Evidence for implemented measures shall be sent to certification@gfa-group.de.
Timeframe	<b>within 12 months, latest till 06.04.2014</b>

<b>Status:</b>	<b>Fullfilled</b>
<b>Reason or next steps:</b>	<p>The first bullet point was integrated into the master plan. See also sections 5.3.1.2, 5.3.1.2.3</p> <p>The second bullet point was integrated into the master plan as well as into the Clearing, Burning and Ploughing SOP. See also section 5.3.6.2.2.1 respectively SOP 3026</p> <p>The third bullet point is influenced by the side conditions and the problem resulting from them. The side conditions are mainly very poor and degraded which could be sustain during the onsite visit and which resulted in poor performance in the first three years (2010-2012). At present, the plantation activities focus on establishing a proper teak planation by dealing with the poor side conditions and at the same time managing potential risks such as fire by maintaining weed free conditions. Thus, at this stage of the plantation operation it is found to be in compliance with the standard when the client is focusing on the proper establishment only as other vegetation presents a severe competition to teak trees.</p> <p>The fourth bullet point is due to the contract on the investment of teak plantation with the royal Cambodian government. The contract allows only test planting of other species. The management is testing other species especially on the areas with very poor side conditions by establishing trail plantings. After having completed successfully this testing stage the management is planning to apply for the revision of the contract in terms of tree species to be established. This could be sustain via interviews during the onsite visit.</p>

## 11.2 CARs identified during the evaluation

Not applicable, no CARs identified

### 11.2.1 Major CARs

None.

### 11.2.2 Minor CARs

<b>Minor CAR 2014-01</b>	
Scope of CAR :	<input type="checkbox"/> Forest Management Enterprise, resp. Group Entity <input type="checkbox"/> Group member(s):
FSC P & C	4.1.5 The forest manager shall ensure that all employees, contractors and sub-contractors working in the forest of the certificate holder are paid a fair wage and other benefits, which meet or exceed all legal requirements and those provided in comparable occupations in the same region.
Standard / Norm	GFA Generic FM Standard, adapted for Cambodia, version 1.0
Deviation / Explanation	Grandis Timber was unable to ensure if all contractors and subcontractors assigned by Grandis Timber are paid a fair wage and other benefits.
Corrective action	The company shall implement appropriate measures to correct the nonconformity detected in this audit and described above within the given timeline. The measures shall be adequate to correct the current problems



	and to eliminating causes of nonconformities in order to avoid recurrence. Evidence for implemented measures shall be sent to certification@gfa-group.de.
<b>Timeframe</b>	<b>Till next audit, latest till 21.05.2015</b>
<b>Status:</b>	<b>Not fulfilled</b>
<b>Reason or next steps:</b>	

<b>Minor CAR 2014-02</b>	
Scope of CAR :	<input type="checkbox"/> Forest Management Enterprise, resp. Group Entity <input type="checkbox"/> Group member(s):
FSC P & C	4.2.4 Workers, including subcontractors, are provided with safety equipment, relevant to the tasks of workers, the equipment used and consistent with ILO Code of Practice on Safety and Health in Forestry.
Standard / Norm	GFA Generic FM Standard, adapted for Cambodia, version 1.0
Deviation / Explanation	The contractor assigned for land clearance in block 10 did not have a proper first aid kit in compliance with ILO conventions in place.
Corrective action	The company shall implement appropriate measures to correct the nonconformity detected in this audit and described above within the given timeline. The measures shall be adequate to correct the current problems and to eliminating causes of nonconformities in order to avoid recurrence. Evidence for implemented measures shall be sent to certification@gfa-group.de.
<b>Timeframe</b>	<b>Till next audit, latest till 21.05.2015</b>
<b>Status:</b>	<b>Not fulfilled</b>
<b>Reason or next steps:</b>	

<b>Minor CAR 2014-03</b>	
Scope of CAR :	<input type="checkbox"/> Forest Management Enterprise, resp. Group Entity <input type="checkbox"/> Group member(s):
FSC P & C	4.2.9 Contractors not complying with all above-mentioned indicators are excluded from forest operations.
Standard / Norm	GFA Generic FM Standard, adapted for Cambodia, version 1.0
Deviation / Explanation	Although the contractor in block 10 did not have a proper first aid kit in compliance with ILO conventions in place it was not excluded from forest operations.
Corrective action	The company shall implement appropriate measures to correct the nonconformity detected in this audit and described above within the given timeline. The measures shall be adequate to correct the current problems and to eliminating causes of nonconformities in order to avoid recurrence. Evidence for implemented measures shall be sent to certification@gfa-group.de.
<b>Timeframe</b>	<b>Till next audit, latest till 21.05.2015</b>
<b>Status:</b>	<b>Not fulfilled</b>
<b>Reason or next steps:</b>	

**Minor CAR 2014-04 changed into Observation 2014-02 after internal revision of report by GFA.**



<b>Minor CAR 2014-05</b>	
Scope of CAR :	<input type="checkbox"/> Forest Management Enterprise, resp. Group Entity <input type="checkbox"/> Group member(s):
FSC P & C	8.1.1 All activities that require monitoring are identified.
Standard / Norm	GFA Generic FM Standard, adapted for Cambodia, version 1.0
Deviation / Explanation	The monitoring of compliance of contractors with requirements of the standard is not defined. See also Minor CARs 2014-01,02 and 04)
Corrective action	The company shall implement appropriate measures to correct the nonconformity detected in this audit and described above within the given timeline. The measures shall be adequate to correct the current problems and to eliminating causes of nonconformities in order to avoid recurrence.  Evidence for implemented measures shall be sent to certification@gfa-group.de.
<b>Timeframe</b>	<b>Till next audit, latest till 21.05.2015</b>
<b>Status:</b>	<b>Not fulfilled</b>
<b>Reason or next steps:</b>	

<b>Minor CAR 2014-06</b>	
Scope of CAR :	<input type="checkbox"/> Forest Management Enterprise, resp. Group Entity <input type="checkbox"/> Group member(s):
FSC P & C	8.2.7 Contractors´ performance is monitored, including compliance with contract Specifications.
Standard / Norm	GFA Generic FM Standard, adapted for Cambodia, version 1.0
Deviation / Explanation	Contractors' performance is not monitored in compliance with the standard. See also Minor CARs 2014-01, 02 and 04.
Corrective action	The company shall implement appropriate measures to correct the nonconformity detected in this audit and described above within the given timeline. The measures shall be adequate to correct the current problems and to eliminating causes of nonconformities in order to avoid recurrence.  Evidence for implemented measures shall be sent to certification@gfa-group.de.
<b>Timeframe</b>	<b>Till next audit, latest till 21.05.2015</b>
<b>Status:</b>	<b>Not fulfilled</b>
<b>Reason or next steps:</b>	

11.2.3 Observations

Not applicable, no observations

<b>Observation</b>	<b>Description</b>
<b>Observation 2014-1:</b>	During the onsite visit, the contractor was not questioned whether the wages paid are equal or higher than the average level in the region. The next audit shall lay an emphasis on outsourcing and all corresponding issues related to and armed with requirements by the standard.

<b>Observation 2014-2:</b>	The tractors inspected in block 10 were not equipped with oil leakage equipment. However, there are two guidelines referring to the handling of oil spillages: The procedures SOP 3026 'Clearing, Burning and Plowing' and SOP 4011 'Hazardous Materials and Biological Waste'.
<b>Observation 2014-3:</b>	In section 5.3.8.3 table 15 of the master plan there is an error in regard of volume to be harvested at age 20 at the end of the rotation age.
<b>Observation 2014-4:</b>	A monitoring scheme of the conservation areas is still in development. Thus, the conservation area is not yet regularly monitored to ensure that there is no evidence of deterioration or disturbance.
<b>Observation 2014-5:</b>	At present, the enterprise is negotiating with a NGO to develop a documented strategy for the restoration of the conservation area.

## 12 Summary and next steps (Pre-evaluation)

Not applicable in surveillance audit reports.

## 13 Certification decision

### 13.1 Summary of audit

In the context of the audit four (4) Minor CARs closed, four (5) Minor CARs were identified and five (5) Observations were issued.

### 13.2 Certification recommendation by the auditor(s)

The certificate holder's system of management, if implemented as described, is capable of ensuring that all of the requirements of the applicable standard(s) are met over the whole forest area covered by the scope of the evaluation:

- Yes      A certificate can be issued/reissued/maintained under the condition that the "Corrective Action Requests" mentioned above will be completely fulfilled in the indicated timeframe.
- No      A certificate can only be issued when all identified Major CARs mentioned above are closed due to implemented corrective actions.
- No      The FM system of the evaluated enterprise does not comply with the provisions and standards of FSC and those of GFA Certification GmbH. Due to the number of identified major non-conformities the auditors recommend the immediate suspension of the certificate after finalization of the report.

The next surveillance audit is preliminarily planned for summer 2015.

## 14 Agreements

Between GFA and the client it is hereby agreed, that the report will be sent to the client for review and comments. If the client does not send a comment within 21 days (date of post

stamp), GFA will assume, that no comments will be made and that the client agrees to the report.

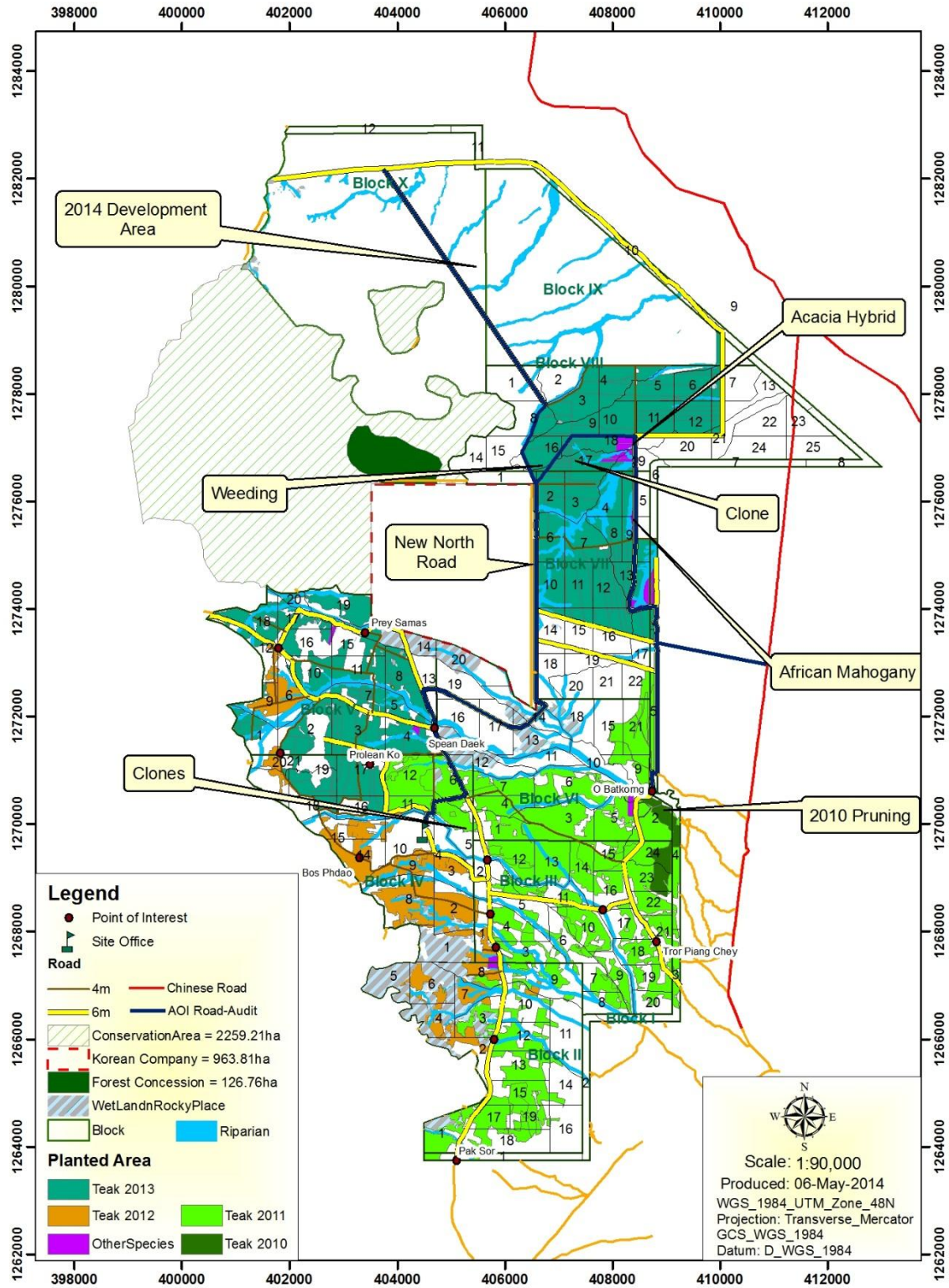
On an additional form, the client accepts the report and the defined CARs therein and assures to correct the identified non-compliances in the indicated timeframe.

## **15 Annex**

- Digital map of the FMUs
- GFA dispute resolution procedure

Location of the FMUs include in the scope of certification

# Audit Field Inspection 2014



### **GFA Dispute Resolution Procedure**

In order to increase the public accountability of the certification process stakeholders and certificate holders have access to GFA's dispute resolution procedure (DRP).

All concerns related to GFA's certification decision can be addressed to the GFA headquarter. Concerns NOT addressed to GFA headquarters, GFA staff or GFA affiliates are not accepted. Anonymous disputes, complaints and appeals will be rejected. Further mass mailings and mass emailing to GFA addressing the same or similar issues will be rejected.

The DRP provides procedures that allow the aggrieved party the opportunity to present his/her case to GFA staff. GFA provides an initial response, including an outline of GFA proposed course of action to follow up on the complaint or appeal, within four (4) weeks of receiving a complaint or appeal. GFA keeps the complainant(s) informed of progress in evaluating the complaint/appeal, and has investigated the allegations and specified all its proposed actions in response to the complaint or appeal within six (6) months of receiving the complaint or appeal, extendable to twelve (12) months. Full implementation of actions and confirmation of implementation (e.g. correction and closing out of non-compliances that may have been identified as a result of the complaint or appeal) are completed in compliance with FSC requirements and standards.

Please note: Disputes, complaints and appeals can only be considered valid if related to issues under the authority of GFA and related to Forest Stewardship Council standards.