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## AUDIT REPORT

### Audited Organization

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### Certificate

Certificate type	<input checked="" type="checkbox"/> Single	<input type="checkbox"/> Multiple FMU	<input type="checkbox"/> Group	<input type="checkbox"/> SLIMF Group
Issue date	11. July 2013	Expire date	10. July 2018	
FSC FM/COC certificate number	GFA-FM/COC-002384			
FSC License Code	FSC-C109614			
National FSC FM Standard for	Country		Version	
Generic GFA Standard, adapted for FM in	Country	Cambodia	Version	1.0
Further standards	Requirements for the use of FSC-Trademarks FSC-STD-50-001 V1-2			

### Date, Audit Type, Auditor/s

Audit type	Surveillance Audit
Audit date	From 07.06.2017 to 10.06.2017
Report date	15.06.2017
Lead auditor	Nicolas PERTHUISOT Qualification: forest engineer - GFA FM/COC Lead Auditor since 2016
Other auditors /experts	Nith CHHIN Qualification: local expert

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## 1 Scope of Certification

<b>Geographic location:</b>	Latitude:	N/S 104 ° 08'			
	Longitude	E/W 11 ° 31'			
<b>Forest zone:</b>	boreal	temperate	subtropical	tropical	
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
<b>Forest Type:</b>	Natural	Plantation	Semi-natural and mixed plantation & natural forest		
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		
<b>Tenure management:</b>	Concession	Community	Private	Public	
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Tenure ownership</b>	Government	Community	Private	Public	Indigenous
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Certified forest area:</b>	Total area in ha:		Total number of FMUs :		
	7,896.11		1		
<b>FMU numbers per size class:</b>	<100 ha	100-1000 ha	1000-10.000 ha	> 10.000 ha	
	FMUs	FMUs	1 FMUs	FMUs	
<b>Number of group members per size class:</b>	<100 ha	100-1000 ha	1000-10.000 ha	> 10.000 ha	
	FMUs	FMUs	FMUs	FMUs	
<b>AAF Class</b>	Natural forest - Boreal:	ha	Plantations:	7,896.11 ha	
	SLIMF Boreal:	ha	SLIMF Plantations:	ha	
	Natural forest - Conservation:	ha	Natural forest - Temperate:	ha	
	SLIMF Conservation:	ha	SLIMF Temperate:	ha	
	Natural forest - Community:	ha	Natural forest - Tropical:	ha	
	SLIMF Community:	ha	SLIMF Tropical:	ha	
<b>Scope of certification:</b> Forest management and trade of Roundwood (logs)					
<b>Nr.</b>	<b>Product type(s)*</b>	<b>Level*</b>	<b>Main output category</b>	<b>Species (Scientific names)</b>	
1	Roundwood (logs)	W1.1	FSC 100%	Tectona grandis Eucalyptus Europhylla & camadulensis Acacia mangium & auriculaformis Khaya senegalensis	
* Acc. to FSC Product Classification (FSC-STD-40-004 a)					

## 2 Description of the area included in 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 audit report):

- The CEO has changed, Eugene Kraam Winkel is the new chief Executive officer instead of Nico Strydom.
- The contract between Grandis Timber limited and the Ministry of Agriculture Forestry and Fisheries regarding concession is being modified and will be probably signed before end of 2017. The last actualized modified the total duration of the concession and other technical minor points.

No changes since the last audit.

### 4.2 Accidents in forest work since the last audit

No serious/ fatal accidents occurred.

### 4.3 Use of pesticides since the 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	Herbicide	211 ha treated in 2017	<input type="checkbox"/> permanent <input checked="" type="checkbox"/> occasional
Imidachloprid	Insecticide against the Teak Skeletonizer, <i>Eutectona machaeralis</i>	273 ha treated	<input type="checkbox"/> permanent <input checked="" type="checkbox"/> occasional

## 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

See Chapter „Scope of Certification“.

Explanation of any relevant modifications of the FSC Standard used in previous evaluations:

No changes since the last audit

### 7.2 Sampling and Field Audit

#### 7.2.1 List of FMUs selected for evaluation

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

List of selected FMUs:

All  Not all, see below

7.2.2 Overall schedule with dates (for each FMU)

Date	Location	Thematic priorities on-site-audits	Remarks/Participants
07-06-2017	Grandis Timber office in Phnom Penh	Opening meeting Presentation of auditors and GT key management staff Detailed planning of surveillance Document review Audit schedule and logistic organization Closing of CARs	Eugene Kraam Winkel : CEO Grandis Timber Lina Hong : Sustainability officer Neak Phearoom: Government and community relations manager (GCRM) Prou Theary : GM corporate service Nith Chin : Local Auditor Nicolas Perthuisot : Lead Auditor
08-06-2017	Grandis Timber field office	Detail field visit organization	Manager staff (see above) + technical staff Ros Phoura, : planning research and development Yung Vantha : Site manager Cheat Vichet-Plantation forester
	Mechanical workshop, fuel station and tanks, Storage of spare parts and small equipment	Environnemental management and pollution control, waste management (P6).	Saing Seam : fuel controller Mao youthearak, stock manager
	Worker camp visit: Kitchen, canteen, employee housing and restroom. Water treatment plant,	Live hood condition for employees and families (P4)	
	Nursery n° 1	Nursery management and monitoring Chemical product use (P10)	Noun Virak : Nursery manager
	Forest plantation Plot 0805 (126 ha) mixed species plantation/plots in process Plot C1105 (63 ha) 2015 teak plantation pruning Plot C1001, C1103, C1104, C1102 : research permanent Plots C 2701 / 2703 Acacia plantation (2013 and 2014)	Discussion with seasonal workers (P4) Forest management plan (P7) Monitoring and quality control regarding SOP (P8) Plantation management (P10)	Manager + technical staff  Sou Sukt (seasonal worker). Sokh Pheep (seasonal worker). Sou Thy (seasonal worker).
	Subcontractor worker camp	Respect of FSC requirement by the subcontractor (P4)	Chy Vichet (manager of Chy Vichet tractor Company)
	No productive area B0101 Future plantable area (437ha) Wetland and riparian area of "prey samas and Chut domrey"	Environmental survey and biodiversity aspects and monitoring, (P6, P8) HCVF evaluation (P9)	Manager staff + technical staff
09-06-2017	Check point (south entry)	Illegal activity monitoring (P1)	Manager staff + technical staff
	Nursery n° 1	Nursery management and monitoring - Chemical product use Native species plantation program (P10)	Noun Virak : Nursery manager
	Non planted area Mountain forest (West of Plot F1301).	Environmental and biodiversity aspects (P6).	Manager staff + technical staff

Date	Location	Thematic priorities on-site-audits	Remarks/Participants
	Rocky area (plot D 2601 and D 1202)	Field characterization and description (P6)	
	Road in the southern part of the concession	Erosion problem and monitoring (P6 and P8)	Manager staff + technical staff
	Infirmary	Health and security aspect, work injury (P4)	Dr Iourn Sok Hieng
	Meeting with local communities	Relation with local communities, local development, employment opportunities (P4), boundaries, illegal activities land use (P2)	Ros theurm village chief of Doung village, kraing Dey Vai Commune Nov Chantrea chief of Pos Veik village, raksmei Samaki commune.
	Grandis Timber field office	Presentation of the first finding to technical field staff	Eugene Kraam Winkel : CEO Grandis Timber Lina Hong : Sustainability officer Neak Phearoom : GLR manager Yung Vantha : Site manager Nith Chin : Local Auditor Nicolas Perthuisot, lead auditor
10-06-2017	Grandis Timber office in Phnom Penh	Complementary document review and analysis Internal Audit team meeting – drawing conclusions of the audit Closing meeting	Eugene Kraam Winkel : CEO Grandis Timber Lina Hong : Sustainability officer Prou Theary : GM corporate service Naek Phearoom : GLR manager Nith Chin : Local Auditor Nicolas Perthuisot : lead auditor

### 7.2.3 Total of man-days required for the audit (delete for PS)

	Pre-evaluation	Main audit	Surveillance audit
Stakeholder consultation	-	0.75	
Document review	-	0.5	
Field Audit	6	8	6
Report preparation	1.75	2	1.75
<b>TOTAL (in working days)</b>	<b>7.75</b>	<b>9.25</b>	<b>7.75</b>

### 7.2.4 Surveillance audit plan for the Forest Management Enterprise (delete for PS)

Audit type	Date of evaluation	Audit duration in days	Sites/member FMU	Main focus
Pre-audit	2012 / June	4,25	all	Scoping document and field check of compliance of forest management operations with applicable FSC standards
Main audit	2013 / April	11,00	all	Detailed document and field check of compliance of forest management operations with applicable FSC standards
Surveillance 1	2014 / May	7,75	all	Contractors, environmental issues with teak plantations, performance of teak plantations, forest management practices (in particular pruning), work conditions of field workers
Surveillance 2	2015 / August	7,75	all	Performance of teak plantations, forest management practices work conditions of field

Audit type	Date of evaluation	Audit duration in days	Sites/member FMU	Main focus
				worker, development strategy for conservation areas
Surveillance 3	2016 / June	7,75	all	Focus on following issues: Contractors, performance of teak plantations, development strategy for conservation areas, Species composition, handling of chemicals
Surveillance 4	2017 / May	7,75	all	Monitoring process, environmental and biodiversity aspects, diversity of plantation (species and structure), safety and health, work conditions and live hood of field workers, nursery management, relation with local communities

### 7.3 Consultation with stakeholders / comments / complaints

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

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

- Ros theurm village chief of Doung village, kraing Dey Vai Commune
- Nov Chantrea chief of Pos Veik village, raksmev Samaki commune.

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

Principles & Criteria	Stakeholder Comments	Answers
Principle 1		
Principle 2		
Principle 3		
Principle 4		
Principle 5		
Principle 6		
Principle 7		
Principle 8		
Principle 9		
Principle 10		

## 8 Results of the pre-evaluation

Not applicable in surveillance audit reports.

## 9 Results of the audit

### 9.1 Findings by Principle and Criteria of FSC (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 bellow listed findings refer to all evaluated FMUs unless otherwise specified.



## FM AUDIT REPORT



Principles and Criteria	Findings	Responsible for implementation of requirement (GE or M)	CARs / Observations
<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 a good awareness of the legal context Grandis Timber Ltd. operates within.		
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.	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 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. Nevertheless guards doesn't have legitimacy to open vehicle or confiscate equipment. The boundaries between the land concession of Grandis Timber Ltd. and neighboring small-holder farmers are clearly mapped and are usually clear on the field (settlement, road, fence, ditch...) 4 people are employed to patrol tin concession and in the conservation area and to identify any violation. Grandis timber have an agreement and very good cooperation with Wildlife Alliance. Staff is trained in the application of the Spatial Monitoring And Reporting Tool (SMART).	M	Observation 2017-6

## FM AUDIT REPORT



Principles and Criteria	Findings	Responsible for implementation of requirement (GE or M)	CARs / Observations
	The situation is controlled. Nevertheless, in the future (3/5 years), when tree will be older, the pressure for illegal logging will be stronger and Grandis Timber Ltd will have to reevaluate his strategy of control		
1.6 Forest managers shall demonstrate a long-term commitment to adhere to the FSC Principles and Criteria.	Public statement demonstrating that the company adheres to FSC values, signed by the company's CEO. Concession contract between MAFF and Grandis Timber Ltd is in process of reevaluation. The total time of concession will be 50 years (instead of 70). The responsibility regarding 2259 ha of conservation area at NE of concession (excluded from the certification scope since 2015) have to be clarified.	M	Observation 2017-1
<b>Principle #2: Tenure and use rights and responsibilities</b>			
2.1 Clear evidence of long-term forest use rights to the land (e.g. land title, customary rights, or lease agreements) shall be demonstrated.	Concession contract between MAFF and Grandis Timber Ltd is in process of reevaluation. (Contract on the investment of Teak Tree Plantation' signed between the company and the Cambodian Ministry of Agriculture, Forestry and Fisheries). The land is property of the Cambodian State		
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.	Grandis Timber Ltd. has conducted in 2010 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. After the firm of concession contract (normally until 2017) grandis timber Ltd will have to prepare in 2018 a new master Plan with a new Environmental and Social Impact study. No conflicts on tenure and use rights are identified during the audit.		
2.3 Appropriate mechanisms shall be employed to resolve disputes over tenure claims and use rights.	There are no serious disputes with the local community left. This was sustained via interviews with all stakeholders consulted during the onsite visit (2 village's chiefs)		
<b>Principle #3: Indigenous peoples' rights</b>			
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.	There are no communities of indigenous people or ethnic minorities within or near the land concession		

## FM AUDIT REPORT



Principles and Criteria	Findings	Responsible for implementation of requirement (GE or M)	CARs / Observations
3.2 Forest management shall not threaten or diminish, either directly or indirectly, the resources or tenure rights of indigenous peoples.	See comment to P&C 3.1.		
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.	See comment to P&C 3.1.		
3.4 Indigenous peoples shall be compensated for the application of their traditional knowledge regarding the use of forest species or management systems in forest operations.	See comment to P&C 3.1.		
<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 (in 2016, Casual Labours represent 669 man/month).</p> <p>The company ensures that they have equal access to employment and training. . This was sustained via interviews with all stakeholders consulted during the onsite visit (2 village's chiefs) 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><b>Grandis timber can't provide that all subcontractors comply with all legal requirements in all circumstances Minor CAR Indicator 4.1.5</b></p>	M	Minor CAR 2017-01
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 has developed a labour policy ('Labor Policy 9007') which is applied in practice and SOP 4013 Occupational Health and Safety – Risk Quantifying').</p> <p>Company provides training session (generally internal training) for all daily workers and for permanent staff. It does not exist a formal long term training plan</p>	M	<p>Minor CAR 2017-02</p> <p>Minor CAR 2017-03</p>

## FM AUDIT REPORT



Principles and Criteria	Findings	Responsible for implementation of requirement (GE or M)	CARs / Observations
	During the audit the worker camp was checked. It has the capacity to accommodate up to 32 workers. All facilities have been in accordance with the ILO Code of Practice on Safety and Health in Forestry. <b>Safety requirement are not fully implemented (Indicator 4.2.3) and not properly wearied (4.2.4)</b>		
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).	All employees of Grandis Timber Ltd. sign written contracts (permanent staff) or are employed as seasonal workers without written contracts In regard to its employees, Grandis Timber Ltd. acts in full compliance with Cambodian Labor Law and the ILO Conventions.		
4.4 Management planning and operations shall incorporate the results of evaluations of social impact.	At the local level, the company has established regular meetings with the village chiefs and neighboring smallholder farmers. This could be confirmed via various interviews during the last onsite visits.		
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.	Community issues are resolved through the process defined in a particular procedure (SOP 5022 Community Dispute Resolution Process)		
<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.	Grandis Timber Ltd. is a large-scale forestry investment, financed by Capricorn Forest Fund (Danish found) which share a clear will of sustainable social and environmental investment. Fund has contractually committed approximately US\$ 32 million investment into the project. The company is at the establishment phase of a forestry plantation. At present, there are no products, which are harvested. At the earliest, in 10 years (2021) will be the first thinning, which will provide products. Because of the sometimes poor soil quality, the lack of sufficient precipitation and the pressure of some pathogens, the economic model of teak plantations is being re-evaluated. Other species have been massively planted especially since 2015/2016 (62 ha and 189 ha respectively)	M	Observation 2017-5

## FM AUDIT REPORT



Principles and Criteria	Findings	Responsible for implementation of requirement (GE or M)	CARs / Observations
5.2 FM and marketing operations should encourage the optimal use and local processing of the forest's diversity of products.	4 different species are usually planted for timber (plywood).		
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		
5.4 FM should strive to strengthen and diversify the local economy, avoiding dependence on a single forest product.	See comment to P&C 5.3.		
5.5 FM operations shall recognize, maintain, and, where appropriate, enhance the value of forest services and resources such as watersheds and fisheries.	There are guidelines in place on how to protect watercourses (riparian area with buffer zone), avoid erosion and minimize soil degradation (Reference: 'Master Plan' SPO and n° 9009 Environmental Policy).		
5.6 The rate of harvest of forest products shall not exceed levels which can be permanently sustained.	See comment to P&C 5.3.		
<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' in 2010 (revised in 2014) 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.	Grandis Timber Ltd. has signed a Memorandum of Understanding with the environmental NGO 'Conservation International – CI'.  A total of 2,259 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 (but are outside of the certification scope (see also Observation 2017-01)  Hunting and fishing is prohibited. Procedure SOP 7003 'Hunting, Grazing, Fishing and Gathering' is in place and controlled.	M	Minor CAR 2017-04

## FM AUDIT REPORT



Principles and Criteria	Findings	Responsible for implementation of requirement (GE or M)	CARs / Observations
	<p>The initial environmental impact studies done in 2010 was poor quality Staff of company can also attest of presence of leopard cat (<i>Prionailurus bengalensis</i>) and python (<i>Malayopython reticulatus</i> -Annexe II Cites). No inventory of fauna or flora has been carried out since 2010</p> <p><b>Grandis timber didn't have relevant information or actualized data to ensure today that there is no species (fauna and flora) or habitat of interest. (minor Car Indicator 6.2.1)</b></p>		
<p>6.3 Ecological functions and values shall be maintained intact, enhanced, or restored, including Forest regeneration and succession, Genetic, species, and ecosystem diversity, Natural cycles that affect the productivity of the forest ecosystem.</p>	<p>A substantial soil examination that took place in 2015 showed that 41% of the area is not totally suitable for teak. Grandis timber Ltd is developing plantations of various species and is developing an important and pragmatic research and development program to test different species or clones and mixed plantations systems. Compare to initial project, the final design of plantation will probably let a large non planted area (over all in the southern part of the concession). This large not planted area (it is actually a degraded natural forest du to past illegal logging activity and intensive pressure for charcoal) and the conservation area will contribute to the maintenance of the ecological function.</p> <p>Compartments planted with teak also include small conservation areas (rocky areas, wet areas, riparian conservation zones, small hills)</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>• Wetland 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>The written guideline are include in the SOP (Standard Operational Procedure). The principal technical procedures had been checked (SOP 3014 Pruning of 30-05-2017 , SOP 3019 Erosion control of 30-05-2017, SOP3008 pest and disease attack from 06-06-2017...), SOP 3026 'Clearing, Burning and Plowing' from 30/05/2017 and environmental policy n° POL 9009.</p> <p>The Procedure SOP 3031 'Road Construction and Maintenance' specifies all details regarding road construction and maintenance.</p> <p>Grandis timber has an actualized "operational road map" and a specific map where are localized the critical point of erosion. Field observations show that the company has mastered the construction of roads and civil engineering structures (bridge and crossing).</p> <p>Buffer zones (riparian zones) are established as conservation areas along watercourses (small rivers and creeks).</p>		

## FM AUDIT REPORT



Principles and Criteria	Findings	Responsible for implementation of requirement (GE or M)	CARs / Observations
<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>The company uses pesticides in the nurseries and on the planting sites in order to control weeds before preparing for tree seedlings (Round-up). The iminacloprid application on outbreak of <i>hyblaea puera</i> was tested for research purpose in July 2016 and is still used. The R&amp;D team is currently investigating the replacement of the imidacloprid products with natural plant derived products and integrated pest management (IPM) approach to curb the problem of <i>hyblaea puera</i> attacks. The company's policy 'Integrated Weed, Pest and Disease Management' and procedures SOP 3007 'Herbicides by Vehicles' and SOP 3012 'Herbicide application by hand-spraying' detail on why and how to use pesticides. Grandis Timber Ltd. staff follows strict rules about the use of pesticides and documents their utilization (inventory list in stores, disposal of empty bottles).</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 and was modified in 2017. Waste oil is collected by the vendor. In the mechanical workshop there were few minor oil-leakages and there is no system for the treatment of accidental pollution at the garage and fuel station (no decanter system) <b>Fuel management and storage procedure is not adequately implemented to limit risk of run off and localized pollution on soil. (indicator 6.7.4)</b></p>	M	Minor CAR 2017-05
<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>The use of teak (<i>Tectona grandis</i>) and all other exotic species is well justified in terms of suitability given the site conditions of the concession area. Teak is not an aggressively invasive species. Acacia mangium is also considered as acclimated species. There is no field evidence of invasion and uncontrolled natural regeneration either in plantation area and in conservation and non-planted area;</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</p>	<p>Grandis Timber Ltd. took responsibility of the concession area in 2009 and thus cannot be made responsible for destruction of natural forests in the past.</p>		

## FM AUDIT REPORT



Principles and Criteria	Findings	Responsible for implementation of requirement (GE or M)	CARs / Observations
high conservation value forest areas; and will enable clear, substantial, additional, secure, long term conservation benefits across the forest management unit.	Plantation does only take place on sites which do not own a tree cover that could be called 'natural forest'. Alla planted area and future planted area are degraded land. All sites with natural forests are conserved.		
<b>Principle #7: Management plan</b>			
7.1 The management plan and supporting documents shall provide <ul style="list-style-type: none"> <li>a) Management objectives.</li> <li>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.</li> <li>c) Description of silvicultural and/or other management system, based on the ecology of the forest in question and information gathered through resource inventories.</li> <li>d) Rationale for rate of annual harvest and species selection.</li> <li>e) Provisions for monitoring of forest growth and dynamics.</li> <li>f) Environmental safeguards based on environmental assessments.</li> <li>g) Plans for the identification and protection of rare, threatened and endangered species.</li> <li>h) Maps describing the forest resource base including protected areas, planned management activities and land ownership.</li> </ul>	Not part of the audit.		



## FM AUDIT REPORT



Principles and Criteria	Findings	Responsible for implementation of requirement (GE or M)	CARs / Observations
i) Description and justification of harvesting techniques and equipment to be used.			
7.2 The management plan shall be periodically revised to incorporate the results of monitoring or new scientific information.	Not part of the audit.		
7.3 Forest workers shall receive adequate training and supervision to ensure proper implementation of the management plan.	<p>All Grandis Timber Ltd. staff, including workers, are trained in basic ecological and technical aspects of the forest management task they fulfill</p> <p>Each worker group has an assigned supervisor who controls permanently the work quality. Forest managers at a superior level control periodically supervisors and workers.</p> <p>The frequency of control is appropriate to the tasks – supervisors control forest workers at daily intervals.</p>		Observation 2017-3
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>The company has developed a quarterly newsletter, which is distributed to the most important stakeholder and which can be obtained on request.</p> <p>The company has developed a new website (<a href="http://www.grandistimber.com/">http://www.grandistimber.com/</a>) but there is no indication on web site of company that specific information or data are publicly available</p> <p><b>Summary of management plan is not publicly available.</b></p>	M	Minor CAR 2017-06
<b>Principle #8: Monitoring and assessment</b>			
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>Grandis Timber Ltd. has identified an important monitoring system based on the SOP system. Each basic activity is described in a procedure for which the good field application is monthly or annually monitored by staff using "Quality check" specific form</p> <p>The whole tools is under revision. CEO Grandis Timber and Sustainability officer are have organized numerous specific working session with technical field staff in order to improve the efficiency of the process</p>		
8.2 FM should include the research and data collection needed to monitor, at a minimum, the following indicators: a) Yield of all forest products harvested. b) Growth rates, regeneration and condition of the forest.	<p>No harvest at present. The first teak plantation was established in 2011. This area is being monitored regarding plant health and vitality.</p> <p>Grandis timber Ltd is leading an important research development program based and permanent plots (43 ha) to monitor growth rate of different species in different situation (different technical plantation draw crossed by types of soil). SOP 3025 Permanent Sample Plots (10-02-2015).</p>		

## FM AUDIT REPORT



Principles and Criteria	Findings	Responsible for implementation of requirement (GE or M)	CARs / Observations
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.			
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."	Currently no forest products. No use of the FSC trademark at present.		
8.4 The results of monitoring shall be incorporated into the implementation and revision of the management plan.	All monitoring results aliment the development of the annual and even monthly operational plans.		
8.5 While respecting the confidentiality of information, forest managers shall make publicly available a summary of the results of monitoring indicators.	Periodic (annual) summary of activity are not available There is no indication on web site of company that specific information or data are publicly available <b>Regular summaries of monitoring results are not publicly available.</b>	M	Minor CAR 2017-07
<b>Principle #9: Maintenance of high conservation value forests (HCV)</b>			
9.1 Assessment to determine the presence of the attributes consistent with HCV will be completed.	Grandis Timber Ltd. has conducted an extensive assessment of all high conservation values. The assessment has been sent to major stakeholders, without having received feedback The outcome of the assessment is that there are no HCVF in the FMU.		Observation 2017-2
9.2 The consultative portion of the certification process must place emphasis on the identified conservation attributes, and options for the maintenance thereof.	See comment to P&C 9.1.		
9.3 The management plan shall include and implement specific measures that ensure the maintenance and/or enhancement of the applicable conservation attributes consistent with the precautionary approach.	See comment to P&C 9.1.		

## FM AUDIT REPORT



Principles and Criteria	Findings	Responsible for implementation of requirement (GE or M)	CARs / Observations
9.4 Annual monitoring shall be conducted to assess the effectiveness of the measures employed to maintain or enhance the applicable conservation attributes.	See comment to P&C 9.1.		
<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.		
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 for planting 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.		
10.3 Diversity in the composition of plantations is preferred, so as to enhance economic, ecological and social stability.	Teak and other productive species plantation compartments are of different size and interwoven with smaller and bigger conservation zones or non-planted areas.	M	Observation 2017-4
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.	The company has now the possibility of planting teak or other species depending on the potential of the soil. In 2016, 294 ha of teak and 189 ha of other species were planted.		
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.	Grandis Timber Ltd. describes in the Master Plan the mechanisms for restoring the degraded parts of the conservation area and maintaining conservation (2559 ha) area and non-planted area: 580 ha of riparian area, 152 ha of wetlands, 74 ha of natural forest mountain, 43 ha of rocky area. <b>A program of restauration of several zone to natural forest cover was identified in the past but no put in place.</b>	M	Minor CAR 2017-08

## FM AUDIT REPORT



Principles and Criteria	Findings	Responsible for implementation of requirement (GE or M)	CARs / Observations
10.6 Measures shall be taken to maintain or improve soil structure, fertility, and biological activity.	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. Details of soils management plan are provided in the 'Master Plan'.		
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.	Teak has limited susceptibility to diseases and pest. The SOP 3019 (6/06/2017) is applied to provide the information for identification, reporting and mitigation of pest and disease attack areas. Control Measure Recommendations are <ul style="list-style-type: none"> <li>• apply Bacillus Thuringiensis or effective chemical Imidacloprid (in agreement with the last updated FSC-STD-30-001a EN FSC List of 'highly hazardous' pesticides from 29 May 2017) for defoliator:</li> <li>• apply positive fungi agent (Trichoderma) for Tip Die Back:</li> <li>• make soil analysis and apply effective measure (fertilizing) in case of abnormal leaves:</li> </ul>		
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.	Not part of the audit		
10.9 Plantations established in areas converted from natural forests after November 1994 normally shall not qualify for certification.	Not part of the audit		

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

**9.2 Occurred difficulties during assessment**

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

The audit team would like to underline that the logistic, the audit organization and the staff availability were very efficient and helpful to perform. Nevertheless the difficulties of connecting and accessing the server from Grandis Timber Ltd from the field site have, sometimes, complicated the gathering of information and the documentary review.

**9.3 Chain of Custody**

**9.3.1 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

**9.3.2 Tracking, tracing and identification of certified products**

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.

**9.3.3 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 (Nr.)*	Species (scientific name)	Amount in m <sup>3</sup>	Comments
W1.1	No sale of FSC certified wood		

**9.3.4 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:

Certificate registration code (GFA-FM/COC-xxxxxx):

Yes  No, see "Corrective Action Requests".

"FSC 100%" claim:

Yes  No, see "Corrective Action Requests".

**9.4 FSC trademark use**

The company shall submit any planned FSC trademark use to GFA via the GFA Customer Service Portal available at [www.gfa-cert.com](http://www.gfa-cert.com) for approval prior to publishing, printing and distribution.

The FSC trademark is not used.

The FSC trademark is used:

- 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".

## 9.5 Forest enterprise strength and weaknesses

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

- Good capacity to dominate the core activity (management of plantation).
- Very good technical capacity of staff
- Good social climate with local population, strong commitment
- Good environmental situation.

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

## FM AUDIT REPORT



<b>CAR #</b>	<b>2016-02</b>		
<b>Short Title</b>	Application of highly hazardous pesticides (HHP)		
<b>Grade</b>	<input checked="" type="checkbox"/> Major	<input type="checkbox"/> Minor	
<b>Scope of CAR:</b>	<input checked="" type="checkbox"/> FM: Forest Management Enterprise, resp. Group Entity		
	<input type="checkbox"/> FM: Group member(s):	--	
<b>Normative Reference</b>	<input checked="" type="checkbox"/> GFA Interim Standard for FM <input type="checkbox"/> National FSC FM Standard <input type="checkbox"/> FSC-STD-30-005, V.1.0 <input type="checkbox"/> Other: _____	<b>Clause:</b>	6.6.4
<b>Requirement acc. standard</b>	Prohibited pesticides are not used except where pesticides derogation has been obtained from the FSC Secretariat or an emergency exemption has been authorized by GFA prior to use.		
<b>Description of identified non-conformity</b>	<p>Three HHPs (Acetic acid [(3,5,6-trichloro-2-pyridyl)Oxy]-2-butoxyethyl) ester, Copper Oxichloride, Cypermethrin) have been applied without derogation. The application was immediately stopped respective evidence provided. Action has to be taken to prevent future incompliances in regards to highly hazardous pesticides.</p> <p>If further application is wanted, derogation procedures in compliance with the standard have to be started.</p>		
<b>Timeframe</b>	<input type="checkbox"/>	Until next audit, not later than XX.XX.2017 ( 3 months after the last audit day)	
	<input type="checkbox"/>	Before certificate issue	
	<input checked="" type="checkbox"/>	02.09.2016	
<b>Analysis and Actions (to be filled by the organization)</b>			
<b>Root Cause Analysis</b>	Human failure		
<b>Corrective Actions</b>	Rectify the current problem: - When made aware of the problem that chemicals were used that are on the highly hazardous list was used, the CEO, Mr Nico Strydom, sent an email to the applicable persons responsible to stop using the chemicals with immediate effect and find alternative solutions.		
<b>Preventive Actions</b>	<p>The Standard Operating Practice (SOP 4011) was updated and distributed to the responsible persons.-</p> <p>Modification of the scope : - Ensure that all highly hazardous pesticides are not being used in accordance with FSC highly hazardous pesticide</p> <p>Modification of practice : Purchasers and senior managers must confirm with the sustainability officer, prior to purchase that:</p> <p>-Chemicals are not on the FSC list of highly hazardous material Chemicals are conform to the Cambodian sub-decree on banned chemicals.</p>		
<b>Evaluation of Corrective Action (by GFA Certification)</b>			
<b>Status</b>	<input type="checkbox"/> CAR closed: Root Cause Analysis and Actions are appropriate.		
	<input type="checkbox"/> CAR not closed: Root Cause Analysis and Actions are not appropriate.		
<b>Rationale and objective evidences revised</b>	<ul style="list-style-type: none"> <li>Emails send to staff on the field : The stock of banned chemicals were removed from the stores, and sold back to the supplier.</li> <li>current stock levels of store items;</li> <li>Scanned copy of the official receipt to prove the sale of chemicals back to the supplier.</li> </ul> <p>Sufficient corrective actions as well as preventive actions were undertaken in order to a) analyse the incompliance b) stop it immediately and c) take preventive action in order to avoid future incompliances regarding HHPs.</p> <p>The actions undertaken are sustained with trustable documents. CAR can be closed.</p>		



## FM AUDIT REPORT



<b>CAR #</b>	<b>2016-03</b>		
<b>Short Title</b>	Implementation of revised monitoring system/scheme		
<b>Grade</b>	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor	
<b>Scope of CAR:</b>	<input checked="" type="checkbox"/> FM: Forest Management Enterprise, resp. Group Entity		
	<input type="checkbox"/> FM: Group member(s):	TEXT	
<b>Normative Reference</b>	<input type="checkbox"/> GFA Interim Standard for FM <input type="checkbox"/> National FSC FM Standard <input type="checkbox"/> FSC-STD-30-005, V.1.0 <input type="checkbox"/> Other: _____		<b>Clause:</b> 8.1.2
<b>Requirement acc. standard</b>	A plan and design, based upon consistent and replicable procedures exists and is implemented for periodic monitoring and reporting.		
<b>Description of identified non-conformity</b>	The current monitoring scheme/system is not fully implemented and at present under revision. See also Obs. 2016-02		
<b>Timeframe</b>	<input checked="" type="checkbox"/>	Until next audit, not later than 02.06.2017 (12 months after the last audit day)	
	<input type="checkbox"/>	Before certificate issue	
	<input type="checkbox"/>	XX.XX.20XX	
<b>Analysis and Actions (to be filled by the organization)</b>			
<b>Root Cause Analysis</b>	The complexity and the high number of internal policies and of Standard Operational Procedure (SOP) can lead to malfunction or forgetfulness.		
<b>Corrective Actions</b>	The Standard Operating Procedure (SOP 3002) and (SOP 3027) was updated as the following: <ul style="list-style-type: none"> <li>• Roles and responsibilities of personnel involved: Sustainability officer obtains monthly filled in QC from operation forester for filling.</li> <li>• Monitoring: quality check for SOP 3002 and SOP 3027 will perform random check; one/month and one/week respectively.</li> </ul>		
<b>Preventive Actions</b>	A large process is to be finalized to review all standard operating procedures and quality check in particular for operation side in order to rectify the current non conformity as well as find ways to improve the current monitoring system to be more effective and measurable. 3 points are implemented <ul style="list-style-type: none"> <li>• Review all SOPs and verify if working practices have aligned with what said in the SOPs. By doing that, managers were asked to provide a concrete timeframe for this revision.</li> <li>• it has been required to identify the areas need to be monitored rather than using exist QC that were not able to monitor or measure. The areas have been identified will play role as task checklist.</li> <li>• Responsible persons will require to have a booklet in attached with SOPs and tasks checklist. During the task performance, if non-conformity will have been found, responsible persons are required to note in the booklet, then fill in quality control form by indicating what a problem is and how to fix it.</li> </ul>		
<b>Evaluation of Corrective Action (by GFA Certification)</b>			
<b>Status</b>	<input checked="" type="checkbox"/> CAR closed: Root Cause Analysis and Actions are appropriate.		
	<input type="checkbox"/> CAR not closed: Root Cause Analysis and Actions are not appropriate.		
<b>Rationale and objective evidences revised</b>	<ul style="list-style-type: none"> <li>• modification in each SOP was checked ( yellow highlight section in attached SOP)</li> <li>• evidence of implementation of a better monitoring regarding the 2 SOP (see Quality Check format used for March , April and May 2017)</li> <li>• Minute meeting and meeting attendance from 26/04/2016: meeting with plantation forester, operation forester and nursery manager regarding difficulties findings pertaining to SOPs and QC and discussed ways for improvement and effective monitoring system.</li> </ul>		



- Discussion with technical staff on field.

## 11.2 CARs identified during the evaluation

Not applicable, no CARs identified.

### 11.2.1 Major CARs

Not applicable, no major CARs identified during the audit.

### 11.2.2 Minor CARs

<b>CAR #</b>	<b>2017-01</b>		
<b>Short Title</b>	Legality of subcontractors		
<b>Grade</b>	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor	
<b>Scope of CAR:</b>	<input checked="" type="checkbox"/> FM: Forest Management Enterprise, resp. Group Entity		
	<input type="checkbox"/> FM: Group member(s):	TEXT	
<b>Normative Reference</b>	<input checked="" type="checkbox"/> GFA Interim Standard for FM <input type="checkbox"/> National FSC FM Standard <input type="checkbox"/> FSC-STD-30-005, V.1.0 <input type="checkbox"/> Other:	<b>Clause:</b>	4.1.5
<b>Requirement acc. standard</b>	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.		
<b>Description of identified non-conformity</b>	<p>Grandis timber can't provide that all subcontractors comply with all legal requirements in all circumstances</p> <ul style="list-style-type: none"> <li>• Discussions with Mr Chy Vichet, manager of the Chy Vichet Tractor Company (working in plot C0106) show that 2/8 of driver, the 3 mechanic and the cooker (daily workers) didn't seem to have appropriated working contract.</li> <li>• Grandis Timbers didn't have check/controlled the workers contract before the beginning of activities</li> <li>• The contract between Grandis timber and this sub-contractor (contract agreement for the provision of services 08/02/2016) is not detailed enough and do not include specific requirement for FSC (environmental and social issues).</li> </ul> <p>The CAR is minor because for daily workers, writing contracts are not compulsory. Elsewhere the subcontractor provides to audit team by email before closing meeting the 3 social attestations of legality for 2016 (certificate of incorporation 03-11-2016 n° 0003264, certification of tax registration 02-02-2016 and patent tax 02-12-2016)</p>		
<b>Timeframe</b>	<input checked="" type="checkbox"/> Until next audit, not later than 10/06/2018 (12 months after the last audit day)		
	<input type="checkbox"/> Before certificate issue		
	<input type="checkbox"/> XX.XX.20XX		
<b>Analysis and Actions (to be filled by the organization)</b>			
<b>Root Cause Analysis</b>			
<b>Corrective Actions</b>			
<b>Preventive Actions</b>			
<b>Evaluation of Corrective Action (by GFA Certification)</b>			
<b>Status</b>	<input type="checkbox"/> CAR closed: Root Cause Analysis and Actions are appropriate.		
	<input type="checkbox"/> CAR not closed: Root Cause Analysis and Actions are not appropriate.		
<b>Rationale and objective evidences revised</b>	TEXT		

<b>CAR #</b>	<b>2017-02</b>
<b>Short Title</b>	Safety requirement

## FM AUDIT REPORT



<b>Grade</b>	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor
<b>Scope of CAR:</b>	<input checked="" type="checkbox"/> FM: Forest Management Enterprise, resp. Group Entity	
	<input type="checkbox"/> FM: Group member(s):	TEXT
<b>Normative Reference</b>	<input checked="" type="checkbox"/> GFA Interim Standard for FM	<b>Clause:</b> 4.2.3
	<input type="checkbox"/> National FSC FM Standard	
	<input type="checkbox"/> FSC-STD-30-005, V.1.0	
	<input type="checkbox"/> Other:	
<b>Requirement acc. standard</b>	Safety training is carried out, relevant to the tasks of workers and the equipment used.	
<b>Description of identified non-conformity</b>	Safety requirement are not fully implemented	
	<ul style="list-style-type: none"> <li>• Fire extinguisher are not all controlled and checked by relevant organization (could be local administration or private company).</li> <li>• Lake of strategy of training regarding safety issues</li> </ul> <p>The CAR is minor because no work injury, fire or accident have been occurred for 2 years.</p>	
<b>Timeframe</b>	<input checked="" type="checkbox"/> Until next audit, not later than 10/06/2018 (12 months after the last audit day)	
	<input type="checkbox"/> Before certificate issue	
	<input type="checkbox"/> XX.XX.20XX	
<b>Analysis and Actions (to be filled by the organization)</b>		
<b>Root Cause Analysis</b>		
<b>Corrective Actions</b>		
<b>Preventive Actions</b>		
<b>Evaluation of Corrective Action (by GFA Certification)</b>		
<b>Status</b>	<input type="checkbox"/> CAR closed: Root Cause Analysis and Actions are appropriate.	
	<input type="checkbox"/> CAR not closed: Root Cause Analysis and Actions are not appropriate.	
<b>Rationale and objective evidences revised</b>	TEXT	

<b>CAR #</b>	<b>2017-03</b>	
<b>Short Title</b>	Safety equipment	
<b>Grade</b>	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor
<b>Scope of CAR:</b>	<input checked="" type="checkbox"/> FM: Forest Management Enterprise, resp. Group Entity	
	<input type="checkbox"/> FM: Group member(s):	TEXT
<b>Normative Reference</b>	<input checked="" type="checkbox"/> GFA Interim Standard for FM	<b>Clause:</b> 4.2.4
	<input type="checkbox"/> National FSC FM Standard	
	<input type="checkbox"/> FSC-STD-30-005, V.1.0	
	<input type="checkbox"/> Other:	
<b>Requirement acc. standard</b>	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.	
<b>Description of identified non-conformity</b>	<b>Safety equipment are not properly wearied by all workers during field activities</b>	
	<ul style="list-style-type: none"> <li>• Some daily workers in charge of pruning activities are not wearing at list, boots and gloves.</li> <li>• Workers on forest are not equipped with fluorescent vest when they are working near forest road or near forest engine at work (tractors)</li> <li>• Tractors drivers employed of "Chy Vichet Tractor Company" (subcontractor) are not equipped of all the necessary safety equipment (helmets and security shoes).</li> <li>• Stock of safety equipment and storage are not properly monitored.</li> </ul> <p>The DAC remains minor because Grandis timber had done a first risk assessment (SOP 4013) but not for all the activities, including sub contracted activities. Workers exposed to main risk (chemical product user) are properly equipped. There is no work injuries occurrence in 2015 and 2016 (as confirmed by statistic and medical team). Until today, in absence of logging activities, the forest activities (planting, manual weeding and pruning) are not very dangerous.</p>	

## FM AUDIT REPORT



	The safety equipment' "strategy" has to fight against mentality and cultural aspects that require times and a long process of conscious understanding.
<b>Timeframe</b>	<input checked="" type="checkbox"/> Until next audit, not later than 10/06/2018 (12 months after the last audit day)
	<input type="checkbox"/> Before certificate issue
	<input type="checkbox"/> XX.XX.20XX
<b>Analysis and Actions (to be filled by the organization)</b>	
<b>Root Cause Analysis</b>	
<b>Corrective Actions</b>	
<b>Preventive Actions</b>	
<b>Evaluation of Corrective Action (by GFA Certification)</b>	
<b>Status</b>	<input type="checkbox"/> CAR closed: Root Cause Analysis and Actions are appropriate.
	<input type="checkbox"/> CAR not closed: Root Cause Analysis and Actions are not appropriate.
<b>Rationale and objective evidences revised</b>	TEXT

<b>CAR #</b>	<b>2017-04</b>		
<b>Short Title</b>	Presence, within the FMU, of rare, endangered or threatened species and their habitats		
<b>Grade</b>	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor	
<b>Scope of CAR:</b>	<input checked="" type="checkbox"/> FM: Forest Management Enterprise, resp. Group Entity		
	<input type="checkbox"/> FM: Group member(s):	TEXT	
<b>Normative Reference</b>	<input checked="" type="checkbox"/> GFA Interim Standard for FM <input type="checkbox"/> National FSC FM Standard <input type="checkbox"/> FSC-STD-30-005, V.1.0 <input type="checkbox"/> Other:	<b>Clause:</b>	6.2.1
<b>Requirement acc. standard</b>	Rare, endangered or threatened species and their habitats (e.g. nesting and feeding areas) present or likely to be present are identified and mapped		
<b>Description of identified non-conformity</b>	<p>Grandis timber didn't have relevant information or actualized data to ensure that, today, there is no species (fauna and flora) or habitat of interest.</p> <ul style="list-style-type: none"> <li>The initial environmental impact studies done in 2010 was poor quality but had considered that fishing cat (<i>Prionailurus viverrinus</i> – EN and UICN red list, Annex II Cites) is present in the concession which including at this moment the 2259 ha of conservation area. There is no information detailed on his precise localization.</li> <li>Staff of company can also attest of presence of leopard cat (<i>Prionailurus bengalensis</i> - UICN Least Concern species List) and python (<i>Malayopython reticulatus</i> -Annex II Cites).</li> <li>No inventory of fauna or flora has been carried out. No study or survey has been done regarding insects, chiropters or batrachians</li> <li>Description of vegetation formations of none planted area are very basic and do not always correspond to the field reality (ex. Wetland)</li> </ul> <p>The DAC remains minor because, in reality, all non-planted area are totally degraded forest with poor biodiversity interest. Elsewhere, the company maintains and never interacts with all riparian and wetland area, rocky area and monotonous zone. The risk of damage to biodiversity or interesting species is by the way very low.</p>		
<b>Timeframe</b>	<input checked="" type="checkbox"/> Until next audit, not later than 10/06/2018 (12 months after the last audit day)		
	<input type="checkbox"/> Before certificate issue		
	<input type="checkbox"/> XX.XX.20XX		
<b>Analysis and Actions (to be filled by the organization)</b>			
<b>Root Cause Analysis</b>			
<b>Corrective Actions</b>			
<b>Preventive Actions</b>			
<b>Evaluation of Corrective Action (by GFA Certification)</b>			

## FM AUDIT REPORT



<b>Status</b>	<input type="checkbox"/> CAR closed: Root Cause Analysis and Actions are appropriate.
	<input type="checkbox"/> CAR not closed: Root Cause Analysis and Actions are not appropriate.
<b>Rationale and objective evidences revised</b>	TEXT

<b>CAR #</b>	<b>2017-05</b>		
<b>Short Title</b>	Soil pollution		
<b>Grade</b>	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor	
<b>Scope of CAR:</b>	<input checked="" type="checkbox"/> FM: Forest Management Enterprise, resp. Group Entity		
	<input type="checkbox"/> FM: Group member(s):	TEXT	
<b>Normative Reference</b>	<input checked="" type="checkbox"/> GFA Interim Standard for FM <input type="checkbox"/> National FSC FM Standard <input type="checkbox"/> FSC-STD-30-005, V.1.0 <input type="checkbox"/> Other:	<b>Clause:</b>	6.7.4
<b>Requirement acc. standard</b>	Soils and water are being protected from pollution.		
<b>Description of identified non-conformity</b>	<p>Fuel management and storage procedure is not adequately implemented to limit risk of run off and localized pollution on soil.</p> <ul style="list-style-type: none"> <li>• Generator of nursery1 is not secured (the bund wall is open/destroyed) and the backup generator for security was outside of bund wall.</li> <li>• In the temporary subcontractor forest camp, the fuel cans are just installed on a non-waterproof plastic cover without any efficiency to prevent micro pollution near the river.</li> <li>• The field tank cart for field operation is not totally secured (no drip tray)</li> <li>• There is no system for the treatment of accidental pollution at the garage and fuel station (no decanter system)</li> </ul> <p>The DAC remains minor because the pollutions observed are localized, with little environmental damages. The risk is limited.</p>		
<b>Timeframe</b>	<input checked="" type="checkbox"/> Until next audit, not later than 10/06/2018 (12 months after the last audit day)		
	<input type="checkbox"/> Before certificate issue		
	<input type="checkbox"/> XX.XX.20XX		
<b>Analysis and Actions (to be filled by the organization)</b>			
<b>Root Cause Analysis</b>			
<b>Corrective Actions</b>			
<b>Preventive Actions</b>			
<b>Evaluation of Corrective Action (by GFA Certification)</b>			
<b>Status</b>	<input type="checkbox"/> CAR closed: Root Cause Analysis and Actions are appropriate.		
	<input type="checkbox"/> CAR not closed: Root Cause Analysis and Actions are not appropriate.		
<b>Rationale and objective evidences revised</b>	TEXT		

<b>CAR #</b>	<b>2017-06</b>		
<b>Short Title</b>	Summary of management plan		
<b>Grade</b>	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor	
<b>Scope of CAR:</b>	<input checked="" type="checkbox"/> FM: Forest Management Enterprise, resp. Group Entity		
	<input type="checkbox"/> FM: Group member(s):	TEXT	
<b>Normative Reference</b>	<input checked="" type="checkbox"/> GFA Interim Standard for FM <input type="checkbox"/> National FSC FM Standard <input type="checkbox"/> FSC-STD-30-005, V.1.0 <input type="checkbox"/> Other:	<b>Clause:</b>	7.4.1

## FM AUDIT REPORT



<b>Requirement acc. standard</b>	Regular summaries of the primary elements of the management plan, including those listed in Criterion 7.1 are available to the public. Large scale enterprises (> 10.000 ha) actively inform the public during regular stakeholder meetings (see 4.4.4)
Description of identified non-conformity	<p>Summary of management plan is not publicly available.</p> <ul style="list-style-type: none"> <li>The summary of management plan including at list element of criterion 7.1 is not finalized.</li> <li>There is no indication on web site of company that specific information or data are publicly available</li> </ul> <p>The DAC remains minor because trough his new letters (twice a year), information regarding management and annual activity are communicated to all stakeholder.</p>
<b>Timeframe</b>	<input checked="" type="checkbox"/> Until next audit, not later than 10/06/2018 (12 months after the last audit day)
	<input type="checkbox"/> Before certificate issue
	<input type="checkbox"/> XX.XX.20XX
<b>Analysis and Actions (to be filled by the organization)</b>	
<b>Root Cause Analysis</b>	
<b>Corrective Actions</b>	
<b>Preventive Actions</b>	
<b>Evaluation of Corrective Action (by GFA Certification)</b>	
<b>Status</b>	<input type="checkbox"/> CAR closed: Root Cause Analysis and Actions are appropriate.
	<input type="checkbox"/> CAR not closed: Root Cause Analysis and Actions are not appropriate.
<b>Rationale and objective evidences revised</b>	TEXT

<b>CAR #</b>	2017-07		
<b>Short Title</b>	summaries of monitoring		
<b>Grade</b>	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor	
<b>Scope of CAR:</b>	<input checked="" type="checkbox"/> FM: Forest Management Enterprise, resp. Group Entity		
	<input type="checkbox"/> FM: Group member(s):	TEXT	
<b>Normative Reference</b>	<input checked="" type="checkbox"/> GFA Interim Standard for FM	<b>Clause:</b>	8.5.1
	<input type="checkbox"/> National FSC FM Standard		
	<input type="checkbox"/> FSC-STD-30-005, V.1.0		
	<input type="checkbox"/> Other:		
<b>Requirement acc. standard</b>	Regular summaries of monitoring results and analysis by FMU are available to the public. Large scale enterprises (> 10.000 ha) actively inform the public during regular stakeholder meetings (see 4.4.4).		
Description of identified non-conformity	<p>Regular summaries of monitoring results are not publicly available.</p> <ul style="list-style-type: none"> <li>Periodic (annual) summary of activity are not available</li> <li>There is no indication on web site of company that specific information or data are publicly available</li> </ul> <p>The DAC remains minor because trough his new letters (twice a year), information regarding management and annual activity are communicated to all stakeholder. The company must prepare also every 3 months an activity report for the forestry administration which contain some elements.</p>		
<b>Timeframe</b>	<input checked="" type="checkbox"/> Until next audit, not later than 10/06/2018 (12 months after the last audit day)		
	<input type="checkbox"/> Before certificate issue		
	<input type="checkbox"/> XX.XX.20XX		
<b>Analysis and Actions (to be filled by the organization)</b>			
<b>Root Cause Analysis</b>			
<b>Corrective Actions</b>			
<b>Preventive Actions</b>			
<b>Evaluation of Corrective Action (by GFA Certification)</b>			

## FM AUDIT REPORT



<b>Status</b>	<input type="checkbox"/> CAR closed: Root Cause Analysis and Actions are appropriate.
	<input type="checkbox"/> CAR not closed: Root Cause Analysis and Actions are not appropriate.
<b>Rationale and objective evidences revised</b>	TEXT

<b>CAR #</b>	<b>2017-08</b>		
<b>Short Title</b>	Restoration of part of FMU to natural forest cover		
<b>Grade</b>	<input type="checkbox"/> Major	<input checked="" type="checkbox"/> Minor	
<b>Scope of CAR:</b>	<input checked="" type="checkbox"/> FM: Forest Management Enterprise, resp. Group Entity		
	<input type="checkbox"/> FM: Group member(s):	TEXT	
<b>Normative Reference</b>	<input checked="" type="checkbox"/> GFA Interim Standard for FM	<b>Clause:</b>	10.5.1
	<input type="checkbox"/> National FSC FM Standard		
	<input type="checkbox"/> FSC-STD-30-005, V.1.0		
	<input type="checkbox"/> Other:		
<b>Requirement acc. standard</b>	An appropriate proportion (in general 5 – 10 %) of the overall forest management area is managed so as to restore the site to a natural forest cover		
<b>Description of identified non-conformity</b>	<p>The program of native species plantation is not put in place and since 2012. Only 1ha of native species has been planted.</p> <p>The DAC remains minor because the company still shear competence to produce native species planting and maintain agreement with local people to collect seeds from rose wood (<i>dalbergia cochinchinensis</i>) and red wood (<i>pterocarpus macrocarpus</i>).</p> <p>Moreover there is no specific quantitative obligation in the Master Plan relative to native species plantation.</p>		
<b>Timeframe</b>	<input checked="" type="checkbox"/> Until next audit, not later than 10/06/2018 (12 months after the last audit day)		
	<input type="checkbox"/> Before certificate issue		
	<input type="checkbox"/> XX.XX.20XX		
<b>Analysis and Actions (to be filled by the organization)</b>			
<b>Root Cause Analysis</b>			
<b>Corrective Actions</b>			
<b>Preventive Actions</b>			
<b>Evaluation of Corrective Action (by GFA Certification)</b>			
<b>Status</b>	<input type="checkbox"/> CAR closed: Root Cause Analysis and Actions are appropriate.		
	<input type="checkbox"/> CAR not closed: Root Cause Analysis and Actions are not appropriate.		
<b>Rationale and objective evidences revised</b>	TEXT		

### 11.2.3 Observations

Not applicable, no observations.

Observations	Description
<b>Observation 2017-1</b>	The situation regarding the responsibility of management and monitoring/control of the 2259 ha of conservation area is not clear enough with MAFF (contract is to be finalized before end of 2017). The interest and the impact to include this area in the scope of FSC certification must be discussed. In other case, Grandis timber will have to verify the compliance with partial policy certification (FSC STD 20-002)
<b>Observation 2017-2</b>	The HCVF study of 2012 was not updated in order to take in count the new boundaries of the forest concession and the role that Grandis Timber will have to lead regarding the management of the conservation area in the north west of the concession (see also observation 2017-01).
<b>Observation 2017-3</b>	The promotion and the communication about FSC inside and outside the company must be reinforced in order that main staff and employees were more aware about the impact of the certification process on their job and on their daily activity.

Observations	Description
Observation 2017-4	Grandis timber has never define a maximum size area for monoclonal or mono specific plantation in order to demonstrate his will to create diversity of plantation structure and composition (diversity of ages and mosaic of areas).
Observation 2017-5	The economic model (for example using internal forest profitability method) of the different plantations is not updated according to the first results of research plots and a better knowledge of soil conditions.
Observation 2017-6	The future risk (within 2/3 years when the trees will be bigger and more valuable), is not evaluated (ex: Control of safety equipment for felling operation and control of illegal logging activities.)

## 12 Summary and further procedure (Pre-evaluation)

Not applicable in surveillance audit reports.

## 13 Certification decision

### 13.1 Summary of audit

In the context of the audit, one (1) Minor CARs were closed, eight (8) Minor CARs were identified and six (6) 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:

- 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.
- A certificate can only be issued when all identified Major CARs mentioned above are closed due to implemented corrective actions.
- 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 audit (renewal) is preliminarily planned for spring 2018.

## 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.

If any non-conformity (CAR) has been noticed during the audit, the identified root cause(s) and selected corrective and preventive action as well as objective evidences for their implementation for each CAR shall be documented by utilization of the separate GFA CAR response form. The form shall only be submitted as digital file via email to GFA (info@gfa-cert.com) if the next audit is not carried out within the timeframe of the CAR (applicable to all Major CARs and due Minor CARs). Objective evidence for each of the implemented actions shall be submitted as attachment.

If the audit is carried out within the timeframe of the CARs, the CAR response form and all attachments can be submitted directly to the assigned GFA lead auditor in the preparation phase of the audit.

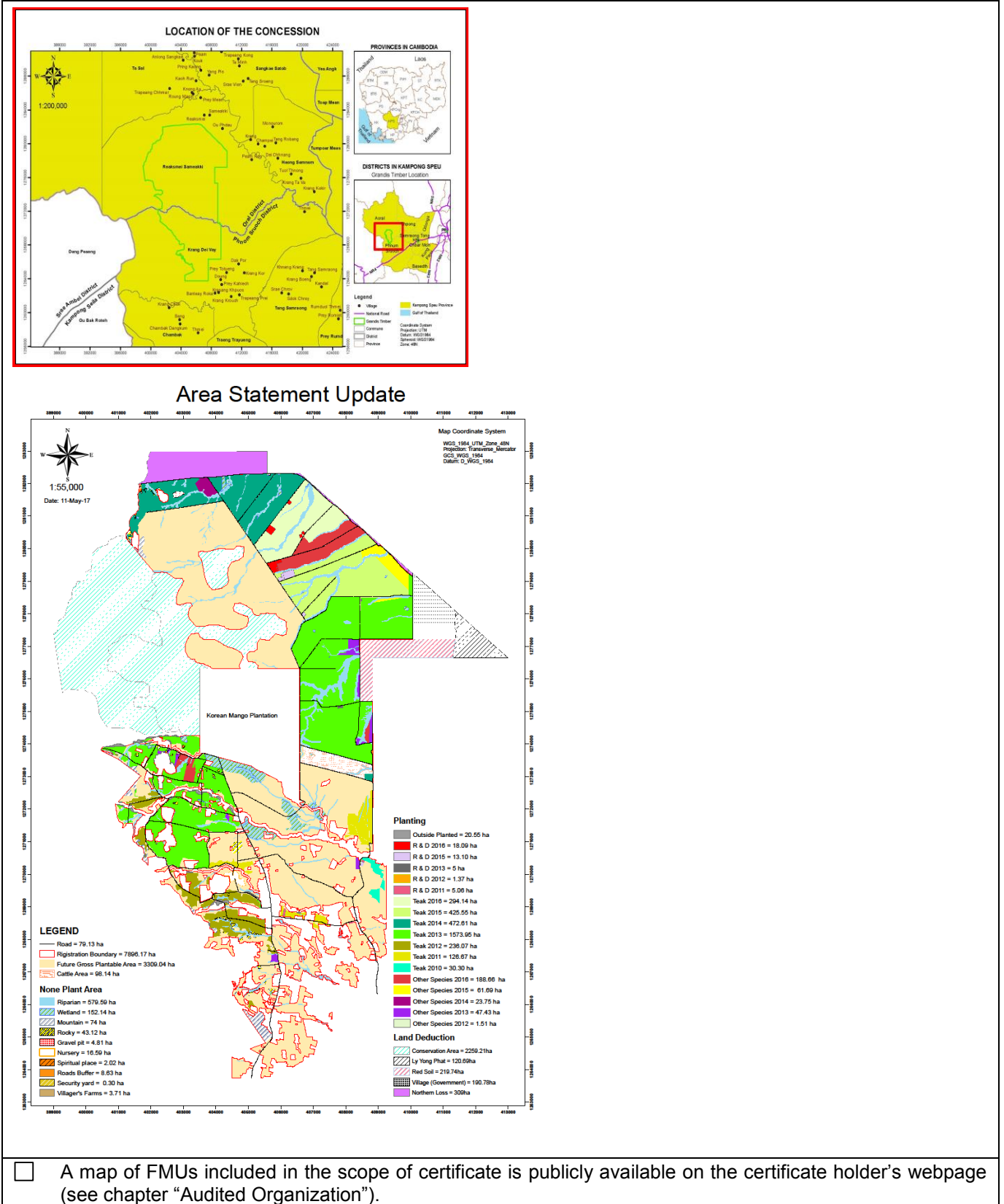
## 15 Annex

Digital map of the FMUs

GFA dispute resolution procedure



Location of the FMUs include in the scope of certification



A map of FMUs included in the scope of certificate is publicly available on the certificate holder's webpage (see chapter "Audited Organization").



### **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 two (2) 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 three (3) 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.