Forest Management
2015 Annual audit
Report for:

Open Bay Timber Ltd
In
Kokopo, PNG

Report Finalized: February 9, 2016
Audit Dates: 03-08 November 2015
Audit Team: Arie Soetjiadi
Kafuri Yaro

Certificate code: SW-FM/COC-005600
Certificate issued: 9/12/2011

Organization Contact: Mr. Junie Paler
Address: P.O.Box 66, Lot 1, Section 40, Tobaining Road, Kenabot
Kokopo, East New Britain Province, P.N.G
TABLE OF CONTENTS

1. INTRODUCTION ......................................................................................................................... 3

2. AUDIT FINDINGS AND RESULTS .................................................................................................. 3
   2.1. Audit Conclusion ....................................................................................................................... 3
   2.2. Changes in FMEs’ Forest Management and Associated Effects on Conformance to Standard Requirements: .................................................................................................................. 4
   2.3. Excision of Areas from the Scope of Certificate ....................................................................... 4
   2.4. Stakeholder Issues (Complaints/Disputes Raised by Stakeholders to FME or Rainforest Alliance since Previous Evaluation) ........................................................................................................... 4
   2.5. Conformance with Applicable Nonconformity Reports .............................................................. 4
   2.6. New Nonconformity Reports Issued as a Result of This Audit ............................................... 16
   2.7. Audit Observations .................................................................................................................. 23

3. AUDIT PROCESS .......................................................................................................................... 31
   3.1. Auditors and Qualifications: .................................................................................................... 31
   3.2. Audit Schedule ....................................................................................................................... 31
   3.3. Sampling Methodology: ........................................................................................................ 33
   3.4. Stakeholder Consultation Process ........................................................................................... 33
   3.5. Changes to Certification Standards ........................................................................................ 33
   3.6. Review of FME Documentation and Required Records .......................................................... 33

APPENDIX I: FSC Annual Audit Reporting Form: ............................................................................. 35

APPENDIX VII: Rainforest Alliance Database Update Form ............................................................. 37

Standard Conversions

1 mbf = 5.1 m³
1 cord = 2.55 m³
1 gallon (US) = 3.78541 liters

1 inch = 2.54 cm
1 foot = 0.3048 m
1 yard = 0.9144 m
1 mile = 1.60934 km
1 acre = 0.404687 hectares

1 pound = 0.4536 kg
1 US ton = 907.185 kg
1 UK ton = 1016.047 kg
1. INTRODUCTION

The purpose of this report is to document annual audit conformance of Open Bay Timber (OBT), hereafter referred to as Forest Management Enterprise (FME). The report presents the findings of Rainforest Alliance auditors who have evaluated company systems and performance against the Forest Stewardship Council™ (FSC®) forest management standards and policies. Section 2 of this report provides the audit conclusions and any necessary follow-up actions by the company through nonconformity reports.

The Rainforest Alliance founded its previous SmartWood program in 1989 to certify responsible forestry practices and has grown to provide a variety of auditing services. Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. All related personnel responsible for audit design, evaluation, and certification/verification/validation decisions are under the purview of the RA-Cert Division, hereafter referred to as Rainforest Alliance or RA.

This report includes information which will become public information. Sections 1-3 and Appendix I will be posted on the FSC website according to FSC requirements. All other appendices will remain confidential. A copy of the public summary of this report can be obtained on the FSC website at http://info.fsc.org/.

Dispute resolution: If Rainforest Alliance clients encounter organizations or individuals having concerns or comments about Rainforest Alliance and our services, these parties are strongly encouraged to contact Rainforest Alliance regional or Headquarters offices directly (see contact information on report cover). Formal complaints or concerns should be sent in writing.

2. AUDIT FINDINGS AND RESULTS

2.1. Audit conclusion

Based on Company’s conformance with FSC and Rainforest Alliance requirements, the audit team makes the following recommendation:

<table>
<thead>
<tr>
<th></th>
<th>Certification requirements <strong>met</strong>, certificate maintenance recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Upon acceptance of NCR(s) issued below</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Certification requirements <strong>not met</strong>:</th>
</tr>
</thead>
</table>

Additional comments:

Issues identified as controversial or hard to evaluate.
2.2. Changes in FMEs' forest management and associated effects on conformance to standard requirements:

There have been some structural changes at the top level management in the FME, and some are not familiar yet with the FSC standard requirement in general.

2.3 Excision of areas from the scope of certificate

☑ Not applicable. Check this box if the FME has not excised areas from the FMU(s) included in the certificate scope as defined by FSC-POL-20-003. (delete the rows below if not applicable)

2.4. Stakeholder issues (complaints/disputes raised by stakeholders to FME or Rainforest Alliance since previous evaluation):

Stakeholders have raised concerns about bushfire occurring within and around FME's management area.

2.5. Conformance with applicable nonconformity reports

The section below describes the activities of the certificate holder to address each applicable nonconformity report (NCR) issued during previous evaluations. For each NCR a finding is presented along with a description of its current status using the following categories. Failure to meet NCRs will result in nonconformances being upgraded from minor to major status with conformance required within 3 months with risk of suspension or termination of the Rainforest Alliance certificate if Major NCRs are not met. The following classification is used to indicate the status of the NCR:

<table>
<thead>
<tr>
<th>Status Categories</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed</td>
<td>Operation has successfully met the NCR.</td>
</tr>
<tr>
<td>Open</td>
<td>Operation has either not met or has partially met the NCR.</td>
</tr>
</tbody>
</table>

☑ Check if N/A (there are no open NCRs to review)
<table>
<thead>
<tr>
<th>NCR#</th>
<th>01/14</th>
<th>NC Classification:</th>
<th>Major X</th>
<th>Minor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Requirement:</td>
<td>FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1; 1.1.8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report Section:</td>
<td>Appendix IV</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Description of Nonconformance and Related Evidence:**

PNG National FM Standard 1.1.8: Proof is put forward that all forest management companies, associations or other Organisations and their contractors, subsidiaries and affiliates;

- Comply with all applicable laws
- Comply with their constitution or other governing management and financial rules
- Keep independently accounts
- Control unauthorized expenditures
- Prevent unlawful enrichment of directors, officers and employees
- Avoid conflict of interest

The issue of minimum wages for FME employees has been discussed during the audit. At the site office, OBT could not provide evidence that it had been exempted from paying the PNG Government Department of Labour approved minimum wages rate of PNGK3.20. Interview with OBT national employees at the site revealed that FME was paying a reduced rate of PNGK2.40 across the board for most of its employees including managers and supervisors.

The Audit Team consulted with Provincial Labour Office at Kokopo and was advised that OBT has been exempted from paying the approved rate of PNGK3.20, however, it was approved to pay a reduced rate of PNGK2.40 per hour based on incapacity to pay. The Audit Team was advised by the Provincial Labour Office that the reduced rate of PNGK2.40 was to be paid to only casual and unskilled employees.

During the time of finalizing the audit report, OBT has provided evidence and confirmed that approval has been given for them to pay the reduced Minimum Wages rate of PNGK2.40 per hour to their employees under the incapacity to pay provision. However, the audit team considers that; as per Clause 7 of the Minimum Wage Determination of 2014, the reduced rate of PNGK2.40 is supposed to be paid to ONLY unskilled workers. In this case, OBT has failed to provide a list of its employees, categorizing them under unskilled and skilled workers. From the evidence provided, the audit team understands that; there are many skilled positions on the employee list that are paid more than PNGK2.40 per hour but less than the new approved minimum wages rate.

OBT has failed to provide justification for paying the reduced rate of PNGK2.40 per hour to some of its skilled employees, for example, supervisors and managers and this amounts to violation of PNG Government Labour laws and FSC Requirements hence Major NCR 01/14 is raised.

**Corrective Action Request:**

Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

**Timeline for Conformance:**

Within 3 months of report finalization date.

**Evidence Provided by Organization:**

- Renewed Interview with Head officer from the Provincial Labour Office Rabaul
- Letter of Acknowledgement of receipt of company wage structure for 2015, dated on 27 August 2015
- Letter of Decision on Application for exemption on incapacity to pay the full national minimum wage – Open Bay Timber Limited, dated on 24 Oct 2014
- Exemption application letter from OBT, addressed to Secretary for Labour and Industrial Relations, dated on 06 July 2015
- Filled Statutory declaration, schedule 2, Form A, dated on 06 July 2015
- Application of New Wage System, dated on 01 Sept 2015, endorsed by the Managing Director.
### Findings for Evaluation of Evidence:

OBT has also adopted a new wage system, where workers are categorized into 4 classes based on the level of skills and experience, namely R1 (unskilled), R2 (skilled), R3 (skilled) and R4 (skilled) workers. The hourly rate of R1 (unskilled) worker is set to K2.53 at minimum, while skilled workers (R2, R3, and R4) are to be paid with significantly higher rate, at minimum of K 3.37 per hour. This rate increases along with skills and experience. Interview also revealed that this new wage system was being implemented, at least to the regular workers (but not to the “contractor” workers. Auditor noted that FME’s distinction between regular and “contractor” workers are in some cases not very clear).

A letter of acknowledgement issued by the provincial labour office, dated on 27 August 2015 was also presented to the auditor as documented evidence, stating that new wage structure developed by OBT has met the expectation of the government. The FME has therefore addressed the identified non-conformance by doing the corrective action required.

According to the Minimum wage determination No 1 of 2014 (in effect since 3rd of July 2014), Companies with incapacity to pay, are allowed for applying an exemption to pay 75% of the minimum wage. Within the regulation, minimum wage was determined to be K3.20 per hour for the first twelve months after the publication of the national gazette. The regulation also outlines the annual increment for the next 3 years (until July 2017) and it is stipulated that twelve months after the publication of the national gazette (the second period), the national minimum wage shall increase to K 3.36 per hour (effective from July 2015).

OBT has presented the letter of decision for exemption on incapacity to pay the full minimum wage, dated on 24 Oct 2014. The letter prescribed that OBT was granted the exemption to pay at 75% of the national minimum wage (K 3.20) at the hourly rate of K 2.40 for a period of twelve (12) months and subjected to a mandatory annual review. This exemption however has expired on 24 Oct 2015.

Starting from the 2nd half of July, the FME has been paying unskilled worker’s wage using the rate K 2.52 per hour (This represents 75% of the current national minimum wage K 3.36 per hour).

The FME has submitted application for a renewed exemption (dated 6 July 2015), but renewed exemption has not been granted yet. It was explained that the national committee who holds the decision for granting exemption are currently undergoing structural changes, thus administrative process for the exemption becomes extremely delayed. In case the FME’s application gets rejected, the FME will need to provide retroactive payment to all relevant workers starting from July 2015.

Interviewed stakeholder mentioned that the FME might be entitled to pay with the reduced rate while the application is still in the process.

As this delay is caused by something else and it is out of the FME’s control, this is raised as OBS against Indicator 1.1.6. Moreover, it should be noted that the FME has been following the legally required procedures for the application, with support from the provincial labour office.

<p>| NCR Status: | CLOSED |
| Comments (optional): | See OBS 16/15 |</p>
<table>
<thead>
<tr>
<th>NCR#</th>
<th>03/14</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Requirement:</td>
<td>FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1; 5.3.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report Section:</td>
<td>Appendix IV</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Description of Nonconformance and Related Evidence:**

5.3.2 *Forest workers are properly trained and supervised so that waste on-site, and during on-site processing is minimized.*

Based on field observations and staff interviews it was evident that OBT has not provided adequate training and supervision to harvesting crews to ensure that waste from harvesting activities is minimized.

- During field visits to active and recently completed harvest sites, numerous high stumps, stumps with fiber pull and broken logs were observed.
- Staff interviewed indicated they had not received training in RIL or proper felling technique in at least 2 years, despite an OBT staff person having been certified to provide RIL training in July of 2014.
- A review of post-harvest waste assessment data found a high occurrence of waste associated with broken logs and log end trimming due to fiber pull. Average rates of waste run at about 50% of inventoried volume.
- When asked what the minimum small end log diameter was, log bucking crews told the audit team 29 cm, but according to OBT procedures and harvesting supervisors the small end diameter should be 20 cm.

**Corrective Action Request:**

Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

**Timeline for Conformance:**

By the next annual surveillance audit

**Evidence Provided by Organization:**

- Field visit to the current harvest site
- RIL training record from Timber Forest Training College/TFTC (lecture: Stephen jack) attended by 10 persons. The training was held from 15 Sep to 25 Sep 2015, including theory and practice, as well as first aid training
- In-house training record: *refreshment training on sustainable operation etc. for harvesting*
- Interview with staff and workers
- Post-harvest waste assessment form and database

**Findings for Evaluation of Evidence:**

The FME has conducted RIL Training (by TFTC) and in-house training: *refreshment training on sustainable operation etc. for harvesting* for chainsaw operator in September and October 2015. For the RIL Training by TFTC, a competency reassessment is planned in the next 3 months (in Jan 2016).

Training records, including topics, participants, and feedback were available and reviewed by the auditors (however buffer for class 2 river was stipulated to be 5 meters instead of 10 meters, in the field however buffer zones are marked with blue painted markings). Interviewed harvesting staff in the field (in Loi LP, as harvest in Makolkol LP has been already completed) also confirmed that they received harvesting training recently. They also demonstrated directional felling to the audit team.

As for the post-harvest waste, it was assumed by the management that the average waste run at about 20% of the inventoried volume. However, the post-harvest waste assessment conducted by the FME indicated some calculation errors which could not be clarified by the FME (see NCR 07/15). The numbers that came out from post-harvest assessment range from 1.7%
to 2.7% waste, which is not realistic and does not reflect the actual condition on the field.
When auditor visited the recently harvested compartments (19/20) in Block 2 FMU Makolkol, there was visible amount of waste. In this case, the 20% waste assumption looks like a reasonable estimation, but there is no way that auditors could verify this, given the lack of valid post-harvest waste data.
Regarding staff’s knowledge about logs size classes, harvesting staff in the field are not responsible for sorting the logs.
Classification/grading of logs into several size classes: tiny small, baby small, super small, small, and regular is conducted at the log pond (main log yard). The interviewed staff responsible for this size-grading demonstrated knowledge of the size of each respective categories. This NCR is closed.

**NCR Status:** CLOSED

**MAJOR NCR#: 04/14**

**NC Classification:** Major X Minor

**Standard & Requirement:** FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1; 5.5.2

**Report Section:** Appendix IV

**Description of Nonconformance and Related Evidence:**

5.5.2 *Forest management practices are planned and implemented so as to minimise negative impacts on services and resources.*

To increase volume of export logs OBT has begun the practice of harvesting in stream buffers. The PNG LCOP requires that a 10 meter buffer is retained along both sides of class 1 water bodies. OBT has received waivers from the local PNG Forest Authority office to carry out selective logging in buffers of class 1 water bodies with strict conditions. During field inspections in Block 10 of the Kaboku FMU the audit team observed significant impact from a recently completed harvest to the Forestry River. No buffer was retained along the river for the several hundred meters. There was evidence that trees were felled into the river and dragged out with tractors resulting in significant site disturbance to the river bank. The site has not been adequately rehabilitated and ongoing sedimentation and erosion is occurring.

Given the scale of the disturbance and the impact to downstream communities that rely on the river for water this nonconformance is raised as a major NCR

**Corrective Action Request:** Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.
Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

**Timeline for Conformance:** Within 3 months of date of report finalization.

**Evidence Provided by Organization:**
- Field visit to Block 10 of the FMU Kaboku
- Field visit to several riparian buffer zones

**Findings for Evaluation of Evidence:** The site at Block 10 FMU Kaboku, where the NC was identified has been replanted with *Pometia* sp., *Acacia auriculiformis*, and *G. sepium*. (See OBS /15). Buffer zone has been established on 2 sides (however on one side, it was less than 50 meter, as prescribed by the PNGLCOP for class 1...
water bodies, since there is an existing road/compartment boundary on that side). However, it is noted that the PNGLCOP is developed for natural forest management. This was also being clarified by the PNGFA, that PNGLCOP is only partially applicable to plantation.

Since there was no ongoing harvest at FMU Malkolol and Kaboku (harvest has been completed), auditor visited the current harvest site Block 11A (FMU Loi) compartment 34 and 35, which is covered by the certificate RA-CW/FM-003093. In the current harvesting compartments, there are no nearby water bodies, and a hilly greenbelt adjacent to the compartments is identified on the GIS map. Auditors verified on-site that this greenbelt was not damaged. Although field level/working maps used in the field were found insufficient to guide harvesting operation on the field (See NCR 7.2.3/15), the foreman and forest workers in the harvesting site were aware of the installed “HCV” signs for the greenbelt. They were however not able to indicate the greenbelt from the provided working maps, as there was no such details on the working map.

The FME has installed many signs and painted tree stands along designated greenbelts and riparian buffer zone to indicate them as HCV areas. Although these on-the-ground marking activities have not yet been completed for all streams and greenbelts that the FME has delineated on their GIS map. There were still some riparian buffer and greenbelt without on-the-ground marking. Those buffer zone however were found maintained. Auditors noted that staff sometimes got confused while interpreting the boundary of the buffer zone from the maps while comparing it with the actual situation on the ground.

At stream crossing visited by the auditors (Nesai river Block Vc Compartment 5, Block VI compartment 52, Amui river Block II compartment 2), it was found that buffer zone were maintained. Auditors found some piles of sands and gravel in the stream beds at the stream crossing in Block Vc compartment 5. These gravels and sands were explained to be originated from the river upstream since the material were washed down during a heavy rain occurred just recently. As the washed down material blocked the bridge (and the culverts under the bridge) and hindered the water movement, the FME grabbed the gravel material from the river bed and put it aside to normalize the flow of the river. This has been observed by the auditors in many other smaller size streams at different locations, where sand/gravel material were put aside to normalize the river flow, thus the explanation was found reasonable and this was also in line with PNGLCOP section 7.4.

Considering that the FME has made notable efforts to (re)establish buffer zone for water bodies and greenbelts, and site restoration effort to the damaged buffer zone, this NCR is closed.

**NCR Status:** CLOSED

**Comments (optional):**

<table>
<thead>
<tr>
<th>NCR#</th>
<th>05/14</th>
<th>NC Classification</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Requirement</td>
<td>FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1; 5.5.3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report Section</td>
<td>Appendix IV</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Description of Nonconformance and Related Evidence:

**5.5.3 Training and supervision is provided to forest workers in order to prevent negative impacts on these services.**

During site visits evidence was observed that indicated forest workers have not been adequately trained to prevent negative impacts on forest services and watershed resources.

- Recent harvest in Block 10 along Forestry River where no buffer was retained for several hundred meters and trees were felled into the river and dragged out with tractors resulting in significant site disturbance, erosion and sedimentation. The Harvesting Manager indicated that the felling crews did not follow instructions to harvest selectively and keep machinery out of the buffer.
- On two separate blocks on the Kaboku FMU active harvesting was occurring along Greenbelts (HCVs). In both cases trees have been felled into the green belts and logging waste had been pushed into them causing disturbance to these identified HCV features.

### Corrective Action Request:

Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

### Timeline for Conformance:

By the next annual surveillance audit

### Evidence Provided by Organization:

- Field visit to riparian buffer
- RIL training record from Timber Forest Training College/TFTC (lecture: Stephen jack) attended by 10 persons. The training was held from 15 Sep to 25 Sep 2015, including theory and practice, as well as first aid training
- In-house training record: *refreshment training on sustainable operation etc. for harvesting*
- Interview with staff and workers
- Post-harvest waste assessment form and database
- Maps from GIS

### Findings for Evaluation of Evidence:

The FME has conducted RIL Training (by TFTC) and in-house training: *refreshment training on sustainable operation etc. for harvesting* for chainsaw operator in September and October 2015. For the RIL Training by TFTC, a competency reassessment is planned in the next 3 months (in Jan 2016).

Training records, including topics, participants, and feedback were available and reviewed by the auditors. The topics presented also included riparian buffer zone (however buffer for class 2 river was stipulated to be 5 meters instead of 10 meters, in the field however buffer zones are marked with blue painted markings). Interviewed harvesting staff in the field (in Loi LP, as harvest in Makolkol LP has been already completed) also confirmed that they received harvesting training recently. They also demonstrated directional felling to the audit team.

Recently, the FME has also delineated every single identified streams on the map and allocated the respective riparian buffer zone according to the stream classes. On-the-ground marking has been commenced as well, and interviewed workers demonstrated awareness about riparian buffer zone and greenbelts.

This NCR is therefore closed.

### NCR Status:

CLOSED

Comments (optional):
### Description of Nonconformance and Related Evidence:

7.4.2 All workers (including contractors and their workers and self-employed persons) shall be sufficiently qualified/trained, to implement the tasks they are assigned effectively and safely.

A number of issues were identified during the audit through direct field observation and interviews with forest workers that indicate that OBT has not provided adequate training and supervision to workers to ensure that they can implement the tasks they are assigned to achieve the objectives of the forest management plan effectively.

- Lack of RIL training or routine training in proper felling techniques for felling crews.
- Observed cases where impacts have occurred to resources (e.g., harvesting buffer along Forestry River and impacts to Greenbelts from harvesting activities).
- Staff indicating that they have not received training related to specific job responsibilities for over a year.
- Lack of records to demonstrate the workers have received training related to their jobs in the past 12 months. Recent training had focused on HCVs

This nonconformance is raised as a major NCR as the gaps in training and adequate supervision are systemic impacting multiple aspects of OBT’s management system.

### Corrective Action Request:

Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. 

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

### Timeline for Conformance:

Within 3 months of report finalization date.

### Evidence Provided by Organization:

- Records of training
- Interview with staff and workers
- Field observation

### Findings for Evaluation of Evidence:

Following training records were presented to the auditors:

- RIL Training (by Timber Forest Training College/TFTC) in September 2015
- Refresher awareness training on sustainable operation manual for skidder/bulldozer operators (14 participant + 6 participants), dated on 12 Oct-13 Oct 2015
- Announcement: Training on awareness of RIL in natural forest – by PNGFA 2014, dated on 13 Feb 2015 (in-house training, lectured by FSC department)

FME staff explained TFTC training should be conducted twice a year if the circumstances allowed. In 2015, records show that there was one RIL training given by TFTC. Another training is scheduled for January 2016 for competency reassessment.

There have been also several in-house training given to the workers. Interview with staff and workers confirmed that they have received RIL training recently. Auditors also observed forest worker in field while demonstrating directional felling.

This NCR is closed
### NCR Status: CLOSED

#### Comments (optional): 

<table>
<thead>
<tr>
<th>NCR#</th>
<th>08/14</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Requirement:</td>
<td>FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1; 8.2.7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report Section:</td>
<td>Appendix IV</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description of Nonconformance and Related Evidence:</td>
<td>PNG National FM Standard 8.2.7: Monitoring of environmental impact includes waste management. FME provided documents showing it had a monitoring system in place particularly for HCVF but there was no evidence for monitoring greenbelts and buffer zones to comply with the requirements of PNGLCOP. There was no evidence of a system in place for monitoring of environmental impacts including waste management in log landing areas and buffer zones along watercourses.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrective Action Request:</td>
<td>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timeline for Conformance:</td>
<td>Before the next annual audit</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Evidence Provided by Organization: |  - HCV Forest MGT Assessment and Monitoring Plan  
  - Monitoring form for sample plots  
  - Field visit to monitoring plots  
  - Interviews with staff and government officers  
  - FME database on post-waste harvest assessment  
  - Monitoring form for post-harvest waste assessment  
  - Guideline: PNGFA procedures for assessing post logging waste within a set-up  
  - Post-harvest inspection checklist |
| Findings for Evaluation of Evidence: | It was noted by PNGFA that the PNGLCOP is developed for natural forest management. Thus it is only partially applicable to plantation. The FME uses the procedure outlined by PNGFA to assess post-logging waste (PNGFA procedures for assessing post logging waste within a set-up), with several modifications. The FME also conducts post-harvest assessment where buffer zone/greenbelt is being monitored whether they are maintained or not. As there is a monitoring system in place, this NCR is closed. The issue with the inaccuracy of the collected data and inconsistency with the harvesting waste policy is raised in NCR 07/15 against Indicator 5.3.1. |
| NCR Status: | CLOSED |
| Comments (optional): | See NCR 07/15 |

---

<table>
<thead>
<tr>
<th>NCR#</th>
<th>09/14</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Requirement:</td>
<td>FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1; 9.3.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report Section:</td>
<td>Appendix IV</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description of Nonconformance and Related Evidence:</td>
<td>9.3.2 The management plan describes any high conservation values identified in the forest and the management measures ensure the maintenance and/or enhancement of any high conservation</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

FM-06 24Jul13
attributes identified under 9.1 in accordance with the guidance as provided by the HCVF Toolkit for PNG.

Management measures implemented by OBT are not effective in maintaining or enhancing all identified HCVs. During field visits on the Kaboku FMU two active harvesting operations were observed that resulted in to adverse impacts to Greenbelts. In both cases trees were felled into the Greenbelts and dragged out and logging waste and debris was pushed into the Greenbelts.

This nonconformance is graded as a minor NCR as the impacts were limited in scale and OBT was taking measure to rehabilitate the damage.

<table>
<thead>
<tr>
<th>Corrective Action Request:</th>
<th>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Timeline for Conformance:</strong></td>
<td>By the next annual surveillance audit</td>
</tr>
</tbody>
</table>
| **Evidence Provided by Organization:** | - RIL Training records  
- HCV Assessment report 2014  
- Field visit to Block 10 FMU Kaboku, current harvest site, streams and riparian buffer zones  
- Interview with workers  
- HCV Forest MGT Assessment and Monitoring Plan |
| **Findings for Evaluation of Evidence:** | The HCV assessment report in 2014 identified following HCV attributes within the management area, namely: HCV 1.1, 1.2, 1.3, 1.4, HCV 2, HCV 3, HCV 4.1, 4.2, 4.3, and HCV 5. It includes also a section with HCV management recommendation, including Threats and Management options for each identified HCV attribute.  
To specifically address NCR 09/14, the FME has developed a document called "HCV Forest MGT Assessment and Monitoring Plan", where identified threats, possible impacts and mitigation measures are outlined. It includes also the number of PSPs and sampling intensity that will be set throughout the management areas. While this document demonstrates FME’s effort to improve its monitoring practice, it should be noted that it is crucial to identify the HCV(s) of a particular area in the first place before certain monitoring parameter is set (See OBS 13/15).  
Records shows that 3 RIL-related trainings (among the topics also about riparian buffer zone) have been also recently given to the workers, and there will be another training along with a competency reassessment scheduled for January 2016. Interview with workers confirmed that they have been provided with those trainings.  
While being interviewed on-site, harvesting workers mentioned about the no-go zone (including riparian zone, greenbelts and all areas with HCV marks on them). Even though the field maps were found inadequate (See NCR 09/15), workers mentioned that they uses the blue painted markings to identify the no-go zones.  
The FME has delineated buffer zone of area with HCV attributes and begun to demarcate them on the ground. Thus, auditors did find these blue painted markings on the boundaries between the harvest site and HCV area. Prior to commencing harvest, it was also explained that endorsement from FSC division staff must be in place. |
Auditors visited several buffer zone of water bodies and cultural sites and found that they were maintained. During a site visit to a riparian zone Block 6 Comp 52, auditors also observed a Brahminy kite (*Haliastur indus*) and a bird nesting tree, which has been preserved by the FME (see the picture below).

Along with the significant presence of Odonates observed (Damselfly and Dragonfly) along the visited streams throughout the plantation area, auditors also found that the water was clear (low TSS concentration in the water) and the streamflow was unhindered (since there was only a minimum amount of transverse structures that might disrupt the flow), indicating that the rivers were still in good quality.

The audit finding indicated that some management measures implemented by the FME was proven effective. Hence, this NCR is closed.

### NCR#:
10/14

### NC Classification:
<table>
<thead>
<tr>
<th>Major</th>
<th>Minor</th>
<th>X</th>
</tr>
</thead>
</table>

### Standard & Requirement:
FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1; 9.4.1

### Report Section:
Appendix IV

### Description of Nonconformance and Related Evidence:

9.4.1 *Indicators are defined to monitor effectiveness of each measure described in the plan.*

OBT has developed a robust monitoring system for identified HCVs located on the FMUs included in this certificate. While indicators are defined to monitor the effectiveness of protection measures described for Oxbow Lake and Toriu Lake, indicators have not been defined for the reaming HCVs (Greenbelts, cultural sites and Warakina/Sai).

### Corrective Action Request:
Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

### Timeline for Conformance:
By the next annual surveillance audit.

### Evidence Provided by Organization:
- HCV Forest MGT Assessment and Monitoring Plan
- HCV Assessment report, 2014

### Findings for Evaluation of Evidence:
The FME has developed a document called “HCV Forest MGT Assessment and Monitoring Plan”, where identified threats, possible impacts and mitigation measures are outlined. It includes 2 objectives, and each objective outlines separate indicators to collect. Among the indicators to collect are for example:
- Abundance and diversity of endemic as well as rare, endangered species of flora and fauna (for maintaining HCV)
- Ratio & percentage distribution of species composition by types of species (for maintaining HCV)
- Population density and structure by type of species of flora and fauna (for maintaining HCV)
- Percentage of degraded forest ecosystem (for restoring HCV)
- Composition and structure of plants and animals (for restoring HCV)
- Rate of harvesting waste (for restoring HCV)

While this document demonstrates FME’s effort to improve its monitoring practice, it should be noted that it is crucial to identify the HCV(s) of an area in the first place before certain monitoring parameter is set. For instance, setting a PSP for biodiversity monitoring and conducting a biodiversity survey would not be helpful to monitor HCV 4 (catchment area, erosion control, and fire control) or 5 (i.e. area used for ritual and/or NTFP collecting).

<table>
<thead>
<tr>
<th>NCR Status:</th>
<th>CLOSED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comments (optional):</td>
<td>See OBS 13/15</td>
</tr>
</tbody>
</table>
2.6. New nonconformity reports issued as a result of this audit

<table>
<thead>
<tr>
<th>[MINOR] NCR#</th>
<th>01/15</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report Section:</td>
<td>Appendix IV</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Description of Nonconformance and Related Evidence:**

4.1.5 Support is provided for local infrastructure, facilities and social programmes. The extent and quality of support, including the management of the infrastructure, is agreed between the forest management operation and the landholders prior to the start of the operation. Landholders are involved in the identification of social and economic needs.

The relevant social economic data collected through census forms by FSC Committee outreach meetings and complain boxes evaluations does not identify social needs and translate into tangible action plan to address the root cause of social needs. There is no clear development plan with specific milestones/outputs and time frame to be delivered. Even there is no agreement amicably reached between local people/landholders and FME to be achieved annually over the 5 year forest management operation. The 5 yr. FWP & ALP lacks such plans and it is impossible PNGFA, OBT & local communities to monitor. FME current efforts are done on ad hoc basis and only when need for support/complain arises and reported by local communities. Consequently, There is no clear programme to identify infrastructure & socio-economic needs and long term plan with clear outputs. This evidence finding is further supported by socio-economic impact assessment report by Barefoot Community Services Ltd (2010);

“Concluded that there are either no community benefits plan/agreement or they are not well known. It is not clear if there are existing plans/agreements, whether the communities were involved in their development & agreed on them. And recommended that, if no plans/agreements existed, OBT to ensure any plan/agreement development has proper community involvement and agreement (as specified in FSC Criteria 4.1.5) and is communicated. If plans/agreements exists and they were developed with community involvement and agreement is in accordance with Criteria 4.1.5, then these plans/agreement need to clearly communicate to the communities involved.”

During the report writing phase, the FME conducted consultations (together with fire awareness trainings) with 7 villages (out of 12 villages scheduled by the FME) as corrective actions. Consultation schedules and record with photos were submitted to the audit team. The identified non-conformity (lack of clear social programme in the long term) however has not been fully addressed.

**Corrective Action Request:** Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

**Timeline for Conformance:** Prior to recertification

**Evidence Provided by Organization:** PENDING

**Findings for Evaluation of Evidence:** PENDING

**NCR Status:** OPEN

**Comments (optional):**
### NCR# 02/15

**NC Classification:** Major

**Standard & Requirement:** FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 4.2.3

**Report Section:** Appendix IV

**Description of Nonconformance and Related Evidence:**

4.2.3 All employees will have access to appropriate health and safety training and equipment.

The audit team found that the FME is up to date with providing health and safety training to its workers and providing PPE. However, field visits and interview with workers confirmed lack of availability of First Aid Kit for each department to be used by specialized person when accidents arise on site. Consequently, there is risk for the injured worker to suffer from further injuries when First Aid Kit is not available at the workplace.

**Corrective Action Request:** Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

**Timeline for Conformance:** Prior to recertification

**Evidence Provided by Organization:** PENDING

**Findings for Evaluation of Evidence:** PENDING

**NCR Status:** OPEN

**Comments (optional):**

---

### NCR# 03/15

**NC Classification:** Major

**Standard & Requirement:** FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 4.2.8a

**Report Section:** Appendix IV

**Description of Nonconformance and Related Evidence:**

4.2.8.a For large scale operations the forest manager shall ensure (re)training for key workers and landholders in first aid and community health awareness is done at least once a year.

The FME has provided First Aid training in 2011 and 2012 respectively. The training focused on the FME workers and not the landholders of the FMUs under the scope of this audit. Despite monthly community medical outreach by OBT clinic staff, they do not conduct training on basic health & hygiene practices, or training on First Aid for snake bites or dressing burns/wounds. Since 2012, there has been no refresher training involving both key personnel and all machine operators. Changes in workers occurring within FME result in loss of key staff with appropriate skills. FME lacked retraining of its key staff and communities on the First Aid and health and safety, and community health awareness.

**Corrective Action Request:** Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

**Timeline for Conformance:** Prior to recertification

**Evidence Provided by Organization:** PENDING

**Findings for Evaluation of Evidence:** PENDING
<table>
<thead>
<tr>
<th>NCR Status:</th>
<th>OPEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comments (optional):</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>[MINOR] NCR#: 04/15</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Requirement:</td>
<td>FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 4.3.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report Section:</td>
<td>Appendix IV</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Description of Nonconformance and Related Evidence:**

4.3.5 All employees of large and medium scale operations shall have a written contract. When required this contract shall be translated in an appropriate local language and made available to the employee.

OBT has started formal work contract for workers in September 2015, and has completed for the administration and sawmill workers. There are no formal work contract/agreement for reforestation, workshop, and harvesting department workers. The workers with work contract have no copies of signed contract provided to them and the contracts have not been translated into “Tok Pidgin” or applicable local language.

During the report writing phase, the FME submitted a copy of translated work contract in ToK Pidgin as additional evidence. As this demonstrated the corrective actions taken by the FME, this has yet to be verified in the next audit if the workers actually retain the copies.

**Corrective Action Request:**

Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

**Timeline for Conformance:**

Prior to recertification

**Evidence Provided by Organization:**

PENDING

**Findings for Evaluation of Evidence:**

PENDING

<table>
<thead>
<tr>
<th>NCR Status:</th>
<th>OPEN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comments (optional):</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>[MINOR] NCR#: 05/15</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Requirement:</td>
<td>FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 4.4.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report Section:</td>
<td>Appendix IV</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Description of Nonconformance and Related Evidence:**

4.4.2 There is an up to date list of stakeholders, likely to be affected by the social impact.

FME has known stakeholder base that interacts for social impact, however, lacks list of potential and possible stakeholders and prioritized accordingly with their respective stake they hold and how it shall be affected from FME forest management operations.

**Corrective Action Request:**

Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

**Timeline for Conformance:**

Prior to recertification

**Evidence Provided by Organization:**

- Updated stakeholders list
Findings for Evaluation of Evidence: During the report writing phase, the FME submitted a recently updated stakeholders list. This NCR is therefore closed.

NCR Status: CLOSED

Comments (optional):

<table>
<thead>
<tr>
<th>[MINOR] NCR#</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/15</td>
<td>FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 4.4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description of Nonconformance and Related Evidence:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.4.3 There are on-going, pro-active consultations, communications and meetings with stakeholders on social impact. For all scales of operations these actions should focus on the village level and include general village meetings.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The FME has conducted consultation meetings, however, the meetings held so far had only been initiated by local people. These consultation meetings were opportunistic and done on an ad hoc basis for specific community requests, and or when OBT operations affect local people’s cultural site and impact on the environment and livelihood, then, people demand compensation from OBT. The consultation meetings are held only to address such request. Those meetings conducted have been done in OBT office at Open Bay Camp and only selected community leaders attend the meeting. There was no open general community meetings held were people had freely generated ideas and presented issues on social impact. Therefore, there are no pro-active consultations, communications and meetings with stakeholders, especially the communities on social impact.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrective Action Request: Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timeline for Conformance: Prior to recertification</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evidence Provided by Organization: PENDING</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Findings for Evaluation of Evidence: PENDING</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NCR Status: OPEN</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>[MINOR] NCR#</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>07/15</td>
<td>FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 5.3.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Description of Nonconformance and Related Evidence:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.3.1 Forest management has in place a policy that sets rates of waste for each stage of the forest operation and that there is a formal procedure for recording and monitoring compliance with these rates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The FME sets the rate of post-harvest waste to be 20%. The FME uses the procedure outlined by PNGFA to assess post-logging, with some modifications to adjust it for plantation operation. However, the post-harvest waste assessment data collected by the FME indicated some errors which could not be clarified by the FME. Errors includes for example incorrect compartment ID, and post-harvest waste calculation ranging from 1.7% to 2.7%, which can be considered as near to perfect efficiency and far below</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
the 20% estimation. It is questionable that this post-harvest waste assessment data really reflected the actual condition in the field.

**Corrective Action Request:**
Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

**Timeline for Conformance:**
Prior to recertification

**Evidence Provided by Organization:**
- PENDING

**Findings for Evaluation of Evidence:**
- PENDING

**NCR Status:**
OPEN

**Comments (optional):**

---

**[MINOR] NCR#: 08/15**

**NC Classification:**
Major
Minor X

**Standard & Requirement:**
FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 6.2.1

**Report Section:**
Appendix IV

**Description of Nonconformance and Related Evidence:**

6.2.1 Prior to the start of the operation, an assessment has been carried out for any endemic, rare, threatened and endangered species of fauna and flora and their habitat (emphasising local anecdotal information as well as scientific inventories).

The site specific pre-harvest inspection checklist does not cover the presence of RTE species.

**Corrective Action Request:**
Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

**Timeline for Conformance:**
Prior to recertification

**Evidence Provided by Organization:**
- Revised pre-harvest inspection checklist

**Findings for Evaluation of Evidence:**
During the report writing phase, the FME submitted a revised pre-harvest inspection checklist with a table of RTE species identified in FME’s plantation (including images). This NCR is therefore closed.

**NCR Status:**
CLOSED

**Comments (optional):**

---

**[MINOR] NCR#: 09/15**

**NC Classification:**
Major
Minor X

**Standard & Requirement:**
FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 6.5.1

**Report Section:**
Appendix IV

**Description of Nonconformance and Related Evidence:**

6.5 Written guidelines shall be prepared and implemented to; control erosion; minimize forest damage during harvesting, road construction, and all other mechanical disturbances; and protect water resources. The operation shall meet or exceed all the standards as contained in the PNG Logging Code of Practice.
6.5.1 There are written guidelines which include;
• roads that are not aligned through identified conservation or other protected areas
• culverts that are designed so they do not obstruct the migration of fish, create increased water velocities or streambeds unsuitable to existing aquatic life, drains do not drain into natural watercourses. Where this is unavoidable, regularly emptied silt traps are installed.

During site visit, an open-cut stream crossing at Block 2 compartment 2 (Sai river) was found. It should be noted that this was the only stream crossing (Class 1 river) found without any kind of bridges. This stream crossing were used from March 2015 to October 2015 to haul logs from block 2 to the log pond. The PNGLCOP section 7.1 stipulates that any permanent flowing stream crossed by a forest road requires a water crossing, i.e. bridge, culverts, low level crossing, ford (see sections 7.2 to 7.5 for each types of crossing). While the FME uses PNGLCOP as general guideline, it should be noted that PNGLCOP is developed for natural forest management, therefore it is only partially applicable for plantation. But in this case, there was no record of consultation with any relevant governmental institutions available, thus there was no proof that exemption/permit to have an open-cut stream crossing has been granted.

Corrective Action Request:
Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.
Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

Timeline for Conformance: Prior to recertification

Evidence Provided by Organization:
- Letter from Acting Managing Director PNGFA National Forest Service, dated on 25 Jan 2016
- Letter from Project Supervisor (Open Bay) PNGFA National Forest Service, dated on 15 Dec 2015

Findings for Evaluation of Evidence: During the report writing phase, the FME conducted consultation with PNGFA as corrective actions and submitted 2 letters from PNGFA as additional evidence stating that the open-cut river crossing in this case is in compliance with PNGLCOP. This NCR is therefore closed.

NCR Status: CLOSED

Comments (optional):

[MINOR] NCR#: 10/15  NC Classification: Major  Minor X

Standard & Requirement: FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 7.2.3

Report Section: Appendix IV

Description of Nonconformance and Related Evidence:
7.2.3 Subject to scale and type of operation, field level topographic maps have been prepared before logging or road construction occurs. These maps specify areas suitable for all-weather harvesting or dry-weather only. They also plan locations for extraction (or haul) roads, log yards or ponds, main skid trails and drainage structures, as well as show all set aside areas (i.e. buffer zones, protected areas, etc).

While digital maps with greater details were actually available in FME’s GIS, field staff/workers were only equipped with very simple hand drawn maps, without details of protected zones (greenbelts, water bodies, buffer zones), no map scale, and no contour lines and field maps were found inconsistent with the GIS maps. Interviewed field workers were not able to identify greenbelts from the provided maps, as there was no such details on the map. It was also found that the locations of log landing and intermediary log yards are not planned nor mapped prior to harvesting (see picture above, an intermediary log yard used for recent harvesting in Block 2, which is not on the map).
Corrective Action Request: Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.
Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

Timeline for Conformance: Prior to recertification

Evidence Provided by Organization: PENDING

Findings for Evaluation of Evidence: PENDING

NCR Status: OPEN

Comments (optional):

[MINOR] NCR#: 11/15  NC Classification: Major Minor X

Standard & Requirement: FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 7.2.5

Report Section: Appendix IV

Description of Nonconformance and Related Evidence:

7.2.5 For large and medium scale operations, the need for fire management and control has been properly evaluated and documented. In fire-prone areas there is a fire management plan.

7.2.5.1 Fire management plan with resulting operational procedures.

Interviewed stakeholders expressed some serious concerns regarding the recent fire cases in OBT. During field visits, auditors found several sites where bushfire has recently occurred. At one site, the cause was natural, at another sites the fire was explained to be anthropogenic induced. In rare cases, it was also explained that the FME may plan a prescribed burning to clear understorey vegetation. As it is a highly controversial practice, auditors noted the lack of advanced planning and justification for conducting prescribed burning, since the timeline provided for planning a prescribed burning is only one month in advance. Moreover, the FME only relied on daily road patrolling and alternative methods for early-detection of wildfire over a larger area has not been considered.

Regardless the causes, it was clear that bushfire became a significant issue that have been found throughout the concession areas and the FME is having problem in preventing and controlling it. There is a fire management plan document with flow chart in place, and records shows that fire awareness training to the local communities have been held. However, the FME has not carried out any kind of fire risk assessment yet, thus fire prone areas have not been identified.

During the report writing phase, the FME submitted a plan and records of fire awareness training carried out at the nearby villages (7 more villages out 12 have been given fire awareness training). The submitted evidence includes also images of fire notice boards set up at different areas within OBT, fire-fighting equipment, and company policy (no fire in the plantation). The FME also plans to start using McArthur’s Forest Fire Danger Index (FFDI), and therefore installed a new weather station to collect the required meteorological data. The FME also explained that a fire risk assessment is now being planned in collaboration with university.

As the FME has dealt promptly the identified non-conformity, this issue is raised as minor NCR.

Corrective Action Request: Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.
Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

Timeline for Conformance: Prior to recertification
<table>
<thead>
<tr>
<th>Evidence Provided by Organization:</th>
<th>PENDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Findings for Evaluation of Evidence:</td>
<td>PENDING</td>
</tr>
<tr>
<td>NCR Status:</td>
<td>OPEN</td>
</tr>
<tr>
<td>Comments (optional):</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>[MINOR] NCR#:</th>
<th>12/15</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report Section:</td>
<td>Appendix IV</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Description of Nonconformance and Related Evidence:**

9.3.3 *These measures are included in the public available management plan summary*

The publicly available management plan summary does not contain any HCV-related sections and the respective measures to maintain/enhance the identified HCVs.

**Corrective Action Request:**

Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

**Timeline for Conformance:**

Prior to recertification

<table>
<thead>
<tr>
<th>Evidence Provided by Organization:</th>
<th>PENDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Findings for Evaluation of Evidence:</td>
<td>PENDING</td>
</tr>
<tr>
<td>NCR Status:</td>
<td>OPEN</td>
</tr>
<tr>
<td>Comments (optional):</td>
<td></td>
</tr>
</tbody>
</table>

### 2.7. Audit observations

**Observations** can be raised when issues or the early stages of a problem are identified which does not of itself constitute a nonconformance, but which the auditor considers may lead to a future nonconformance if not addressed by the client. An observation may be a warning signal on a particular issue that, if not addressed, could turn into a NCR in the future (or a pre-condition or condition during a 5 year re-assessment).
### OBS 01/15

**Reference Standard & Requirement:** FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 1.5.2 and 1.5.3

[Description of findings leading to observation]:

1.5.2 Mechanisms are in place to monitor and prevent such activities
1.5.3 If any illegal or unauthorised activity is detected, action is taken by the forest manager to ensure this activity ceases and any relevant legal procedures followed

An unauthorized dumping/littering of solid waste (plastic containers/bags and tin cans) was found within the recently created fire break in Block XII between comp 4 and comp 41. The rubbish at this site was collected on the next day by the FME staff (together with the management staff who accompanied the auditor) and later transported to the disposal site. On separate locations nearby the workshop and log ponds, there were also waste tires within the stream bed. As this was explained by the FME staff that such waste tires are usually used by the workers for laundry, but leaving it on the river bed was still considered as unauthorized activity.

There was an unauthorized burning occurred in Oct 2015 before a prescribed burning was even planned. It was explained that the fire was unauthorized and the responsible person has been brought to court.

This issue is raised since there were cases of unauthorized activities found in various locations. However, there is a mechanism in place, and actions were taken to address the occurring unauthorized activities, thus this issue is raised as OBS.

**Observation**
The FME should exert stricter control to prevent and deal with unauthorized activities.

### OBS 02/15

**Reference Standard & Requirement:** FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 4.1.2

[Description of findings leading to observation]:

4.1.2 There is evidence of community involvement in identification of training, social and economic needs.

#### 4.1.2.2 Interviews with the responsible community leaders confirm that consultation takes place on a regular basis.

The consultation meetings held so far had only been initiated by local people. These consultation meetings were held only when local people have requested for FME on specific community services to be supported. And or when OBT operations affect local people’s cultural site and impact on environment, then, people demand compensation from OBT, and OBT responses to such request by facilitating consultation meetings and resolving for compensation in the form of community projects.

Community members interviewed expressed concern that there are many community needs & issues to be dealt but has not being properly identified and planned for supporting the local people, for example; community woodlot to be harvested by OBT, supporting business opportunities for locals, and addressing women’s needs. The consultation meetings to date has only being done on an ad hoc basis for specific community requests, but FME has not self-initiated community consultation meetings very specific on the subject to involve them in identification of training and socio-economic needs that could be prioritized and included in forest management plans for effective monitoring and compliance.

**Observation**
The FME should review its current approach done through FSC Committee on community outreach programme where census forms are used to identify training and social needs. Likewise, the FME should have key stakeholder list with priority communities affected from its forest management operations and implement participatory approach meeting that occur at village level and enable communities to participate equally and fairly identify social, economic and training needs of their respective communities.
OBS 03/15 | Reference Standard & Requirement: FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 4.3.6

[Description of findings leading to observation]:
3.6 There are procedures for assessing the effectiveness of any training to forest workers.

FME conduct onsite training for its workers. Training evaluations are conducted by trainers during training sessions. However, the practices for assessing the effectiveness of training provided to workers seem to be practiced based on trainers and respective section supervisors’ experience on various trades.

Training evaluations are based on trainers and supervisor experiences. There is no written procedure documented and available to be used as a standard procedure or to be used in circumstances that change in staff & loss of organization memory occurs.

Observation
The FME should develop a well-documented system to ensure smooth knowledge transfer to the current staff from their predecessors.

OBS 04/15 | Reference Standard & Requirement: FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 4.4.1a

[Description of findings leading to observation]:
4.4.1a For large scale operations a socio-economic impact assessment is done by an independent qualified contractor.

The FME had engaged a third party independent consulting firm, which conducted socio-economic impact assessment (SEIA) in year 2010. The report findings forms basis for FME baseline socio-economic data. The validity of data however shall expire by CY 2015. Some SIEA data may become outdated after 2015.

Observation
The FME there should ensure that socio-economic data are up-to-date and consider the possibility to conduct new SEIA to measure against 2010 baseline and for development of new social development plans and inclusion in the 5yr FWP & ALPS.

OBS 05/15 | Reference Standard & Requirement: FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 4.4.4

[Description of findings leading to observation]:
4.4.4 Corrective actions are taken, in consultation with stakeholders, to prevent and mitigate any negative social impacts.

The community consultation meetings done to address social needs/concerns are done on ad hoc and opportunistic/temporary approach. Meetings are initiated or demanded by local people following urgent community needs either requested or in compensation for FME damages to environment or related negative treatment on local community rights. The current approach pause risks of future conflicts and also reflects FME inadequacy to maintain pro-active consultation to identify community needs, develop social development plans with clear outputs and timeframe to monitor long term social impact.

Observation
The FME should maintain frequent consultation and have clear plans to address social needs to avoid frustrations and negative response from the local community.

[Description of findings leading to observation]:

6.9.1 In natural forest management, the use of exotic species is generally prohibited. Very limited exceptions are made when there are no other local species with sufficient performance to restore impoverished or degraded sites and any use shall be carefully controlled and monitored.

6.9.1.1 Written justification for the use of any exotic species, based on scientific data.
6.9.1.2 Species specific monitoring and control system.
6.9.1.3 Staff specifically trained and assigned to monitor and control exotic species.

It should be noted that this indicator is only partially applicable to the FME as the management area mostly consists of plantation. The FME has planted naturalized species *Gliciridia sepium*, which is native to Mesoamerica to rehabilitate buffer zone, and degraded sites as well as *Acacia mangium* (native to western region of PNG but not necessarily to the East Britain region). Auditors also found an invasive species Mexican cherry (*Muntingia calabura*) on several sites, but it was explained that this species is not planted by the FME, but rather spread on its own. Auditor found that FME staff were unsure whether these species are exotic species or native species.

**Observation**

FME should improve staff awareness on exotic species and should regularly check and refer to global or regional database such as the Global Invasive Species Database: [http://www.issg.org/database/welcome/](http://www.issg.org/database/welcome/) or Pacific Island Ecosystems at Risk: [http://www.hear.org/pier/](http://www.hear.org/pier/).


[Description of findings leading to observation]:

7.1.1 Participatory Land use planning by the landholders and rights holders has been completed and recorded on maps that include:

- garden and village plantation areas (present and future),
- cash crop areas,
- village sites,
- forest types and ecosystems,
- production forest areas,
- conservation areas, including habitat for rare, threatened and endangered species, representative samples of forest ecosystems, and any areas identified in the Conservation Needs Assessment and Fragile Forest Types,
- tambu and culturally significant areas,
- dedicated non-timber forest product use areas if identified,
- watershed protection areas if identified,
- ecologically sensitive areas if identified,
- any other identified land uses.

The size of each area is recorded in writing.

7.1.3 Records are kept of the participatory land use planning process and any subsequent land use planning meetings.

7.1.3.1 Interviews at the village level confirm participatory process.

There are 5 local villages in the surrounding area, namely Matanakunai, Wau, Aubu alaba, Vunapeo and Malani village. The FME’s maps however only include Wau and Matanakunai, while the 3 other villages were not on maps. The FME has also only one single record of Land use plan consultation, dated on 02 Dec 2010 (Kol Camp alongside Mavulu river), despite having 5 other villages in the surrounding.
### Observation
The FME should ensure that all surrounding villages are mapped and should formally reach out to the other villages for land use plan consultation.

<table>
<thead>
<tr>
<th>OBS 08/15</th>
<th>Reference Standard &amp; Requirement: FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 7.3.1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description of findings leading to observation:</strong></td>
<td></td>
</tr>
<tr>
<td>7.3.1 The management plan is revised at least every 5 years and there are procedures for incorporation of monitoring data into the management planning process.</td>
<td></td>
</tr>
<tr>
<td>Auditors found that there was a 4-months gap between the approval date of the current ALP and the last year ALP. The ALP 2014-2015 was only valid until 16 Feb 2015, meanwhile the approval of the ALP 2015-16 was given on 11 June 2015 (valid until 10 June 2016). However this was explained that it was caused by long processing time due to bureaucracy, since the application actually has been submitted on 1 Nov 2014 (with endorsement from project supervisor/forestry officer).</td>
<td></td>
</tr>
</tbody>
</table>

### Observation
The FME should ensure that future approval management plan is obtained before the previous one has expired.

<table>
<thead>
<tr>
<th>OBS 09/15</th>
<th>Reference Standard &amp; Requirement: FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 7.3.2 and 7.3.3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Description of findings leading to observation:</strong></td>
<td></td>
</tr>
<tr>
<td>7.3.2 Forest managers are aware of and/or are supporting research being undertaken or planned in areas that are relevant to management planning.</td>
<td></td>
</tr>
<tr>
<td>7.3.2.1 Information received from relevant research institutions (e.g. Forest Research Institute, CIFOR).</td>
<td></td>
</tr>
<tr>
<td>7.3.3 New findings from local experience, science and technical research are incorporated into the management planning.</td>
<td></td>
</tr>
<tr>
<td>7.3.3.1 Use of up-to-date reports, studies and research results for initial management plan development and revisions.</td>
<td></td>
</tr>
<tr>
<td>As a part of Sumitomo forestry group, The FME is connected to Sumitomo Forestry’s Tsukuba Research Institute. The facility develops technologies to make more effective use of wood in a wide range of fields. An example of scientific paper about PSP measurement analysis (2011) was presented to the auditors. These indicators are considered met.</td>
<td></td>
</tr>
<tr>
<td>There were however some inconsistencies found in the newly revised 5-year plan. For example, some sections related to MAI still refer to data from the previous FMP, despite the availability of newer data.</td>
<td></td>
</tr>
</tbody>
</table>

### Observation
The FME should explicitly include new findings into the management planning documents. The FME should also consider to reach out and utilize results of studies from other research institutes and consider other relevant topics and use such studies for management planning.
OBS 10/15 | **Reference Standard & Requirement:** FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 7.4.3
---
[Description of findings leading to observation]:

7.4.3 *For large and medium scale operations there shall be a written training programme with a specific named person responsible for all issues regarding education and training of employees.*

Although there is a plan for training in place and respective training programme is developed, the timeline provided for planning is very short (10 days to 1 month), and this might not be sufficient to ensure effective training and that relevant training needs are correctly identified.

**Observation**
The FME should ensure that sufficient time is provided to plan a training.

OBS 11/15 | **Reference Standard & Requirement:** FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 7.5.1
---
[Description of findings leading to observation]:

7.5.1 *An additional public summary is not required if the main management plan itself is made publicly available.*

The management plan is not publicly available, but the FME provides a summary of the management plan every year. The public notice is posted in the office and in the surrounding area nearby the office, however such public notice is not being posted in the villages nor formally communicated to the villagers. Some interviewed villagers were not aware of such public notice.

**Observation**
The FME should ensure that local villagers are informed about the public summary of the management plan.

OBS 12/15 | **Reference Standard & Requirement:** FSC-STD-PNG-01-2010; National Forest Management Standards for Papua New Guinea v1.1, 8.2.3
---
[Description of findings leading to observation]:

8.2.3 *Species composition and occurrence of conservation and other protected areas is regularly monitored to ensure these areas are not being negatively impacted by forest management activities.*

The FME conducts species diversity monitoring on sample plots within designated HCV area. Auditors visited 3 such monitoring plots and examined the validity of the collected data with the actual facts on the ground. It was found that the data collected from the ground had many errors (wrong species identification, interchanged numbers, and unidentified plot numbers). While, the FME further analyzes this data to determine the abundance and frequency, such analysis would become unreliable if the collected raw data are inaccurate in the first place, thus it would give no information about how the forest management activities would affect the changes in species composition and occurrence.

**Observation**
The FME should ensure the accuracy of the collected monitoring data.
[Description of findings leading to observation]:

9.1.1 The management plan identifies any potential High Conservation Value Forests and the locations where they are found. Guidance for identification of the attributes consistent with HCVF and determining HCV presence will be taken from the HCVF Toolkit for Papua New Guinea, as well as from relevant data sources and input from key expert stakeholders. The Toolkit is available from the WWF-PNG website.

9.1.1.1 A documented methodology for assessment of high conservation value forests.
9.1.1.2 Participatory meetings with landholders and stakeholders to identify any high conservation attributes.
9.1.1.3 Use of available data sources, like;
- fragile forest types
- threatened endemic species list
- LCOP
- CITES Appendix 1 and 2

Auditors were presented with 2 HCV assessment documents. A preliminary HCV assessment report compiled in 2010 with flora and fauna, but it didn’t identify any HCV attributes. In 2014, The FME conducted a follow-up HCV assessment. The report identified HCV attributes within the management area, namely: HCV 1.1, 1.2, 1.3, 1.4, HCV 2, HCV 3, HCV 4.1, 4.2, 4.3, and HCV 5. Note: HCV 5 and 6 are conjoined as HCV 5 in HCV Toolkit for PNG.

Both HCV assessments were done in collaboration with people from the HCV toolkit working group, thus they generally follow the guideline in the toolkit. However, this HCV assessment report has not been undergone any kind of peer review (or further consultation with other interested stakeholders).

Moreover, although the FME has begun to delineate every single HCV area within the management area, the respective HCV for those areas has not been defined yet. For example, Toriu lake is said to be important for migratory birds, while Denegait Cave has a cultural value, but at the current situation these 2 different HCVs have not been distinguished on the FME’s map. The same case applies also to delineated streams and riparian buffer zone. They are considered as HCV area, but the respective HCV attribute for each designated location has yet to be defined.

While the FME has been struggling to develop monitoring indicators for areas with HCV(s), it should be noted that it is crucial to identify the HCV(s) of an area in the first place before certain monitoring parameter is set. For instance, setting a PSP for biodiversity monitoring would not be very helpful to monitor HCV 4 or 5.

Auditors noted that different kinds of HCV would require different monitoring methods (even from the same area, since an area can have multiple HCVs).

Observation
The FME should consult the HCV assessment report 2014 to relevant stakeholders. Furthermore, in consultation with relevant experts and stakeholders, the FME should continue to delineate areas with HCV(s) and develop the monitoring parameters for each particular HCV accordingly.
### OBS 14/15

**Reference Standard & Requirement:** FM-35 RA, Rainforest Alliance Chain-of-Custody Standard for Forest Management Enterprises (FMEs]), CoC 2.4

[Description of findings leading to observation]:

*COC 2.4:* FME shall ensure that certified material is not mixed with non-FSC certified material at any stage, up to and including the sale of the material.

During the shipment, it was explained that FSC 100% and FSC CW logs are sometimes being piled up together in the ship. Each log has a unique number and barcode, and FSC 100% logs have on-product sticker on them, but such stickers may get accidentally removed during the shipping. Auditors noted that the log list containing the ID of each logs is in this case crucial to distinguish FSC 100% from FSC CW logs, especially if they have to be piled together during the shipment.

**Observation**
The FME should ensure that log lists are always sent to the client.

### OBS 15/15

**Reference Standard & Requirement:** FM-35 RA, Rainforest Alliance Chain-of-Custody Standard for Forest Management Enterprises (FMEs]), CoC 3.1

[Description of findings leading to observation]:

*COC 3.1:* For material sold with FSC claim the FME shall include the following information on sales and shipping documentation:

1. FME FSC certificate registration code, and
2. FSC certified claim: FSC 100%

The FME still uses the old certification code SW (SW-FM/COC-005600), instead of RA-FM/COC-005600.

**Observation**
If the FME intends to continue its commitment on FSC certification, the FME should implement the new certification registration code at latest after the recertification.

### OBS 16/15

**Reference Standard & Requirement:**

[Description of findings leading to observation]:

1.1.6 Copies of all licenses, permits and other documents issued under statute or regulation and relating to the forest management unit are kept in the site office and made available to forest managers and other stakeholders.

The FME has been granted an exemption which allows the FME to pay workers with reduced rate (75%), but this exemption has expired on 24 Oct 2015. The FME has submitted application for a renewed exemption (dated 6 July 2015), but renewed exemption has not been granted yet. It was explained that the national committee who holds the decision for granting exemption are currently undergoing structural changes, thus administrative process for the exemption becomes extremely delayed. In case the FME’s application gets rejected, the FME will need to provide retroactive payment to all relevant workers starting from July 2015. Interviewed stakeholder mentioned that the FME might be entitled to pay with the reduced rate while the application is still in the process.

As this delay is caused by something else and it is out of the FME’s control, this is raised as OBS against Indicator 1.1.6. Moreover, it should be noted that the FME has been following the legally required procedures for the application, with support from the provincial labour office.
3. AUDIT PROCESS

3.1. Auditors and qualifications:

<table>
<thead>
<tr>
<th>Auditor Name</th>
<th>Arie Soetjiadi</th>
<th>Auditor role</th>
<th>Lead Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifications</td>
<td>Arie Soetjiadi has a master degree in Biology from University of Hohenheim in Germany with Botany and Landscape Ecology as Major. Between 2009 and 2012, he worked as expert for conservation of natural resources in the environmental agency in Balikpapan-East Kalimantan in the frame of GiZ/CIM Returning Experts Programme. Arie joined Rainforest Alliance in 2014 as FM Coordinator and currently he is based at Rainforest Alliance Asia Pacific Regional Office in Bali, Indonesia. As FM Coordinator, he conducts task management for FM certification and verification related engagements of countries in Southeast Asia, South Asia, Australia and Oceania. Arie has completed formal FSC Lead Auditor training arranged by NEPCon and has been involved in more than 15 FSC FM and Legality audits in Thailand, Indonesia, Malaysia, and Singapore. Arie is fluent in English, German, and Bahasa Indonesia.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Auditor Name</th>
<th>Kafuri Yaro</th>
<th>Auditor role</th>
<th>Local Expert/Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifications</td>
<td>Kafuri holds a B.Sc. in Forestry from the University of Technology, PNG. Working in close collaboration with Western Provincial Administration, Fly River Provincial Government for supporting land use options for Economic Development and Biodiversity Conservation in the Trans-Fly Region. Involved in examining carbon and biodiversity offset options, among other natural resource-based land-use options in the region and to secure both scientific and cultural knowledge of the ecosystems of the Transfly in order to guide economic development and suggest appropriate sustainable livelihoods for the local communities. He has worked for ten years as Senior Forest Management Officer at Foundation for People and Community Development (FPCD) facilitating local communities in organizing community forestry activities and helping them achieve FSC certification. He joined WWF PNG as Forest Officer to implement projects related to community forestry and sustainable livelihoods. His VLC assessment is compliment with his wide range experience in FSC audit for the Rainforest Alliance.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.2. Audit schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Location /Main sites</th>
<th>Principal Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>03 Nov 2015</td>
<td>Kokopo, Kerevat</td>
<td>Interviews with government offices</td>
</tr>
<tr>
<td>04 Nov 2015</td>
<td>OBT Camp</td>
<td>Travel to the camp site, Opening meeting, Document review, Interviews</td>
</tr>
<tr>
<td>Date</td>
<td>Location</td>
<td>Activity Details</td>
</tr>
<tr>
<td>------------</td>
<td>----------</td>
<td>------------------</td>
</tr>
<tr>
<td>05 Nov 2015</td>
<td>OBT Camp</td>
<td>Field visit to Loi LP (current harvest), Interviews, Document review</td>
</tr>
<tr>
<td>06 Nov 2015</td>
<td>OBT Camp</td>
<td>Field visit to Kaboku LP and Makolkol LP, villages, Interviews, Document review</td>
</tr>
<tr>
<td>07 Nov 2015</td>
<td>OBT Camp</td>
<td>Field visit to Log Pond, Workshop and site with unauthorized littering (Block XII compartment 4), Document review, Interviews.</td>
</tr>
<tr>
<td>08 Nov 2015</td>
<td>OBT Camp</td>
<td>Final document review, Interviews, Closing meeting.</td>
</tr>
</tbody>
</table>

Total number of person days used for the audit: 11
= number of auditors participating $2 \times$ average number of days spent in preparation, on site and post site visit follow-up including stakeholder consultation 5.5
3.3. **Sampling methodology:**

Since there is no change of scope in this audit, the minimum number of sites to be sampled is determined according to following table:

<table>
<thead>
<tr>
<th>Number of FMUs within the scope (y)</th>
<th>Formula applied</th>
<th>Minimum FMUs to be sampled (X)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>(X = 0.8 \sqrt{y} \times 0.5)</td>
<td>1</td>
</tr>
</tbody>
</table>

The minimum FMU to be visited in annual audit 2015 is 1 FMU. The FME has 4 FMUs (LP) under its management: FMU Makolkol, FMU Kaboku, FMU Loi, and FMU Mevelo. Included into the scope of the certificate SW-FM/COC-005600 are FMU Makolkol and FMU Kaboku. FMU Loi is covered under FSC Controlled Wood RA-CW/FM-003093, while FMU Mevelo is non-certified FMU. The FME uses the same management planning documents (5-year plan, ALP) for all FMUs under its management. Both FMU Kaboku and FMU Makolkol were visited during the annual audit 2015. As there was no on-going harvest at FMU Kaboku and FMU Makolkol (harvest has been already completed), auditors visited FMU Loi to observe current harvesting operation.

3.3.1 **List of FMUs selected for evaluation**

<table>
<thead>
<tr>
<th>FMU/Group Member Name</th>
<th>Rationale for Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMU Kaboku</td>
<td>Evaluating major NCR related to Block 10, previous year harvest site, site visit on HCV site, riparian buffer zone, streams, greenbelts</td>
</tr>
<tr>
<td>FMU Makolkol</td>
<td>Site visit on HCV site, riparian buffer zone, streams, greenbelts.</td>
</tr>
<tr>
<td>FMU Loi</td>
<td>Current harvest site</td>
</tr>
</tbody>
</table>

3.4. **Stakeholder consultation process**

<table>
<thead>
<tr>
<th>Stakeholder type (i.e. NGO, government, local inhabitant etc.)</th>
<th>Stakeholders notified (#)</th>
<th>Stakeholders consulted or providing input (#)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local villagers</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Government officials</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Forest workers</td>
<td>23</td>
<td></td>
</tr>
</tbody>
</table>

3.5. **Changes to Certification Standards**

<table>
<thead>
<tr>
<th>Forest stewardship standard used in audit:</th>
<th>FSC-STD-PNG 01-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revisions to the standard since the last audit:</td>
<td>✗ No changes to standard.</td>
</tr>
<tr>
<td>Changes in standard:</td>
<td>Standard was changed (detail changes below)</td>
</tr>
<tr>
<td>Implications for FME:</td>
<td>Not applicable - no new requirements</td>
</tr>
</tbody>
</table>

3.6. **Review of FME Documentation and required records**
**a) All certificate types**

<table>
<thead>
<tr>
<th>Required Records</th>
<th>Reviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaints received by FME from stakeholders, actions taken, follow up communication</td>
<td>Y ☒ N ☐</td>
</tr>
<tr>
<td>Comments: Auditors received verbal feedback from stakeholders and also reviewed available documents such as census form and feedback from the complaint box.</td>
<td></td>
</tr>
<tr>
<td>Accident records</td>
<td>Y ☒ N ☐</td>
</tr>
<tr>
<td>Comments: Records shows no accident has happen recently. Past records of accidents were reviewed by the audit team.</td>
<td></td>
</tr>
<tr>
<td>Training records</td>
<td>Y ☒ N ☐</td>
</tr>
<tr>
<td>Comments: Auditors reviewed recent training records (mostly about RIL, but also awareness training to communities). Along with the training records, auditors also reviewed the respective training programme.</td>
<td></td>
</tr>
<tr>
<td>Operational plan(s) for next twelve months</td>
<td>Y ☒ N ☐</td>
</tr>
<tr>
<td>Comments: ALP 2014-2015 and 2015-2016 were available and reviewed by the auditors. A newly revised 5 year plan (2015-2020) was also available and reviewed by the audit team.</td>
<td></td>
</tr>
<tr>
<td>Inventory records</td>
<td>Y ☒ N ☐</td>
</tr>
<tr>
<td>Comments: The 5-year plan includes an inventory record. The document was available and reviewed by the audit team.</td>
<td></td>
</tr>
<tr>
<td>Harvesting records</td>
<td>Y ☒ N ☐</td>
</tr>
<tr>
<td>Comments: Harvesting records (soft-copy), including post-harvest monitoring checklist and post-harvest waste assessment records were available and reviewed by the audit team.</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX I: FSC Annual Audit Reporting Form:

(NOTE: form to be prepared by the client prior to audit, information verified by audit team)

<table>
<thead>
<tr>
<th>Forest management enterprise information:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FME legal name:</td>
<td>Open bay Timber Ltd.</td>
</tr>
<tr>
<td>FME Certificate Code:</td>
<td>SW-FM/CoC – 005600</td>
</tr>
<tr>
<td>Reporting period</td>
<td>Previous 12 month period</td>
</tr>
<tr>
<td>Dates</td>
<td>July 2014 - September 2015</td>
</tr>
</tbody>
</table>

1. Scope Of Certificate

| Type of certificate: multiple FMU with single group of like FMU-s | SLIMF Certificate: not applicable |
| New FMUs added since previous evaluation | Yes | No |

Group Certificate: Updated of FMU and group member list provided in Appendix VII-a:

Multi-FMU Certificate: List of new FMUs added to the certificate scope:

<table>
<thead>
<tr>
<th>FMU Name/Description</th>
<th>Area</th>
<th>Forest Type</th>
<th>Location Latitude/Longitude¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ha</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ha</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ha</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. FME Information

☑ No changes since previous report (if no changes since previous report leave section blank)

| Forest zone |  |
| Certified Area under Forest Type |  |
| - Natural | hectares |
| - Plantation | hectares |
| Stream sides and water bodies | Linear Kilometers |

3. Forest Area Classification

☑ No changes since previous report (if no changes since previous report leave section blank)

<table>
<thead>
<tr>
<th>Total certified area (land base)</th>
<th>ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Total forest area</td>
<td>ha</td>
</tr>
<tr>
<td>- a. Total production forest area</td>
<td>ha</td>
</tr>
<tr>
<td>- b. Total non-productive forest area (no harvesting)</td>
<td>ha</td>
</tr>
<tr>
<td>- Protected forest area (strict reserves)</td>
<td>ha</td>
</tr>
<tr>
<td>- Areas protected from timber harvesting and managed only for NTFPs or services</td>
<td>ha</td>
</tr>
<tr>
<td>- Remaining non-productive forest</td>
<td>ha</td>
</tr>
<tr>
<td>2. Total non-forest area (e.g., water bodies, wetlands, fields, rocky outcrops, etc.)</td>
<td>ha</td>
</tr>
</tbody>
</table>

4. High Conservation Values identified via formal HCV assessment by the FME and respective areas

☑ No changes since previous report (if no changes since previous report leave section blank)

| Code | HCV TYPES² | Description: | Area |

¹ The center point of a contiguous FMU or group of dispersed properties that together comprise a FMU in latitude and longitude decimal degrees with a maximum of 5 decimals.
² The HCV classification and numbering follows the ProForest HCVF toolkit. The toolkit also provides additional explanation regarding the categories. Toolkit is available at http://hcvnetwork.org/library/global-hcv-toolkits.
<table>
<thead>
<tr>
<th>HCV1</th>
<th>Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ha</td>
</tr>
<tr>
<td>HCV2</td>
<td>Forest areas containing globally, regionally or nationally significant large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.</td>
</tr>
<tr>
<td></td>
<td>ha</td>
</tr>
<tr>
<td>HCV3</td>
<td>Forest areas that are in or contain rare, threatened or endangered ecosystems.</td>
</tr>
<tr>
<td></td>
<td>ha</td>
</tr>
<tr>
<td>HCV4</td>
<td>Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control).</td>
</tr>
<tr>
<td></td>
<td>ha</td>
</tr>
<tr>
<td>HCV5</td>
<td>Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health).</td>
</tr>
<tr>
<td></td>
<td>ha</td>
</tr>
<tr>
<td>HCV6</td>
<td>Forest areas critical to local communities’ traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).</td>
</tr>
<tr>
<td></td>
<td>ha</td>
</tr>
</tbody>
</table>

Number of sites significant to indigenous people and local communities

<table>
<thead>
<tr>
<th>5. Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of workers including employees, part-time and seasonal workers:</td>
</tr>
<tr>
<td>Total number of workers</td>
</tr>
<tr>
<td>- Of total workers listed above</td>
</tr>
<tr>
<td>Number of serious accidents</td>
</tr>
<tr>
<td>Number of fatalities</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6. Pesticide Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>☒ FME does not use pesticides. (delete rows below)</td>
</tr>
</tbody>
</table>
APPENDIX II: Rainforest Alliance Database Update Form

Instructions: For each FSC certificate, Rainforest Alliance is required to upload important summary information about each certificate to the FSC database (FSC-Info). During each annual audit RA auditors should work with the certificate holder to verify that the information posted on FSC-Info is up to date as follows:

1. Print out current Fact Sheet prior to audit from FSC-Info website or direct link to fact sheets (http://www.fsc-info.org)
2. Review information with the FME to verify all fields are accurate.
3. If changes are required (corrections, additions or deletions), note only the changes to the database information in the section below.
4. The changes identified to this form will be used by the RA office to update the FSC database.

Is the FSC database accurate and up-to-date? YES ☐ NO ☒
(if yes, leave section below blank)

Client Information (contact info for FSC website listings)

<table>
<thead>
<tr>
<th>Organization name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Contact</td>
<td>Telephone</td>
</tr>
<tr>
<td>Primary Address</td>
<td>Fax</td>
</tr>
<tr>
<td>Address</td>
<td>Webpage</td>
</tr>
<tr>
<td>Email</td>
<td></td>
</tr>
</tbody>
</table>

Forests

<table>
<thead>
<tr>
<th>Change to Group Certificate</th>
<th>☐ Yes ☐ No</th>
<th>Change in # of parcels in group</th>
<th>total members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total certified area</td>
<td>Hectares (or)</td>
<td>Acres</td>
<td></td>
</tr>
</tbody>
</table>

Species (note if item to be added or deleted)

<table>
<thead>
<tr>
<th>Scientific name</th>
<th>Common name</th>
<th>Add/Delete</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Products

<table>
<thead>
<tr>
<th>FSC Product categories added to the FM/CoC scope (FSC-STD-40-004a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
</tr>
<tr>
<td>W5 Solid wood (sawn, chipped, peeled)</td>
</tr>
</tbody>
</table>