



Audit Report
 Grandis Timber Limited

Certificate Holder Details:		
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Region/ Country:	Kampong Speu Province / Cambodia	
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Type of audit:	Main audit	
Date of audit:	03. – 06.04.2013	
Date of report:	06.05.2013	
Auditor:	Henning Peter, Neak Phearoom	
FSC Certificate Code	---	
FSC License Code	---	
Date certificate granted:	---	
Type of certificate:	Single FMU	
Certification Body:		
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1 Forest Characteristics

Geographic location: Latitude: <u>104°08'30.28" O</u> Longitude: <u>11°31'19.34" N</u>	Forest zone: <input type="checkbox"/> Boreal <input type="checkbox"/> Temperate <input type="checkbox"/> Subtropical <input checked="" type="checkbox"/> Tropical	Forest Type: <input type="checkbox"/> Natural <input checked="" type="checkbox"/> Plantation <input type="checkbox"/> Semi-natural and mixed plantation & natural forest				
Tenure ownership: <input type="checkbox"/> Indigenous <input checked="" type="checkbox"/> Government <input type="checkbox"/> Private <input type="checkbox"/> Public <input type="checkbox"/> Community Tenure management: <input checked="" type="checkbox"/> Concession <input type="checkbox"/> Community <input type="checkbox"/> Private <input type="checkbox"/> Public	Major tree species: <table border="1" data-bbox="614 616 1425 712"> <thead> <tr> <th>Trade name*</th> <th>Botanical name**</th> </tr> </thead> <tbody> <tr> <td>Teak</td> <td>Tectona grandis</td> </tr> </tbody> </table> <p>*max. 10 species, if more a separate list shall be submitted as annex **see Nomenclature of the Germplasm Resources Information Network (GRIN) Taxonomy Species Online Database (http://www.ars-grin.gov)</p>		Trade name*	Botanical name**	Teak	Tectona grandis
Trade name*	Botanical name**					
Teak	Tectona grandis					
Certified products and product type:	<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: _____ (# _____)					
Certified forest area: Total: <u>12,746 ha</u> FMU numbers: <100 ha: FMUs 100-1000 ha: FMUs 1000-10.000 ha: FMUs > 10.000 ha: 1 FMUs Total FMUs: <u>1</u>	AAF class <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	Type of certificate: <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 <input type="checkbox"/> low intensity Number of Group members: ____				
Applied standard(s): <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 Additional Information

Of the total forest area, which includes:

8,000 ha are production forest, classified as plantation.

ha are production forest

2487 ha are other areas, namely riparian zones and protection areas, roads, non plant areas and village land

2,259 ha are managed primarily for conservation objectives,

ha are managed primarily for production of NTFP or services.

ha are classified as High Conservation Value Forests (HCVF)

List of high conservation values present (classified according to categories defined by the ProForest HCVF Toolkit:

No HCVF present in FMU(s)

HCVF Category I (Significant concentrations of biodiversity values)

HCVF Category II (Significant large landscape level forests)

HCVF Category III (Forest areas that are in or contain rare, threatened or endangered ecosystems)

HCVF Category IV (Forest areas that provide basic services of nature in critical situations)

HCVF Category V (Forest areas fundamental to meeting basic needs of local communities)

Forest regenerated primarily by replanting: 8,000 ha

Forest regenerated primarily by natural regeneration: ha

Total number of employees of forest enterprise: male: 151 female: 14

Number of forest workers: male: 100 female: 300 (up to 600 seasonal workers)

List of chemical pesticides used / reason for use:

No pesticides used

Name	Reason for application	Applied quantity
1. Isopropylamine salt of glyphosate	weed control	3,568 litres

Sustainable rate of harvest (usually Annual Allowable Cut (AAC) of commercial timber (cubic meters of round wood) in total.

--- m3 per year

Approximate annual commercial production of non-timber forest products included in the scope of the certificate, by product type.

--- m3 per year

3 Forest operation

3.1 Regional forestry framework

Description (legislation, administration and land use contexts, roles of government agencies involved in forest management):

The basis for forest management is the Cambodian Forestry Law.

The Cambodian Forestry Administration (FA) is a government authority under the Ministry of Agriculture, Forestry and Fisheries (MAFF) in managing forests and forest resources according to the National Forestry Sector Policy and the Forestry Law.

The Forestry Administration has a unique management and organization structure for the whole country in vertical line, which divided into central, inspectorate, cantonment, division, and triage forestry administration levels.

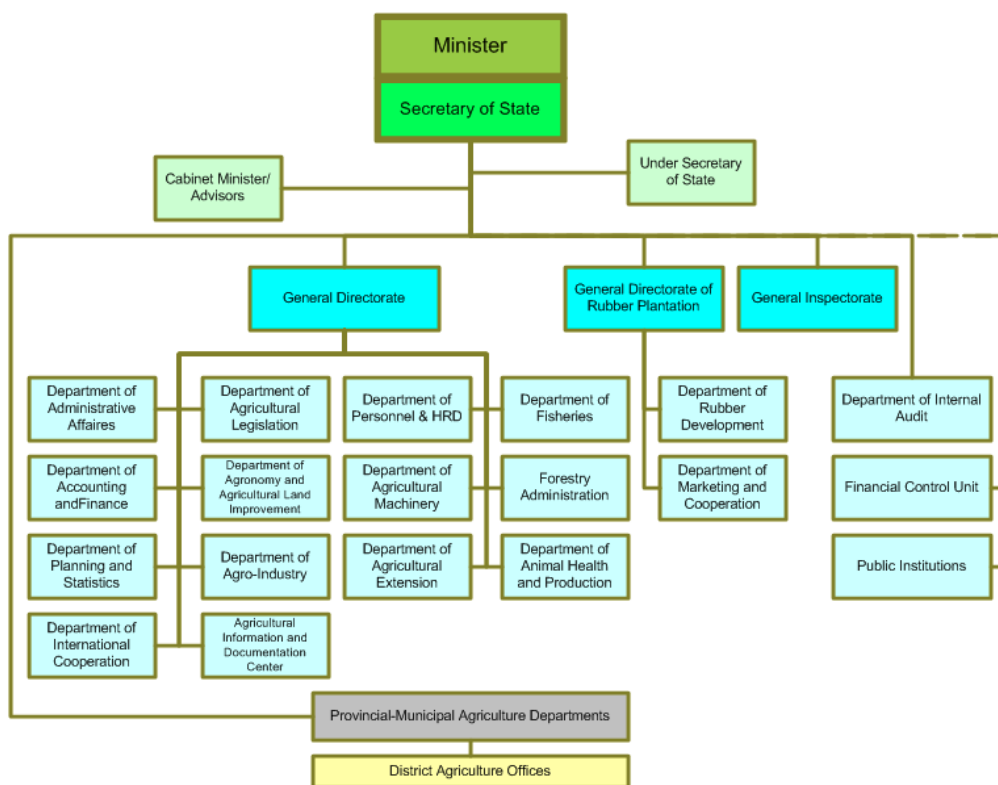


Figure 1: Organisational Chart of the Ministry of Agriculture, Forestry and Fisheries

There is no particular regulation for forest plantations because they are considered as agricultural crops.

Cambodia has one of the worst deforestation rates in the world. Since 1970, Cambodia's primary rainforest cover went from over 70 percent in 1970 to 3.1 percent today. Worse, deforestation rates in Cambodia continue to accelerate. The overall rate of total forest loss has jumped nearly 75 percent since the close of the 1990s. In total, Cambodia lost 2.5 million hectares of forest between 1990 and 2005 334,000 hectares of which were primary forest. Today, less than 322,000 hectares of primary forest remain.

While the Cambodian government has struggled to enforce environmental regulations in the face of corruption and illegal activities, it has shown interest in reducing deforestation and

setting up protected areas. On paper, more than 20 percent of Cambodia is under some form of protection.

Cambodia is home to some 521 species of birds, 127 mammals, and 116 reptiles, although recent census counts indicate that some species are locally extinct in the country.

3.2 Evaluated forest enterprise

3.2.1 Description of the structure of the forest enterprise

a) Organization, FMUs, management structures, ownership, responsibilities etc:

Grandis Timber Limited is a commercial reforestation company, focused on establishment of timber plantations on previously deforested lands.

Grandis Timber Limited is a joint venture between SRP International Group Ltd., and Capricorn Timber Fund K/S, under the management of International Woodlands Company A/S (IWC) of Denmark.

Since the second half of 2012 the Australian forest services provider Plantation Management Partners Pty Ltd. provides all forest management related services to Grandis Timber Ltd.

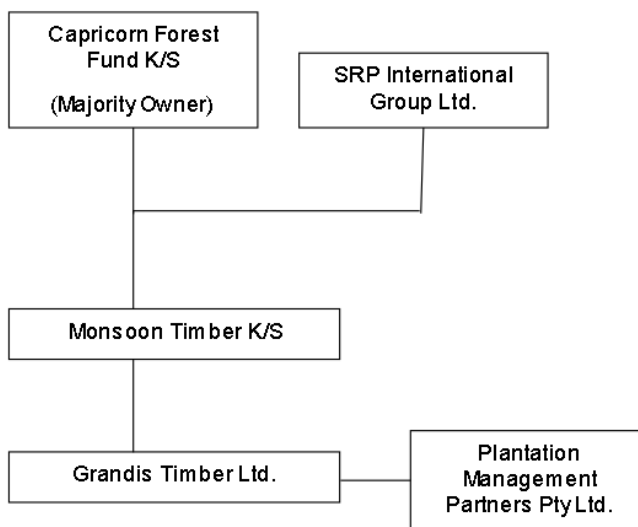


Figure 2: Company Organizational Structure

Grandis Timber Ltd. is managed by its CEO, Mr. Wayne Burton and a management team embracing all important areas regarding commercial forest plantation, e. g. forest management operations, business operations, human resources, IT, training or quality control.

The company's head office is situated in Phnom Penh. The company also owns an office at the central camp on the plantation site in Kampong Speu Province.

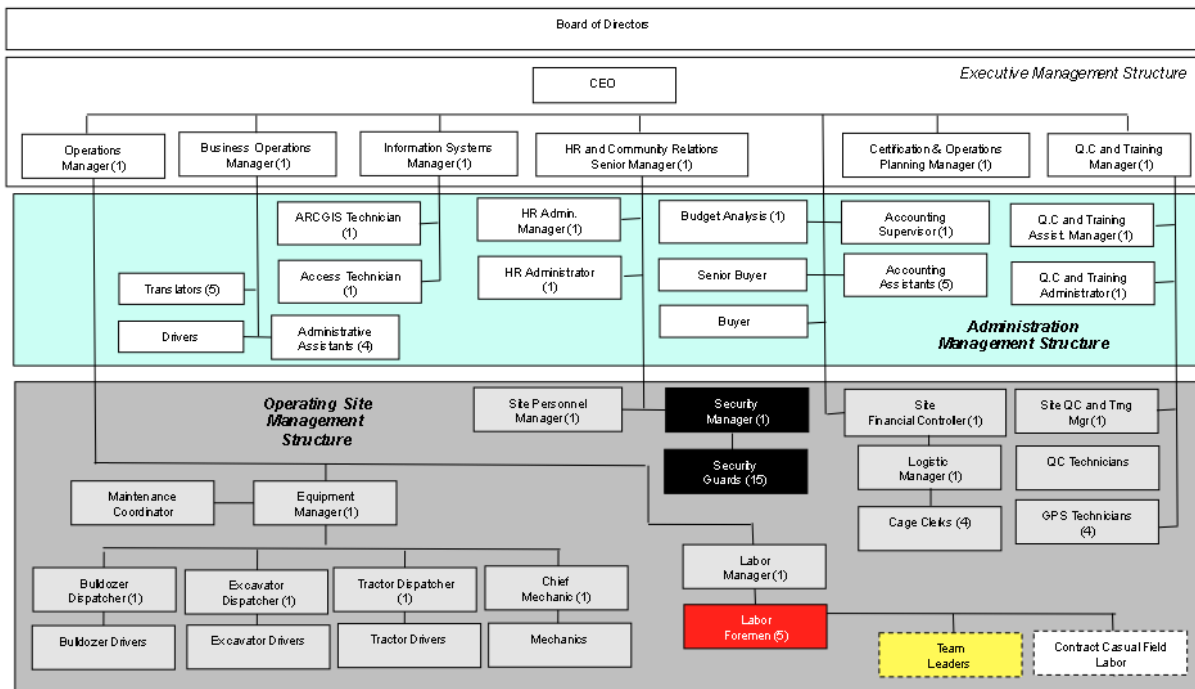


Figure 3: Organisational Structure of Grandis Timber Ltd.

The responsibilities at each management level and even for the forest workers are detailed in the company's labor policy and respective procedures.

Grandis Timber Ltd. manages a concession of state-owned land of a total of 9,820 ha. Apart from the concession, the concession contract also commits the company to guarantee the maintenance of 2,259 ha state-owned conservation areas neighboring the concession area (see below – figure 5).

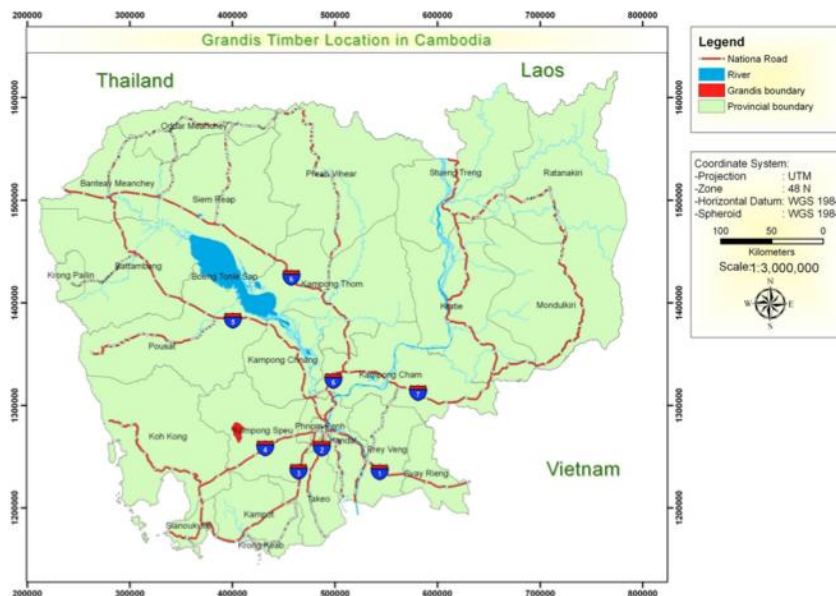


Figure 4: Location of Grandis Timber concession

The plantation area embraces also the following uses: nurseries, clone orchard, worker camp, stores for planting tools, fertilizers, pesticides, fuels and lubricants, spare parts, generator for electric energy and roads.

The company has set up three nurseries, which have a production capacity of 9.0 million tree seedlings.

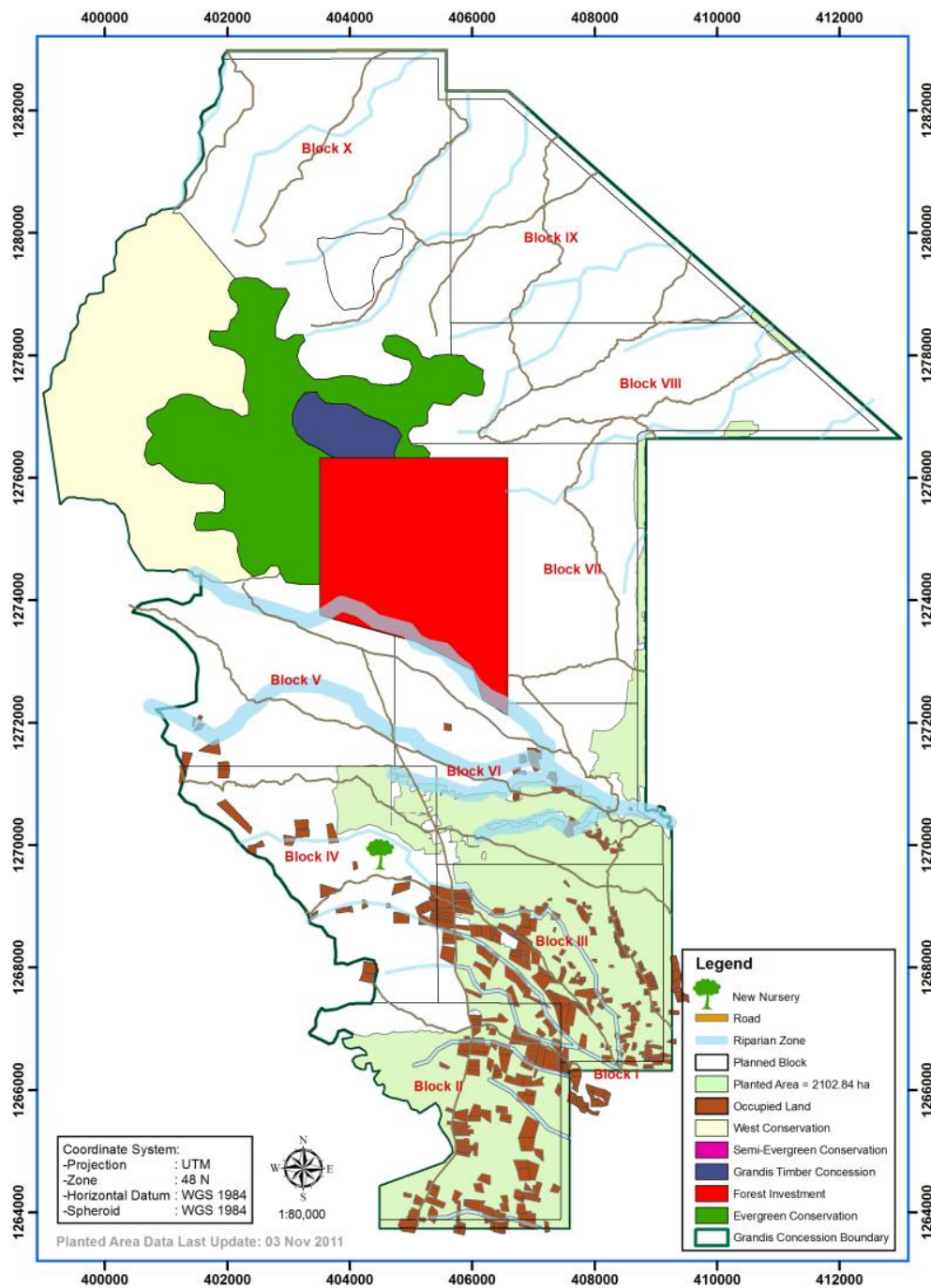


Figure 5: Map showing all areas under management of Grandis Timber Ltd.

b) Areas over which the certificate holder has any responsibilities/ land use:

Grandis Timber Ltd. manages a concession of state-owned land of a total of 10,487 ha.

Apart from the concession, the concession contract also commits the company to guarantee the maintenance of 2,259 ha state-owned conservation areas neighboring the concession area (see map above – figure 5).

c) Partial certification does apply: YES (see attached GFA checklist on compliance with FSC-POL-20-003 - Excision of areas)
 NO

Reason and description of the controls that are in place to ensure that there is no risk of confusion being generated as to which activities or products are certified, and which are not:

3.2.2 Description of the ownership and land use

a) Ownership and use-rights (legal and customary) of 3rd parties other than the certificate holder:

No ownership and use-rights (legal and customary) of 3rd parties.

Within the concession there live 166 smallholder farmer families, occupying 760 ha of the concession land. Grandis Timber Ltd. has surveyed the smallholdings and marked the limits in the field. The data generated is being used by Cambodian Government and GIZ (German Development Cooperation) to pilot a “Circular 2” pilot program. The Government is also completing mapping of all village land on Concessions in Cambodia, this will see village land formally recognised through freehold title.

b) Non-forestry activities within the area evaluated, (e.g. mining, agriculture, hunting.)

Within the area, managed by Grandis Timber Ltd., the neighboring smallholder farmer carry out the following non-forestry activities:

- Mushroom collection (mainly in conservation areas).
- Herbal plant collection (mainly in conservation areas).
- Small-scale harvest of bamboo (in the riparian zones).
- Charcoal production

All other activities like hunting have been forbidden by Grandis Timber Ltd. because they jeopardize the forest plantation. This ban of activities the smallholders were accustomed to, have been explained in detail to them through socialization workshops and integration of the community leaders. Today it does not present a major constraint as nearly all neighbouring smallholders have family members who work full-time or as seasonal workers for Grandis Timber Ltd.

c) Description of outsourced processes (e.g. Harvesting, Skidding, sale of wood, on a regular basis, sometimes?):

Work in the forest enterprise is outsourced: Yes No

Under the new management of Plantation Management Partners Pty Ltd. there has been established a scheme of contracting services which require heavy machines (bulldozers,) for site preparation for planting (clearing ,ploughing and ripping).

3.2.3 Summary of the management plan

a) Management objectives;

Grandis Timber Ltd. is guided by a mission, goals and related objective:

Mission of Grandis Timber:

The creation and management of timber plantation assets in Cambodia of a quality appealing to international institutional investors

Goals of Grandis Timber:

Creation of long term value for our shareholders

Establish industry leadership within the regional emerging markets in the following areas:

- Profitability / Return on Investment
- Tropical Hardwoods Plantation Technical Expertise
- Operating Procedures and Efficiencies
- Environmental Sustainability
- Social Responsibility

Objectives of Grandis Timber:

To accomplish the mission and goals stated above, the following objectives must be met over the next 5 years:

1. Establishment of a 8,000 ha teak plantation
2. Continuous Improvement of:
 - Operating Procedures / Methods
 - Plant Materials
 - Tracking, Reporting and Management of Plantation Data
3. Provide training and development for local staff in the following areas
 - Technical: Forestry, Silviculture, Agriculture
 - Business: Management, Finance, Data Management, Human Resources, Ethical Conduct
 - Health and Safety
4. Achievement of International Certifications
 - Forest Stewardship Council (FSC) Certification

b) Forest composition, especially for the production forests (yielding forest products):

The land managed by Grandis Timber Ltd. is composed of degraded land, formerly having been natural forest and different areas covered by natural forest (also exploited), declared as conservation sites by the Cambodian Government.

Foreseen for plantation with teak (*Tectona grandis*) is the degraded land, around 8,000 ha.

Grandis Timber Ltd. has started reforestation in 2010.

c) Silvicultural and/or other management:

Grandis Timber Ltd. produces teak (*Tectona grandis*) seedlings in its own nurseries. The company runs three nurseries on the concession site with a production capacity of up to 9

million seedlings per year. Seedlings are produced utilizing improved clones. Grandis Timber Ltd. runs its own clone orchards.

Before planting, the sites are prepared by the following measures:

- **Brush removal:** except for small diameter wood for charcoal production, there is no merchantable wood in the areas to be planted. Small diameter wood in each planting compartment will be removed by bulldozers that removes the brush but does displace much soil while removing woody plant material from the surface.. Trees too large to be handled by the bulldozer will either be left in place or removed by chainsaw and excavator. Efforts will be made to leave large trees in place to influence the biodiversity of the site.
- **Ploughing:** Ploughing breaks up soil by displacing it sideways. The soil will be ploughed to break up the vegetation left on the surface after brush removal. The ploughing will generally be performed by agricultural tractors
- **Mounding and contouring:** Teak performs best when the feeder roots are kept very well drained. To ensure good drainage during the critical growth, Immediately prior to planting, the planted area will be mounded to the contour were possible. The mound will be approximately 0.3 meters in height. It is anticipated that through shifting and the build up of litter, the soil will level itself within a few years after canopy closure.

Seedlings initially were planted on a 2.5m x 2.5 m spacing to maximize utilization of the space available. However this spacing will be change to 4m x 2m resulting in an planting density of 1,250 seedlings per hectare, as better genetics are deployed spacing on the mound will be increased with seedlings per hectare being reduced to 1,000 stems per hectare.

Planting process: The seedling planting will be completed manually utilizing local laborers. The process will follow the steps listed below:

- Transportation of the seedlings by truck from the nursery to the compartment planting staging area.
- Transfer the seedlings at the staging area from the truck to
- Tractor wagons and trucks for distribution to the personnel in each planting compartment.
- Holes are dug by personnel at the peak of the mounds created by the contour mounding, according to the planting intervals specified above.
- Seedlings are removed from their poly bag and placed into the holes in soil is placed around the seedling.
- Fertilization may be added to the hole as required.

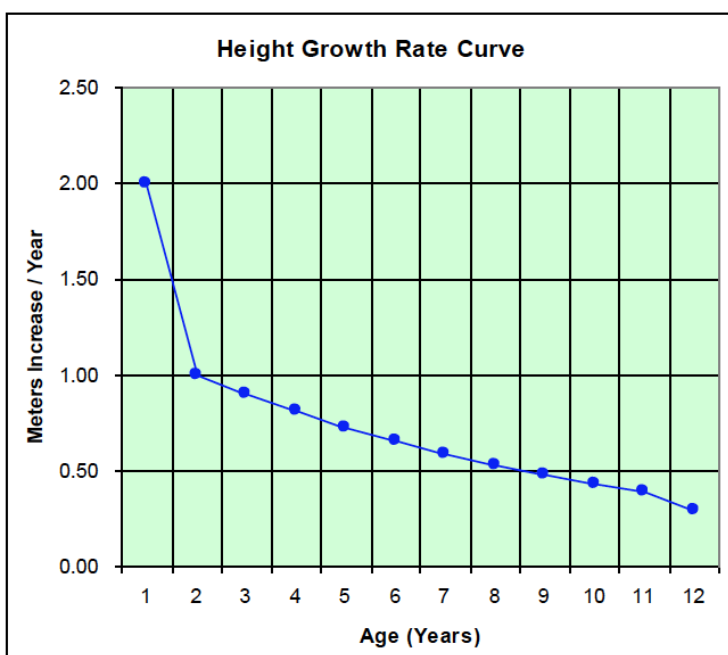
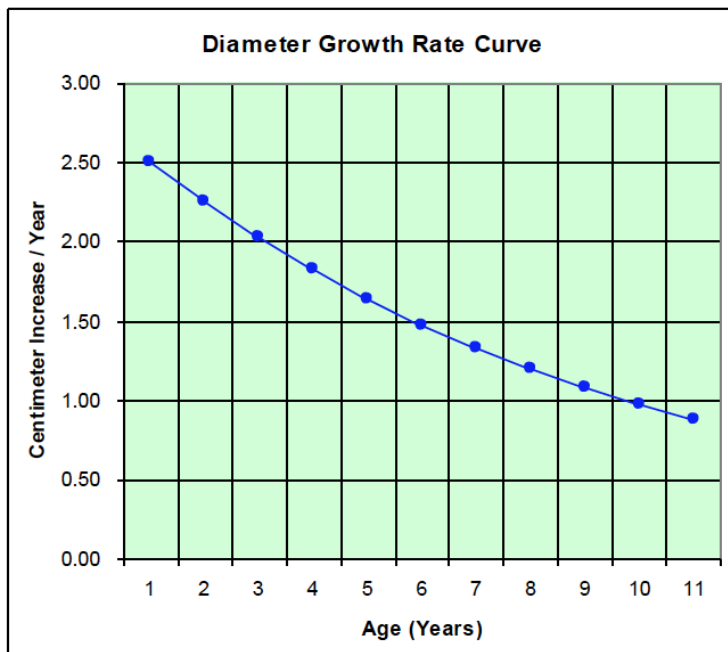
Weeds will be kept under control for a combination of efforts:

- Mechanical weed removal will be employed in areas as necessary, primarily around the seedlings. Mechanical means of removal that will be employed is primarily hoeing and pulling of weeds by day labourers.
- Herbicides will be applied on large areas of weeds that need to be kept under control, such as, pre planting and firebreaks where weeds pose a potential fire hazard. Herbicide application may also be used in areas around the trees, where it proves more efficient than the other means listed above, or the other means have not proven effective.

Branchy teak trees do not yield very good clear lumber. Typically, teak does not branch until it third year. The branches will be pruned until the trees achieve canopy closure and the shading results in self-pruning.

The thinning and harvest management strategy to be employed is to maximize the interaction between diameter growth, quality of the logs grown, and the length, with the objective of optimizing the output of a given plot. After applying silviculture management as described above, the next step is the management of the timing of thinning to maximize the MAI for as long as possible at first thinning, and second thinning and final harvest. This strategy requires monitoring of diameter and height growth rates, in correlation to the basic quality and potential of the site (Site Yield Index), incremental inputs (fertilizer and organic material) and annual rainfall for a given year. To implement this strategy, the elements presented below will be implemented.

The below graphs depicts the most important silvicultural parameters.



Growth and Yield Assumptions											
Age	CM Mean DBH	Annual Increase (cm)	Usable Height Meters	Height Growth Rate Meters	Vol/Tree Cubic Meters	Vol/Tree Increase Per Year	Number of trees per Planted Hect.	Number of Commercially Salable Trees per Hectare	Cubic Meters of Standing Timber per Hect	Cubic Meters Thinned or Harvested	MAI Cubic Meters per Hectare
1	2.50	0	1.56	2.00	0.00003		2021	1718	0		0.1
2	5.00	2.50	2.34	1.00	0.00115	0.001	1940	1649	2		0.9
3	7.25	2.25	3.04	0.90	0.00388	0.003	1940	1649	6		2.1
4	9.28	2.03	3.67	0.81	0.00986	0.006	1940	1649	16		4.1
5	11.10	1.82	4.24	0.73	0.01863	0.009	1940	1649	31		6.1
6	12.74	1.64	4.75	0.66	0.02989	0.011	1940	1649	49		8.2
7	14.21	1.48	5.21	0.59	0.04319	0.013	1940	1649	71		10.2
8	15.54	1.33	5.63	0.53	0.05806	0.015	1940	1649	96		12.0
9	16.74	1.20	6.00	0.48	0.07402	0.016	1940	1649	122		13.6
10	17.81	1.08	6.34	0.43	0.09065	0.017	1940	1649	149		14.9
11	18.78	0.97	6.64	0.39	0.10758	0.017	1940	1649	177		16.1
12	19.65	0.87	6.87	0.29	0.12368	0.016	970	824	102	75	8.5
13	21.53	1.88	7.65	1.00	0.15081	0.027	970	824	124		9.6
14	23.03	1.50	8.35	0.90	0.19757	0.047	970	824	163		11.6
15	24.23	1.20	8.98	0.81	0.24316	0.046	970	824	200		13.4
16	26.10	1.88	9.55	0.73	0.28620	0.043	485	412	118	82	7.4
17	27.60	1.50	10.33	1.00	0.35935	0.073	485	412	148		8.7
18	28.80	1.20	11.03	0.90	0.42914	0.070	485	412	177		9.8
19	30.13	1.33	11.66	0.81	0.49402	0.065	485	412	204		10.7
20	31.33	1.20	12.23	0.73	0.56701	0.073	485	412	234	283	11.7

d) Inventory methods, data sources

Grandis Timber Ltd. is planning to set-up a permanent sample plot system to monitor the following parameters:

- Age
- Height
- Diameter
- Basal Area
- Taper
- Volume
- Form
- Crown
- Percentage Canopy Cover

The inventory method is described in general terms and the establishment of permanent sample plots is regulated in Standard Operational Procedure (SOP) 3025.

e) Environmental safeguards;

The company focuses on the following environmental safeguards:

- Incorporate biomass (weeds, leaves, branches) into the soil by ploughing.
- Maintain native trees with diameters ≥ 30 cm DBH on the planting sites.
- Protect conservation areas and buffer zones along water courses (riparian zones).
- Conserve smaller plots of natural vegetation within plantation area (e.g. rocky areas, small hills, wet areas, poor soil areas).
- Enrich conservation areas with native species which have been exploited smallholder farmers and today at a very low density (e.g. Dalbergia ssp., Pterocarpus ssp., Afzelia ssp.).

- Diversify plantation areas by planting species other than teak in smaller quantities (Swietenia macrophylla, Khaya senegalensis, Afzelia xylocarpa, Dalbergia cochinchinensis, Terminalia alata and Pterocarpus macrocarpus)
- Prohibiting hunting and fishing within the concession area.

f) Management strategy for the identification and protection of rare, threatened and endangered species

In 2010 Grandis Timber Ltd. carried out a profound environmental and social impact study (see annex). In the context of this study, the company applied the following methodology for identifying rare, threatened and endangered species:

- Surveillance conducted on variety of plant species prevailing in Grandis Timber Ltd.'s concession area geographically located in Kompong Speu province's Oral and Phnom Sruoch districts, which is based on general surveillance. 81 sample lots were categorized applying the random sampling method, and distributed throughout the concession area
- Fauna survey: Fauna survey was conducted using line-transect method at length of 37 km. The method includes traveling through the routes and taking record of wildlife species or either side of the routes. Through transect walk, the record could only be specifically made in the dense forest due to the fact this type of forest enables quiet passage by the surveyors along the routes regardless of their directions. According to the fauna survey, some animal species (especially large mammals) and bird species are identified as Taxa which is suitable for the survey by an expert group with the local guides to lead the way. Bird species are characterized and known by their appearance and/or their sound. And the mammal species are listed by their appearance at sight and other signs: footprints, habitats or pools, excrement, traces left on the trees, and their sound. Majority of the animal species spotted during the survey are some sorts already known by the visiting team.

There have no rare, threatened or endangered species been identified neither within the concession area, nor in the conservation areas.

Nonetheless, Grandis Timber Ltd. has signed a Memorandum of Understanding with the environmental NGO "Conservation International – CI". CI has conducted a profound survey of wildlife with an expert group in order to survey animal species occurrence and for establishing a wildlife monitoring system. Grandis Timber and CI signed a consulting contract for wildlife monitoring.

g) Procedures for monitoring growth, yield and forest dynamics (incl. changes in flora and fauna), environmental and social impacts, and costs, productivity, and efficiency.

The monitoring system for growth, yield and forest dynamics (permanent sample plot system) has been described above, as well as the development of a fauna monitoring system.

Cost, productivity and efficiency of the forest management operations are surveyed on a monthly base, documenting, reporting and analyzing all relevant data as a basis for future and timely management decisions.

Social impact studies regarding impacts of forest management operations to the neighboring populations is carried out periodically. The above-mentioned environmental impact study also embraced social issues. Apart from this, Grandis Timber maintains records regarding illness and accidents of its employees, records of meeting with community leaders and records of any complaint presented by neighbours of the concession area.

h) Annual harvest by main commercial species (estimate):

Species (Scientific name)	Sustainable yield in m ³	Annual harvest in m ³
Tectona grandis	---	---

The teak plantation is still at its establishment stage.

i) Mean of annual harvest matches with sustainable yield: Yes No

No harvest at the moment and for the next years.

j) Sources of information and explanation of this assumption:

- Inventory data
- Permanent sample plots
- Yield tables
- Others:

k) Summary of mgmt. plan is publicly available: Yes No, see CARs

3.2.4 Changes of scope of certificate (recertification audit only)

Any changes of scope of certificate (products, area, owner, management):

No changes or not applicable (first main evaluation)

3.3 Group Certification Issues (only groups)

Not applicable

Description of the division of responsibilities between group entity and group members:

Type I group: group with shared responsibilities between the group entity and the group members. These may vary from administrative tasks to planning, silviculture, harvesting, and monitoring shared between the group entity and the group members.

Type II group: 'Resource manager' type of group in which the group entity has basically taken all operational responsibilities including administration, forest management and harvesting activities on behalf of the group members.

A detailed description of the division of responsibilities between group entity and group members is given in the attached GFA checklist for Forest Management Groups (FSC-STD-30-005).

Details on group members:

A list of group members and details on the FMUs included in the scope of certificate is attached in then Annex to this report.

Group size and growth limitations:

A re-evaluation of the group structure and systems is required if the number of group members is extended for more than 50 % of the initial number of group members or if the total area included in the scope of certificate is increased for more than 100%.

3.4 SLIMF eligibility

Not applicable

Forest enterprise is small (< 100 ha)	<input type="checkbox"/>	(specific country limit)	
is between 100-1000 ha	<input type="checkbox"/>	and has a mean annual harvest	
		less than 20% of MAI	<input type="checkbox"/>
		less than 5000 m3/year	<input type="checkbox"/>
In case of SLIMF group certification, this is valid for all group members			<input type="checkbox"/>

4 Evaluation process

4.1 Standards used for the evaluation

See Chapter 2 above "Forest Characteristics".

A description of the adaptation process is included in the introduction part of applicable GFA Generic FM Standard available under www.gfa-certification.de. National FSC Standards can be obtained from the websites of the responsible National Initiative.

4.2 Sampling and Field Visit

4.2.1 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

4.2.2 General itinerary with dates (for each FMU)

Date	Location	Scope of Visit	Participants
03.04.2013	Grandis Timber office in Phnom Penh	Opening meeting Presentation of auditors and GT key management staff Discussion of findings of scoping audit Detailed planning of main evaluation	Wayne Burton, CEO Grandis Timber Jodie Millsom, HSG Manager Grandis Timber Naek Phaerom, Local Auditor Henning Peter, Lead Auditor
	Offices of stakeholders	Interviews of the following stakeholders: WWF Cambodia Ministry of Agriculture, Forestry and Fisheries, Forestry Administration GIZ Cambodia	Stakeholders Naek Phaerom, Local Auditor Henning Peter, Lead Auditor
04.04.2013	Hotel Kirirom, Kampong Speu Province	Interview of the following stakeholders: One commune chief of the Grandis Timber concession area. Two village chiefs of the Grandis Timber concession area.	Stakeholder Naek Phaerom, Local Auditor Henning Peter, Lead Auditor
	Field Office, Grandis Timber	Check of first aid station Check of stores for spare parts and	Jodie Millsom, HSG Manager Grandis Timber

	Concession Area	other equipment Check of mechanical workshop and fuel store Visit of 3 nurseries	Operational GT staff Naek Phaerom, Local Auditor Henning Peter, Lead Auditor
05.04.2013	Compartment 6, Block 4	One trial plot planted in November 2012 with improved land preparation and clone 3 and two trial plots planted with seedlings, planted in June 2011, plot 1 performs much better	Jodie Millsom, HSG Manager Grandis Timber Operational GT staff Naek Phaerom, Local Auditor Henning Peter, Lead Auditor
	Compartment 7	Trial plots with teak clones, planted in November 2012 and trial plot with <i>Swietenia macrophylla</i>	Jodie Millsom, HSG Manager Grandis Timber Operational GT staff Naek Phaerom, Local Auditor Henning Peter, Lead Auditor
	Compartment 18, Block 5	3 ha planted with <i>Swietenia macrophylla</i> in October 2012 and also rows with <i>Azelia xylocarpa</i> and <i>Dalbergia cochinchinensis</i> , charcoal kiln in riparian zone	Jodie Millsom, HSG Manager Grandis Timber Operational GT staff Naek Phaerom, Local Auditor Henning Peter, Lead Auditor
	Compartment 17	Land cleared in 2013, ploughed and ripped (tractor and bulldozer), standing trees remain, road construction	Jodie Millsom, HSG Manager Grandis Timber Operational GT staff Naek Phaerom, Local Auditor Henning Peter, Lead Auditor
	Compartment 11	Teak planted in 2011, form pruning of teak trees (not well done)	Jodie Millsom, HSG Manager Grandis Timber Operational GT staff Naek Phaerom, Local Auditor Henning Peter, Lead Auditor
	Compartment 15, Blocks 3 and 6	Teak planted in 2011, GT conducted assessment of the need to carry out weeding, ongoing weeding, plantation in poor conditions (trees' vitality), interview of women weeding group	Jodie Millsom, HSG Manager Grandis Timber Operational GT staff Naek Phaerom, Local Auditor Henning Peter, Lead Auditor
	Compartment 24, Block 3 Compartment 2, Block 6	Teak planted in 2010, pruning in march 2013, trees' height 3-4 meters, pruning to high Trial plots of teak clones planted in 2012 (good performance) Trial with foliar fertilizer with good results	Jodie Millsom, HSG Manager Grandis Timber Operational GT staff Naek Phaerom, Local Auditor Henning Peter, Lead Auditor
	Compartment 13, Block 7	Land preparation for planting in 2013	Jodie Millsom, HSG Manager Grandis Timber Operational GT staff Naek Phaerom, Local Auditor Henning Peter, Lead Auditor
	Compartment 19, Blocks 7 and 8 Office of district governor, Phnom Scouch district	Land preparation for planting in 2013, tractors with discs Interview of the deputy district governor	Jodie Millsom, HSG Manager Grandis Timber Operational GT staff Naek Phaerom, Local Auditor Henning Peter, Lead Auditor
06.04.2013	Grandis Timber office in Phnom Penh	Auditor meeting – drawing conclusions of the audit Closing meeting – CARs and observations	

During the evaluation both field and office visits have been arranged. Visited stands / forest areas were selected by the audit team in cooperation with the forest management. Compliance with FSC P&C was assessed and discussed at these examples.

Observations presenting evidence of compliance or non-compliance at the level of indicators are presented in the form of a standardized checklist, attached to this report in the annex.

4.2.3 Total person days required for audit

	Main audit
Stakeholder consultation	0,5
Document review	0,5
Field Audit	8,0
Report	2,0
TOTAL	11,0

4.2.4 Evaluation Personnel

Position	Name	Qualifications	Status
Lead Auditor	Henning Peter	Forest Engineer, M.Sc.	Freelance for GFA
Local Auditor	Naek Phaerom	Forest Engineer	Freelance for GFA

Additional information about the evaluation personnel as well as their CV is available at the GFA office in Hamburg.

4.2.5 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 / March	7,75	Focus on following issues: Contractors, environmental issues with teak plantations, performance of teak plantations, forest management practices (in particular pruning), work conditions of field workers
Surveillance 2	20 / month		
Surveillance 3	20 / month		
Surveillance 4	20 / month		

4.3 Consultation with stakeholders during the audit

At least six weeks prior to the audit a consultation of stakeholders was carried out by GFA. The relevant persons, institutions and authorities were asked in written form for comments. The list of the stakeholders contacted is attached in the annex. During the audit, stakeholders may also have been contacted and interviewed by the audit team.

Quantitative summary of stakeholder consultation:

- Number of stakeholders contacted prior to the audit in written form: 20
- Number of replies from stakeholders received (in total): 0
- Number of replies with comments received: 0
- Number of stakeholders interviewed before and during the audit orally: 7

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 Annex to this report.

5 Results of the audit

5.1 Findings by Principle and Criteria

The evaluation of forest management enterprise is based on indicators. Each identified non-compliance results in a Corrective Action Request (CAR). See also chapter “Corrective Action Requests (CARs)”.

A detailed listing of the findings on indicator level during the audit and field visit can be found in the checklist included in the Annex to this report.

Principles and Criteria	Comment	Result / CARs
Principle #1: Compliance with laws and FSC Principles		Pass
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.	Pass
1.2 All applicable and legally prescribed fees, royalties, taxes and other charges shall be paid.	Grandis Timber Ltd. has paid all applicable fees and royalties taxes and other charges payable to date. These payments are documented in the companies accounts, and confirmed by an annual financial audit (last one by PriceWaterhouseCoopers).	Pass
1.3 In signatory countries, the provisions of all binding international agreements such as CITES, ILO Conventions, ITTA, and Convention on Biological Diversity, shall be respected.	Grandis Timber Ltd. forest managers respect CITIES provisions, ITTA and the Convention on Biological Diversity. Grandis Timber Ltd. is in compliance with the ILO Minimum Wage Fixing Recommendation 1970. All other relevant ILO conventions are incorporated into the company's Labor Policy 9007.	Pass
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.	Pass
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 has been trained with respect to security and is well aware of the company's policy. Grandis Timber Ltd. has established checkpoints at the	Pass

	<p>entrance roads to the forest concession. All visitors have to register and explain why they want to enter the area.</p> <p>Within the concession area, supervisors control if adjacent smallholder farmers respect the company regulations.</p> <p>The boundaries between the land concession of Grandis Timber Ltd. and neighbouring smallholder farmers are clearly marked.</p>	
1.6 Forest managers shall demonstrate a long-term commitment to adhere to the FSC Principles and Criteria.	<p>The company has worked out a public statement demonstrating that the company adheres to FSC values, signed by the company's CEO and deputy CEO.</p> <p>Grandis Timber Ltd. does not own a website until now. Therefore, the policy statement is available to the public on demand.</p> <p>Grandis Timber Ltd. only holds responsibility for the land concession included in the scope of certification.</p>	Pass
Principle #2: Tenure and use rights and responsibilities		Pass
2.1 Clear evidence of long-term tenure and forest use rights to the land (e.g. land title, customary rights, or lease agreements) shall be demonstrated.	<p>Grandis Timber Ltd. owns a 70-year contract for a land concession called 'Contract on the investment of 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>	Pass
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>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.</p> <p>Grandis Timber has pioneered the implementation of the "Leopard Skin" approach to addressing land tenure issues. 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. In theory, some of these persons might be able to apply for land title under Title II, Chapter 4 Article 30 of the Land Law, which provides for titling if that land was occupied for 5 years prior to the promulgation of the 2001 Land Law. However analysis performed jointly by Grandis Timber and GIZ's Land Rights Program anticipate a low likelihood of success. As an alternative, Grandis Timber, GIZ and the Ministry of Land Management and Urban Planning have jointly been working toward a program to implement a land titling program for occupants meeting the basic requirements Article 30, as a pilot program under Circular 02 Measures Against Illegal Holding of State Land. This circular was issued in 2006, but has yet to be successfully implemented in any area.</p>	Pass
2.3 Appropriate mechanisms shall be employed to resolve disputes over tenure claims and use rights. The circumstances and status of any	<p>Grandis Timber Ltd. has pioneered the implementation of the "Leopard Skin" approach to addressing land tenure issues. Within the boundaries of the concession there are farms occupied by smallholder farmers. As detailed in Grandis Timber's Land Tenure Policy 9008, persons who were occupying land when Grandis</p>	Pass

<p>outstanding disputes will be explicitly considered in the certification evaluation. Disputes of substantial magnitude involving a significant number of interests will normally disqualify an operation from being certified.</p>	<p>Timber took possession of the concession have not been relocated. 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.</p>	
<p>Principle #3: Indigenous peoples' rights</p>		<p>Pass</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>Pass</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>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>Pass</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>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>Pass</p>
<p>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. This compensation shall be formally agreed upon with their free and informed consent before forest operations commence.</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>Pass</p>
<p>Principle #4: Community relations and worker's rights</p>		<p>Pass</p>
<p>4.1 The communities within, or adjacent to, the forest management area should be given opportunities for employment, training, and other services.</p>	<p>Local people present the major part of the forest workers force. The company ensures that they have equal access to employment and training. Grandis Timber Ltd. provides a 6-week training program to all permanent staff entering from local communities, in particular forest workers. 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>Pass</p>

<p>4.2 Forest management should meet or exceed all applicable laws and/or regulations covering health and safety of employees and their families.</p>	<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 time frame maintaining and improving related skills.</p> <p>All workers are provided with safety equipment as demanded by ILO and national regulations.</p> <p>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.</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 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.</p> <p>Minor CAR 2013-01</p>	<p>Pass Minor CAR 2013-01</p>
<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 Labour Organisation (ILO).</p>	<p>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. In the case of illiterates, the responsible administrative staff read and explains the contract to the future employee. Many of the forest workers are illiterates.</p> <p>The contracts have also been reviewed by the Cambodian Ministry of Labour.</p>	<p>Pass</p>
<p>4.4 Management planning and operations shall incorporate the results of evaluations of social impact. Consultations shall be maintained with people and groups directly affected by management operations.</p>	<p>Before starting their forest management operations, Grandis Timber Ltd. has conducted an extensive 'Initial Environmental Social Impact Assessment' that analyzed all social dimensions required by the Criterion.</p> <p>Grandis Timber Ltd. also conducted a Social and Economic Impact Assessment in 2009 in cooperation with the NGO Rural Development International Cambodia (RDI). The outcomes were the following:</p> <ol style="list-style-type: none"> a. The first survey was a full census of all persons within the boundaries of the FMU. b. A subsequent study of surrounding communities was completed using a sampling method. c. A two year follow up survey using sampling was completed of persons within the FMU. <p>These baseline surveys will be up-dated on a regular</p>	<p>Pass Observation 2013-1</p>

	<p>basis. The data and information obtained through these assessments have been important inputs for the company's 'Master Plan' and are considered in all operational planning. Grandis Timber Ltd. maintains regular contact with several NGOs (e. g. CI), the Ministry of Agriculture, Forestry and Fisheries, GIZ and other stakeholders at the national level. At the local level, the company has established regular meetings with the village chiefs and neighboring smallholder farmers. The local stakeholders interviewed during the audit, did not know what FSC certification is about. Observation 2013-1</p>		
4.5	<p>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. Measures shall be taken to avoid such loss or damage.</p>	<p>Community issues are resolved through the process defined in a particular procedure (SOP 5022 Community Dispute Resolution Process). Neighboring communities have been informed and provided with a physical copy of the procedure and the complaints process has been explained to them.</p>	Pass
Principle #5: Benefits from the forest		Pass	
5.1	<p>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>	<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. There is an investment plan and a work plan, even for each year in place. The annual budget details all costs related to the investment. For the next years there will be no income as the project is within its investing phase. Grandis Timber Ltd. undertakes several investments to maintain the ecological productivity of the forest plantations, e.g.:</p> <ul style="list-style-type: none"> • Plantation of autochthone tree species in conservation areas and to a limited extent in the plantation area. • Applying low impact measures and limited use of chemicals within the plantation areas 	Pass
5.2	<p>FM and marketing operations should encourage the optimal use and local processing of the forest's diversity of products.</p>	<p>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) there will be the first thinnings, which will provide products.</p>	Pass
5.3	<p>FM should minimize waste associated with harvesting and on-site processing operations and avoid damage to other forest resources.</p>	<p>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 thinnings, which will provide products.</p>	Pass

<p>5.4 FM should strive to strengthen and diversify the local economy, avoiding dependence on a single forest product.</p>	<p>The planning of the forest investment foresees the production of a wide variety of products, including non-timber forest products. Grandis Timber Ltd. has considered additional enterprises on the site to provide sustained employment to the local work force. These include:</p> <ul style="list-style-type: none"> • Live stock • Fruit trees • Continued Nursery Operations for External Supply 	<p>Pass</p>
<p>5.5 FM operations shall recognize, maintain, and, where appropriate, enhance the value of forest services and resources such as watersheds and fisheries.</p>	<p>Due to the topography (nearly flat terrain) of the FMU there is minimal watershed impact. There are only very small rivers, which are not important for fisheries (see HCVF Area Identification Report). There are guidelines in place on how to protect water courses (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). 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). Minor CAR 2013-02 There are no habitats of commercially or culturally important fish species within the land concession area of the company.</p>	<p>Pass Minor CAR 2013-02</p>
<p>5.6 The rate of harvest of forest products shall not exceed levels which can be permanently sustained.</p>	<p>All future prospects for the forestry investment are clearly stated within the 'Master Plan'. It is still too early to predict harvesting levels at the moment (establishment phase of investment).</p>	<p>Pass</p>
<p>Principle #6: Environmental impact</p>		<p>Pass</p>
<p>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.</p>	<p>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.</p>	<p>Pass</p>
<p>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.</p>	<p>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). In the context of this study, the company applied the following methodology for identifying rare, threatened and endangered species:</p> <ul style="list-style-type: none"> • Surveillance conducted on variety of plant species prevailing in Grandis Timber Ltd.'s concession area geographically located in Kompong Speu province's Oral and Phnom Sruoch districts, which is based on general surveillance. 81 sample lots were categorized applying the random sampling method, and distributed throughout the concession area 	<p>Pass</p>

	<ul style="list-style-type: none"> • Fauna survey: Fauna survey was conducted using line-transect method at length of 37 km. The method includes traveling through the routes and taking record of wildlife species or either side of the routes. Through transect walk, the record could only be specifically made in the dense forest due to the fact this type of forest enables quiet passage by the surveyors along the routes regardless of their directions. According to the fauna survey, some animal species (especially large mammals) and bird species are identified as Taxa which is suitable for the survey by an expert group with the local guides to lead the way. Bird species are characterized and known by their appearance and/or their sound. And the mammal species are listed by their appearance at sight and other signs: footprints, habitats or pools, excrement, traces left on the trees, and their sound. Majority of the animal species spotted during the survey are some sorts already known by the visiting team. <p>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'. CI conducted a profound survey of wildlife with an expert group in order to survey animal species occurrence and for establishing a wildlife monitoring system. Grandis Timber and CI also signed a consulting contract for wildlife monitoring.</p> <p>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) will be set-aside as conservation area. This area will be mapped, monitored and protected according to the companies' policy 9002 'Security Policy'. Within this area not less than 5% will be rehabilitation to natural cover. (approximately 650ha). These areas will not be planted with teak or secondary crops. Enhancement plantings of native species is already on the way.</p> <p>The protection of riparian zones and the establishment of a mosaic of small conservation plots, apart from the extensive conservation areas, foster migration of animal and plant species.</p> <p>Hunting and fishing is prohibited. Procedure SOP 7003 'Hunting, Grazing, Fishing and Gathering' is in place.</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>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. The establishment is undertaken on degraded, formerly forest land.</p> <p>The harvesting system is not defined yet, as the project is still in its establishment phase.</p> <p>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</p>	<p>Pass Observation 2013-2</p>

	<p>and exotic species: <i>Swietenia macrophylla</i>, <i>Khaya senegalensis</i>, <i>Azelia xylocarpa</i>, <i>Dalbergia cochinchinensis</i>, <i>Terminalia alata</i> and <i>Pterocarpus macrocarpus</i>.</p> <p>Compartments planted with teak also include small conservation areas (rocky areas, wet areas, riparian conservation zones, small hills).</p> <p>Until the main audit, smallholders continued producing charcoal within the riparian zones. This issue is addressed by the NGO Conservation International (CI) in the framework of a community development project.</p> <p>Observation 2013-2</p> <p>The procedure SOP 3026 'Clearing, Burning and Ploughing' also contains indications on how to hand dead wood: Standing dead trees (wood) within the clearing area are to be left standing. In cases where they are deemed to be a safety hazard they may be knocked over and pushed into the nearest windrow or heap.</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"> • Riparian zones along water courses • Wet areas • Rocky areas • Small hills 	<p>Pass</p>
<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).</p> <p>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.</p> <p>Buffer zones (riparian zones) are established as conservation areas along watercourses (small rivers and creeks).</p> <p>The boundaries of these riparian zones are marked in the field with red-painted posts, so that operators of machinery know where to halt land preparation and workers know where to stop with planting.</p> <p>Riparian zones are also demarcated on maps (see attachment).</p> <p>Each group of machines (e. g. 3 tractors preparing land for planting) are equipped with oil leakage equipment.</p> <p>There are two guidelines referring to the handling of oil spillages:</p> <p>The procedures SOP 3026 'Clearing, Burning and Plowing' and SOP 4011 'Hazardous Materials and Biological Waste'.</p> <p>Conservation areas are demarcated with red post in the field in order to signalize forest workers and machine operators where to stop preparation of land for planting. Workers receive training regarding different topics. A written training plan is included in procedure SOP 5023 'Training'.</p>	<p>Pass</p>
<p>6.6 Management systems shall promote the development and adoption of environmentally friendly non-chemical methods of</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).</p> <p>The company's policy 'Integrated Weed, Pest and Disease Management' and procedures SOP 3007</p>	<p>Pass</p>

<p>pest management and strive to avoid the use of chemical pesticides.</p>	<p>'Herbicides by Vehicles' and SOP 3012 'Herbicide application by hand-spraying' detail on why and how to use pesticides. Currently the only pesticide used is 'round-up'. There is an up-dated list of used pesticides and documented quantities available. Prohibited pesticides are not used. Grandis Timber Ltd. staff follows strict rules about the use of pesticides and documents their utilization (inventory list in stores, disposal of empty bottles). For the use of the herbicide 'Round-up', workers are provided safety equipment as demanded by ILO. Workers have been trained regarding the correct and safe use of the equipment. 'Round-up' recipients are stored in locked stores. Only authorized personnel has access to these stores. Stores are equipped with safety tools (extinguishers).</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 Only in the mechanical workshop there was some minor oil-leakages. The new workshop was under construction Minor CAR 2013-03</p>	<p>Pass Minor CAR 2013-03</p>
<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>Pass</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>) is well justified in terms of suitability given the site conditions of the concession area. There are no adverse environmental impacts known for teak plantations. Teak is not an aggressively invasive species. Trees planted will not begin seeding for 6 to 7 year. A monitoring plan will be put in place to cull any teak found in areas set aside for conservation. This will be incorporated into the Conservation Plan.</p>	<p>Pass</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</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. The plantation of teak does only take place on sites, which do not own a tree cover that could be called 'natural forest'. All sites with natural forests are conserved.</p>	<p>Pass</p>

<p>clear, substantial, additional, secure, long term conservation benefits across the forest management unit.</p>		
<p>Principle #7: Management plan</p>		<p>Pass</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 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>Grandis Timber Ltd. has developed a 'Master Plan' for the forest investment. This plan was also subject to approval by the Cambodian Ministry of Agriculture, Forestry and Fisheries in order to obtain the contract for the land concession. The 'Master Plan' fulfills all aspects detailed in the context of Criterion 7.1. Currently the 'Master Plan' is being reviewed and adapted by Plantation Management Partners Pty Ltd. The shortcomings identified during the scoping audit are addressed in the draft version. Observation 2013-3</p>	<p>Pass Observation 2013-3</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. Grandis Timber Ltd. contracted environmental NGOs to conduct several studies. The outcomes of these studies are also considered in operational planning. There is also a procedure describing the revision and adaptation process of the company's 'Standard Operating Procedures (SOP)'. The company stays in close contact with the Ministry of Agriculture, Forestry and Fisheries and with international environmental NGOs like Conservation International or WWF and also universities from the US and Europe.</p>	<p>Pass</p>

	<p>The recommendations of these organisations are considered in operational planning or, if appropriate, even at the strategic level of the Master Plan.</p> <p>The established or being established monitoring system considers changes in environmental, social or economic conditions as a basis for operational planning.</p>	
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>There is an initial 6-week training for new workers. To special tasks, like herbicide use, workers are introduced by particular training.</p> <p>Forest workers know those aspects of forest management, which are relevant for fulfilling their tasks. Each worker group (e. g. 15 for planting trees) has an assigned supervisor who controls permanently the work quality.</p> <p>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>	Pass
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>Grandis Timber Ltd. provides the Master Plan on request as long as the company's website has not been established. The company has also developed a quarterly newsletter, which is distributed to the most important stakeholder and which can be obtained on request.</p>	Pass
Principle #8: Monitoring and assessment		Pass
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 several activities which require monitoring, for instance:</p> <ul style="list-style-type: none"> • Monitoring of seedlings produced in the nurseries. • Monitoring of planted areas. • Monitoring of expenses. • Erosion monitoring system for identified areas and roadways. <p>There is a series of procedures, emphasizing monitoring:</p> <ul style="list-style-type: none"> • SOP 3025 'Permanent Sample Plots' • SOP 3020 'Water Testing' • CI assessment of environmental aspects, carried out in march 2013 	Pass
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. c) Composition and observed changes in the flora and fauna. d) Environmental	<p>No harvest at present.</p> <p>Standard growth models are applied for teak growth projections.</p> <p>The first teak plantation was established in 2010. This area is being monitored regarding plant health and vitality.</p> <p>Monitoring of the designated conservation areas is still in development.</p> <p>The 'Environmental Social Impact Assessment' embraces data collection and interpretation of environmental and social indicators.</p> <p>All costs are recorded in detail. All expenses are</p>	Pass

	and social impacts of harvesting and other operations. e) Costs, productivity, and efficiency of forest management.	audited once the year by external auditing entities.	
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.	Pass
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.	Pass
8.5	While respecting the confidentiality of information, forest managers shall make publicly available a summary of the results of monitoring indicators.	Grandis Timber Ltd. publishes a newsletter at a quarterly base. The newsletters contain the information demanded by criterion 8.5.	Pass
Principle #9: Maintenance of high conservation value forests (HCVF)			Pass
9.1	Assessment to determine the presence of the attributes consistent with HCVF 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. The HCVF assessment is documented and sources of information are referred to. No HCV are present in the FMU.	Pass
9.2	The consultative portion of the certification process must place emphasis on the identified conservation attributes, and options for the maintenance thereof.	No HCVF identified.	Pass
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.	No HCVF identified.	Pass
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.	Pass

Principle #10: Plantations		Pass
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.	Pass
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"> Description of plantation design (mosaic of plantation and conservation plots). Rationale and description of conservation areas, including riparian zones with corridor function. The landscape of the concession area consists of totally degraded remnants of natural forest (not longer being defined as forest), wild grazing areas and small agricultural plots. The teak plantation will restore the totally degraded site.	Pass
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. Grandis Timber will maintain or enhance biodiversity within teak plantations by the following means: <ul style="list-style-type: none"> Maintain riparian zones and rocky areas and its natural vegetation as protection areas. Standing, alive native trees and also standing deadwood is maintained. Up-coming native shrubs and trees within the teak plantation, which will not present a severe competition to teak trees, will be maintained. To a smaller extent, also other tree species are planted (native as well as exotic). Nonetheless, these practical measures are not described in the company's 'Master Plan' yet. Minor CAR 2013-04	Pass Minor CAR 2013-04
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. Performance of teak (<i>Tectona grandis</i>) is acknowledged and better for given site conditions.	Pass
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.	Pass
10.6 Measures shall be taken	Soils on the FMU are primarily of sandy composition	Pass

<p>to maintain or improve soil structure, fertility, and biological activity.</p>	<p>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'. Degraded land is planted with teak trees. The reforestation of the degraded land will improve the water retention capacity of the soils.</p>	
<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>	<p>Teak has limited susceptibility to diseases and pest. The primary issue is defoliants in the nursery environment. The company's Master Plan describes pest management in detail and there is also a Policy in place (9005). 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. 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. Use of fertilizer is minimized through a plant/soil nutrient management plan under development, and in coordination with Mr. Ray Fremlin (Consultant Forester). The core principle of the plan is to determination the trees needs to achieve the annual growth objectives (through laboratory tissue analysis), monitoring of soil nutrients annually and optimization of fertilizer application, both in terms of quantity and delivery method.</p>	<p>Pass</p>
<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>	<p>Trials of teak in the region have shown that the species is appropriate to the given site conditions. Teak plantations are established on degraded land. Teak plantations are only established on land that is not reclaimed by smallholder farmers living in the area. People living in the area benefit from becoming employed by Grandis Timber Ltd.</p>	<p>Pass</p>
<p>10.9 Plantations established in areas converted from natural forests after November 1994 normally shall not qualify for certification.</p>	<p>Grandis Timber Ltd. has purchased the concession in 2009 and thus is not responsible for natural forest degradation and transformation in the past.</p>	<p>Pass</p>

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

Overview on compliance with principles and criteria:

Principle	Number of Criteria	Number of Criteria passed	Principle pass/fail
1	6	6	Pass
2	3	3	Pass
3	4	4	Pass
4	5	5	Pass
5	6	6	Pass
6	10	10	Pass
7	4	4	Pass
8	5	5	Pass
9	4	4	Pass
10	9	9	Pass

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".

5.2 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

5.3 Chain of Custody

5.3.1 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

5.3.2 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.

5.3.3 Balance of sold FSC products

Products sold with FSC Claim (only recertification 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 ³	Comments
No sale of FSC certified wood (establishment stage of teak plantation)			

5.4 FSC trademark use

The company shall submit all FSC trademark use to GFA (Email to trademark@gfa-group.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".

5.5 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 experienced forest workers.

As main weaknesses for the forest enterprise are recognized:

See chapter "Corrective Action Requests (CARs)"

6 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.

6.1 Closed CARs from previous audits (only recertification)

Not applicable, no previous CARs open

6.2 CARs identified during the evaluation

Not applicable, no CARs identified

6.2.1 Major CARs

None.

6.2.2 Minor CARs

Minor CAR 2013-01	
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.
Timeframe	within 12 months, latest till 06.04.2014
Status:	Not fulfilled
Reason or next steps:	

Minor CAR 2013-02	
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.
Timeframe	within 12 months, latest till 06.04.2014
Status:	Not fulfilled
Reason or next steps:	

Minor CAR 2013-03	
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Scope of CAR :	<input checked="" type="checkbox"/> Forest Management Enterprise
FSC P & C	6.7.4 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	within 12 months, latest till 06.04.2014
Status:	Not fulfilled
Reason or next steps:	

Minor CAR 2013-04	
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"> • Maintain riparian zones and rocky areas and its natural vegetation as protection areas. • Standing, alive native trees and also standing deadwood is maintained. • Up-coming native shrubs and trees within the teak plantation, which will not present a severe competition to teak trees, will be maintained. • To a smaller extent, also other tree species are planted (native as well as exotic). 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	within 12 months, latest till 06.04.2014
Status:	Not fulfilled
Reason or next steps:	

6.2.3 Observations

Not applicable, no observations

Observation	Description
Observation 2013-1:	4.4.4 The local stakeholders interviewed during the audit, did not know what FSC certification is about.
Observation 2013-2:	6.3.6 Until the main audit, smallholders continued producing charcoal within the riparian zones. This issue is addressed by the NGO Conservation International (CI) in the framework of a community development project.
Observation 2013-3:	7.1.1 Currently the 'Master Plan' is being reviewed and adapted by Plantation Management Partners Pty Ltd. The shortcomings identified during the scoping audit are addressed in the draft version.

7 Certification decision

7.1 Summary of audit

In the context of the audit four (4) Minor CARs were identified and three (3) Observations were issued.

7.2 Certification recommendation by the auditor(s)

Based on the findings of the audit and the compliance of the evaluated enterprise with regulations and standards of the FSC and GFA Consulting Group GmbH the auditors give a

positive
 negative certification recommendation.

A certificate can be issued under the condition that the "Corrective Action Requests" mentioned above will be completely fulfilled in the indicated timeframe.

The next surveillance audit is preliminarily planned for march 2014.

7.3 Certification decision by GFA

Based on the certification process the GFA decision board finds the implemented management system of the forest enterprise capable to ensure that all requirements of the applicable standard are met over the whole forest areas covered by the scope of this evaluation. Also, the implemented system is consistent and will, after the corrections indicated above are made, fulfill the requirements of a FSC forest management certification.

A certificate may be awarded
A certificate may not be awarded

8 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 corrective-action-requests therein and assures to fulfill the CARs in the indicated timeframe.

9 Annex

- Stakeholder List (obligatory as integral part of this file)
- Summary of Stakeholders Comments and GFA reply (if not included in matrix above)
- Clients Comments and GFA reply
- Peer Review Comments and GFA reply (obligatory as integral part of this file IF APPLICABLE – otherwise delete)
- Checklists / Standards used (available at GFA)
- Digital map of the FMUs (sufficient to locate the FMU), to be included as integral part of this file
- Master Plan of Grandis Timber Ltd. (under review)
- Environmental Social Impact Assessment
- HCVF assessment
- Investment contract
- Company registration Grandis Timber Ltd. (certificate).
- Labor Policy
- Land Tenure Policy
- Security Policy
- IWC Code of Conduct
- Several 'Standard Operating Procedures – SOP'
- Procedure describing development of SOPs
- List of Audit Participants

List of contacted stakeholders

Institution
Conservation International (CI)
WWF
Recoftc
Wildlife Alliance
GIZ
Life with Dignity
Save Cambodian Wildlife
Danida
Cambodian Red Cross
Flora and Fauna
RDI
Ben Bostick
Scaroni and Assoc
ATA
Price Waterhouse Coopers
Grant Thornton
Clark Forestry
CDRI (2 contacts)
Ministry of Agriculture, Forestry and Fisheries, Forestry Administration
Commune Chief
2 village chiefs
Deputy District Governor, Phnom Scrouch District

Stakeholders Comments and GFA reply

Stakeholder Comments	GFA reply
<p>WWF (interview in Phnom Penh)</p> <ul style="list-style-type: none"> • In Cambodia, WWF applies a landscape approach to conservation. • No negative comment regarding Grandis Timber Ltd. forest management concession. 	<p>The interview revealed that WWF does not have an active working relation with Grandis Timber Ltd.</p>
<p>Ministry of Agriculture, Forestry and Fisheries, Forestry Administration (in Phnom Penh)</p> <ul style="list-style-type: none"> • Very good working relation to Grandis Timber. • The Ministry supports Grandis Timber in its efforts • We learn from each other. • Very good, that Grandis Timber creates so many jobs in a poor region • Grandis Timber follow the rules and fulfil the national legislation 	<p>The interview highlighted the good working relation between Grandis Timber and the Ministry</p>
<p>GIZ (in Phnom Penh)</p> <ul style="list-style-type: none"> • GIZ and Grandis Timber worked very well on a land-right initiative. • All land concessions in the country are criticised by NGOs 	<p>The interview highlighted the good working relation between Grandis Timber and GIZ</p>
<p>Commune Chief and 2 Village Chiefs of Grandis Timber concession area (at the site)</p> <ul style="list-style-type: none"> • Grandis Timber (GT) generates an significant economic 	<p>The interview highlighted the good working relation between Grandis Timber and local</p>

<p>impact in the commune</p> <ul style="list-style-type: none"> • GT restores degraded land • GT is very different from other company – it cares about the people employed • GT cares about land rights of smallholders who live within the concession area • Many people from the commune work in GT • GT announces when they need more workers and contact commune and village chiefs • We do not know what FSC certification is about • GT should increase the rate of work, so that more people could earn money 	<p>authorities</p>
<p>Deputy District Governor, Phnom Scrouch District</p> <ul style="list-style-type: none"> • GT has a good working relationship to the district administration • We help GT to solve problems with villagers • GT plants teak trees • We welcome the demarcation of smallholders lands within the concession area and the respect GT pays to them • GT respects laws and government authorities • GT is an important economic factor in the region 	<p>The interview highlighted the good working relation between Grandis Timber and local authorities</p>

Peer Review Comments and GFA reply

Peer Review 1 and 2Comments	GFA reply
PR 1: Text 1	Text
PR 1: Text 2	Text
PR 2: Text 3	Text

Clients Comments and GFA reply

Comments client	GFA reply
Text 1	Text
Text 2	Text
Text 3	Text

Location of the FMUs include in the scope of certification

Include file (max. 1 MB)