Corrective Action Verification Audit (CVA) Report

Organization: Department of Forestry, Lao PDR (DOF)
Cert/Ver/Val Code: SW-FM/COC-001711
Report Date: October 29, 2014

I. AUDIT PROCESS

Auditor, Qualifications: Chisato Tomimura
Chisato Tomimura graduated from Yale University School of Forestry and Environmental Studies with Master of Forest Science degree in 2008. She joined Rainforest Alliance Asia Pacific Regional Office as a consultant for forest management verification services in February 2010. Fluent in Japanese, English, Chinese and Indonesia, she has participated in more than 45 audits of Verification of Legal Origin (VLO), Verification of Legal Compliance (VLC), FSC Controlled Wood and FSC FM and carbon validation in Indonesia, Malaysia, Japan, China, Vietnam, Singapore, India and Papua New Guinea. She has passed ISO 9001 lead auditor training in November 2010 and is qualified as VLO, VLC and FSC FM lead auditor, FSC trademark approver and Rainforest Alliance FSC FM audit report approver. She is a legality verification service technical expert of Rainforest Alliance. She is currently based in Tokyo, Japan.

Audit Date(s): 9 September 2014
CVA Type: Desk review ☑ On-site ☐ Location(s):

Audit Overview:
Changes to Scope since last Audit:

II. NON-CONFORMITY REPORT (NCR) EVALUATION

<table>
<thead>
<tr>
<th>NCR#</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor</th>
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<tbody>
<tr>
<td>03/12</td>
<td>Rainforest Alliance Interim Standard for Assessing Forest Management in Lao PDR FM-32 (June 2008) 6.1.1. and 6.1.2</td>
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Report Section: Appendix IV

Description of Nonconformance and Related Evidence:
6.1.1 Environmental assessments shall be completed during management planning.

6.1.2 Environmental assessments shall consistently occur prior to site disturbing activities.

Finding in Annual Audit 2012:

There have been studies conducted about biodiversity aspects; however an assessment of other important environmental values such as water resources or soil conditions, conducted during management planning was not made available to the audit team.

There is no evidence of the occurrence of environmental impact assessments conducted consistently prior to site disturbing activities. There is no mention to this requirement in the approved Guidelines On Timber Harvesting in Production Forest (Ref. no 2157 /DOF, 2006) or Guidelines on Sustainable Production Forest Management Planning (Ref. No: 2156/DOF.2006).

Finding in Annual Audit 2013:

Indicator 6.1.1 requires the forest manager to produce and document an evaluation of the environmental impact of the management activities, taking into consideration the scale and intensity of the operations carried out as well as the sensitivity of the sites and landscapes to such operations.

As pointed out by the FME, the FME will only conduct EIA for site-disturbing activities that require heavy equipment such as earthmoving using heavy machinery (see SUPSFM PSFM Operations Manual sections 8.2.3). In other words, FME is presenting the argument that below a certain disturbance threshold, there are no impacts to evaluate. The auditors find this does not satisfy the requirement of indicator 6.1.1. The standard does require documentation of the impacts of management activities proportional to the scale and intensity of operations. Auditors find that whether or not heavy machinery is required to conduct an operation is not a valid test to determine the presence or absence of impact. Only an impact assessment can determine this. In reality, as auditors found during field work as well as through discussions with the manager, the FME already does informal impact assessments when deciding for example, which path will be used for skidding, etc. Certainly also impacts on special trees, wildlife habitats, streams and other ecological values are for now informally taken into consideration whenever the FME conducts operations. This impact assessment being informal increases the risk that impacts will be overlooked.

Therefore this NCR can not be closed until the FME demonstrates that Environmental Impact Assessment procedures are in place, appropriate to the scale and intensity of the forest management activities conducted and the uniqueness of the affected areas.

This NCR is upgraded to Major with a 3 months timeline.

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 from this report finalization

Evidence Provided by Annex 1: Environmental Impact Assessment in PSFM Operations (English)
### Findings for Evaluation of Evidence:

“Annex 1: Environmental Impact Assessment in PSFM Operations” provides a procedure to assess the potential impact of site-disturbing activities.

Any activity will be screened through five-step process of EIA:

- Step 1: negative checklist screening
- Step 2: Identification of safeguard issues and preparation of mitigation measures
- Step 3: Safeguard documentation and information disclosure
- Step 4: safeguard clearances and implementation
- Step 5: Supervision, monitoring, and reporting

According to the procedure, for any operation/sub-project, this process must be followed for all 41 PFAs covered by SUFORD-SU including the FSC-certified areas.

If the activity is not listed in the list of prohibited activities but pose potential negative impact, required mitigation actions are identified. Then the proposal will be reviewed. After the approval, the activity is implemented and monitored.

The document describes risk matrix to evaluate the impact by likelihood and consequence.

While the checklist is provided as an appendix, the implementation (the actual project-level impact assessment) could not be confirmed.

An FME consultant explained that environmental assessment at the site level is conducted in the form of planning. PSFM Operations Manual and PSFM Toolbox describes zoning of the sub-FMA for different use as the first step of planning. In this process, areas with HCV and protection forest zones (including steep areas, areas along water courses and country border) will be identified and mapped. Any degraded forest area are also identified and kept for soil and biodiversity conservation. Then the state of forest resources is assessed through inventory, although this process focuses on commercial timber species and NTFPs.

The auditor confirmed that procedure for environmental assessment in place as integral part of planning. As such, this NCR is CLOSED.

However, implementation in recent years could not be confirmed due to the timber harvesting moratorium. Implementation should be checked in the future audits after the moratorium is lifted.
<table>
<thead>
<tr>
<th>NCR#: 06/12</th>
<th>NC Classification: Major X Minor</th>
<th>Standard &amp; Requirement: Rainforest Alliance Global Non Timber Forest Product Certification Addendum (March 2012) 8.2. NTFP.1</th>
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<tbody>
<tr>
<td>Report Section: Appendix IV</td>
<td>Description of Nonconformance and Related Evidence:</td>
<td><strong>8.2. NTFP.1</strong> The monitoring plan shall include the observed changes in conditions related to:</td>
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<td>– NTFP populations (impact of harvest, growth rates, loss or vigor or decline, recruitment);</td>
<td>– Any outstanding environmental changes from NTFP management affecting flora, fauna, soil and water resources.</td>
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<td>– Socioeconomic aspects of NTFP use and harvest (changes in community and worker relations or conditions, changes in NTFP use or demand, etc.)</td>
<td>Finding in Annual Audit 2012:</td>
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<td>Finding in Annual Audit 2013:</td>
<td>The monitoring guidelines designed by WWF to be used in the Rattan FMU areas include the measurement of the impact of the project in the forest ecosystem. However, FME staff has not provided the audit team with the results of the evaluation following these guidelines. There is no mention to the monitoring of NTFP populations, environmental changes and socioeconomic aspects on the Management Plan.</td>
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<td>This NCR is about results of monitoring of NTFP populations, environmental changes and socioeconomic aspects impacts of Rattan harvesting. It was found that last year, DOF (WWF) assisted in the preparation of the rattan project monitoring guideline. Based on the guideline, the project progress is monitored every 6 months and the impact every year based on the baseline data collected at the beginning of project. This year, auditors were presented evidence that the DOF, through WWF’s work, had conducted socio-economic impact monitoring and NTFP population growth monitoring.</td>
<td>As for the monitoring of environmental changes, those have not been fully assessed yet, and the assessment is currently being conducted. Training on this issue was provided to the FME staffs and WWF staff and the training record is available.</td>
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<td>Until the monitoring of environmental changes is finalized and results are available, this NCR remains open and is upgraded to Major.</td>
<td>Corrective Action Request: Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</td>
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<td>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>
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<td>Timeline for Conformance: Within 3 months from this report finalization</td>
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<td>Evidence Provided by Organization:</td>
<td>Annex 3: Results of the Biodiversity Assessment in 6 FSC-certified Rattan FMUs in Khamkeud District and Bolikan District, Bolikhambxai Province on 18-30 July, 2014</td>
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Findings for Evaluation of Evidence:
The submitted document shows the result of the biodiversity assessment in 6 villages with FSC certified Rattan FMUs. It presents the inventory of density of trees of different size category, density of snags, density of fallen dead trees, density of key flora and signs of fauna, forest integrity, conservation of priority animals, density of trees belonging to major plant families, density of fruit trees and invasive plants/animals.

While no analysis on environmental change was presented, the auditor understands that such analysis requires series of data taken for long time. If the FME continue the same monitoring activity, it will reveal the environmental change over time.

NCR Status: CLOSED

Comments (optional):

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<tr>
<td>Standard &amp; Requirement:</td>
<td>FM-35 Rainforest Alliance Chain-of-Custody Standard for Forest Management Enterprises CoC: 1.3</td>
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<td>Report Section:</td>
<td>Appendix V</td>
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Description of Nonconformance and Related Evidence:
COC 1.3: FME procedures/work instructions shall provide effective control of FSC certified forest products (including NTFPs) from standing timber until ownership is transferred at the forest gate. Note: For large scale operations (>10,000ha) and Group Entities, CoC procedures covering all relevant CoC criteria shall be documented. Including:

a) Procedures for physical segregation and identification of FSC certified from non-FSC certified material. (If applicable)
b) Procedures to ensure that non-FSC certified material is not represented as FSC certified on sales and shipping documentation. (If applicable)
c) Procedures to include the FME’s FSC certificate registration code and FSC claim (FSC 100%) on all sales and shipping documentation for sales of FSC certified products.
d) Recordkeeping procedures to ensure that all applicable records related to the production and sales of FSC certified products (e.g. harvest summaries, sales summaries, invoices, bills of lading) are maintained for a minimum of 5 years.
e) Procedures to ensure compliance with all applicable FSC/Rainforest Alliance trademark use requirements.

Finding in Annual Audit 2012:
For Rattan FMUs, there was no CoC procedures or work instructions documented.

Finding in Annual Audit 2013:
WWF has presented their draft CoC procedures for Rattan. Auditors found these guidelines to be very thorough, going from harvesting all the way to manufacturing. The auditors also found these procedures are not sufficiently implemented in the field. For example, auditors found CoC issues like rattan canes not identified as certified, storage areas not marked as containing FSC material, data on the number of canes collected not verifiable because of storage practices (canes piled up in storage areas instead of bundled), etc.
For this reason, this NCR can not be closed. DOF will have to demonstrate it is applying its CoC procedures.

**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 from this report finalization

**Evidence Provided by Organization:**

Annex 4: Report on Rattan CoC Training
Annex 5: Report on Follow-up Review of the Rattan CoC Training
Annex 6: Photographic Evidence of the Rattan CoC Implementation
FSC Chain of Custody Certification for Rattan Processing August 28, 2011

**Findings for Evaluation of Evidence:**

This NCR remains open due to insufficient implementation of the procedure in the field during the audit 2013. As such, it is very difficult to evaluate this non-conformance based on documents.

Annex 4 shows the investigation of the cause that led to the NCR. The report proposed follow-up the on-the-job training of all member of the harvesting group on the CoC system by observing the CoC practice in the real situation.

Annex 5 reports that training on rattan CoC has been carried out to 32 people in Xieng Xien on 28-29 April 2014 and Xieng Leu Villages on 30 April 2014.

Annex 6A and 6B presented pictures of rattan storage and stored rattan at Xieng Xien Village and Xieng Leu Village. The ends of the certified rattan canes are painted green, following the CoC procedure.

As reported in the 2013 audit report, the CoC procedure for rattan was thorough, and the submitted documents showed necessary training for CoC in Xieng Xien Village and Xieng Leu Villages. It was confirmed with the auditors in audit 2013 that these were indeed the villages where the problems were found.

Although the actual implementation in the field cannot be confirmed through documents, the auditor considers that the FME has submitted as much evidence as possible through documents.

**NCR Status:**

CLOSED

**Comments (optional):**

III. CONCLUSIONS

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<th>NCRs Closed:</th>
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<tr>
<td>☒ No follow-up required related to closed NCRs</td>
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<tr>
<td>☐ Original NCRs closed and new NCR(s) issued, see section IV below</td>
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IV. OPEN NCRs
Newly issued or upgraded NCRs:

None

V. AUDIT REPORT APPROVAL

Note: a formal Q-09 Report Review and Approval (RRA) Checklist conducted by an independent, authorized reviewer is required when the CVA results in certificate/verification/validation issuance or suspension/termination, or when there is a change in scope. In all other cases, the report may be approved with the 2nd checkbox below by an authorized RRA reviewer which may be the CVA auditor, or by a Senior Auditor.

☐ Refer to separate Q-09 RRA Checklist
☒ Report approved by way of this checkbox
Approved by: Indu Bikal Sapkota
Date: October 29, 2014
☐ Salesforce has been completed with applicable files uploaded, and is updated based on any changes to the Organization details or other areas relevant to the CVA.