Rainforest Alliance

Forest Management
2018 Change of Scope Audit
Report for:

Department of Forestry
In
Vientiane, Lao PDR

August 14, 2018
2nd – 8th May 2018
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Doungta Bouaphavong
Thoumthone Vongvisouk

RA-FM/COC-001711
2 March 2017
1 March 2022

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1. INTRODUCTION

The purpose of this report is to document a Change of Scope conformance audit of Lao Department of Forestry, 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 per 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.


**Acronyms**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAFO</td>
<td>District Agriculture and Forestry Office</td>
</tr>
<tr>
<td>DOFI</td>
<td>Department of Forestry inspection. In charge of law enforcement at the National level for timber and wildlife.</td>
</tr>
<tr>
<td>PAFO</td>
<td>Provincial Agriculture and Forestry Office</td>
</tr>
<tr>
<td>PFA</td>
<td>Production Forest area</td>
</tr>
<tr>
<td>PFS</td>
<td>Provincial Forestry Section. In charge PFAs and uncategorized forest management areas in the province.</td>
</tr>
<tr>
<td>POFI</td>
<td>Provincial Office of Forestry Inspection. In charge of law enforcement at the Provincial level for timber and wildlife.</td>
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<td>PSFM</td>
<td>Participatory Sustainable Forest Management</td>
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2. AUDIT FINDINGS AND RESULTS

2.1. Audit conclusion

<table>
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<th>Certification requirements met, certificate maintenance recommended</th>
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<tr>
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<tr>
<td>Certification requirements not met:</td>
</tr>
<tr>
<td>Conformance with Major NCR(s) required</td>
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**Additional comments:**
Due to the existence of major nonconformances the requested scope expansion cannot be approved. The Department of Forestry (DoF), Lao P.D.R. will need to correct the identified major nonconformances prior to the inclusion of production forest areas into the scope of their FSC FM/CoC group certificate.

**Issues identified as controversial or hard to evaluate.**
No controversial or hard to evaluate issues were identified during the audit.

2.2. Changes in FMEs’ forest management and associated effects on conformance to standard requirements:

The have been no changes in the FMEs’ forest management since the 2018 annual audit conducted in December 2017. In anticipation of the lifting of the national moratorium on harvesting in natural forests, the Department of Forestry (DoF), Lao P.D.R. applied to expand the scope of their existing FSC FM/CoC certificate to include a Production Forest Area (PFA) FMU in Savannakhet Province. The current certificate scope is limited to NTFP rattan production in 2 community managed FMUs in Savannakhet province.

**FSC FM Scope Expansion Audit:**

<table>
<thead>
<tr>
<th>FMU</th>
<th>Location</th>
<th>Size (ha)</th>
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<tbody>
<tr>
<td>Thapangthong Forest Management</td>
<td>Dong Sithouane PFA, Savannakhet Province</td>
<td>101,693</td>
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</table>

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)*:

During stakeholder consultation, an issue was raised by the stakeholders in one of the villages on the FMU. Stakeholders raised a comment related to payment of harvesting fee. Stakeholders provided letter (calculating letter for sales timber in 2nd log yard in Dongkapor and Dongsithuan Forest production area dated 26 July 2010). The stakeholder mentioned that the Hintang village promised to receive a percentage of harvest revenues for 4 village from of the sales of the logs harvested from their area. The letter was signed by head of FMU and DAFO representative. However, the stakeholders mentioned that the village never received the money. Villagers mentioned that they had following up several times but no response. Follow up with the FME staff, it was mentioned that there was no harvesting in 2010 on that villages forest area. The FME provided harvesting report for 2010 that supports the claim that no harvesting occurred on the village territory. The FME also provided 2006 harvesting report where per FME was the last harvest in that village. FME also provided payment evidence for the 2006 harvesting. An observation (01/18) was raised to ensure FME clarifies the misunderstanding with the village.

During other stakeholder interviews with NGOs and other villagers, the comments were positive and that the FME has good relation with stakeholders. This was confirmed during the audit. Specific consultation with WWF Laos suggested that audit team should check on knowledge transfer and training within the DOF as well as benefit sharing mechanism. Audit team evaluated suggested aspect. Training were covered by SUFORD project. Gaps in the effectiveness of training resulted in the issuance of Major NCR 20/18 and Minor NCR 23/18. In relation to implementation on benefit sharing, there was no harvest for the last few years. Consulted villagers’ express satisfaction except one village as mentioned above and an observation was raised on indicator 2.3.1.

2.5. **Conformance with applicable nonconformity reports**

The section below describes the activities of the certificate holder to address each applicable non-conformity 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>
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<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>
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</table>

☐ Check if N/A (there are no open NCRs to review)

Major NCR 01/16 was evaluated and is reported in a separate CVA report.
### 2.6. New nonconformity reports issued as a result of this audit

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<td>FM-32 Laos indicator 1.5.2</td>
<td>Report Section:</td>
<td>Appendix IV</td>
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**Description of Nonconformance and Related Evidence:**

1.5.2 For large operations, a system shall exist for documenting and reporting to the appropriate authority instances of illegal harvesting, settlement, occupation or other unauthorized activities.

The FME works in cooperation with local community in their forest security approach. Interview with staff and villagers confirmed consistent process on documenting and reporting illegal and unauthorized activities. Sample of unauthorized agriculture expansion and illegal logging report were reviewed. The hierarchy of reporting is village – DAFO – PAFO and DOF based on interview with staff. However, until closing meeting, auditor did not receive the relevant procedure. The absence of clear procedure for documenting and reporting illegal/unauthorized activities was considered a minor non-conformance.

**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 next annual audit.

<table>
<thead>
<tr>
<th>NCR Evaluation Type</th>
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<tbody>
<tr>
<td>On-site [ ] Desk Review [x]</td>
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| NCR Status: | OPEN |

Comments (optional):

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<td>FM-32 Laos indicator 1.6.1</td>
<td>Report Section:</td>
<td>Appendix IV</td>
<td></td>
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</tbody>
</table>

**Description of Nonconformance and Related Evidence:**

1.6.1 For large operations, FME shall have a publicly available policy or statement committing the organization to adhere to the FSC certification standards on the forest under assessment.

Based on interview of DAFO and DOF staff, it was mentioned that the publicly available statement was available. However, Auditor did not receive any documented evidence prior to the closing meeting. Therefore, a minor non-conformance was 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:**

By next annual audit.
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**MAJOR NCR#:** 03/18  
**NC Classification:** Major X Minor  
**Standard & Requirement:** FM-32 Laos indicator 4.2.2; 4.2.3; 4.2.4  
**Report Section:** Appendix IV

**Description of Nonconformance and Related Evidence:**

4.2.2 FME shall implement a program of worker safety.
4.2.3 Health and safety measures shall comply with national minimum requirements.
4.2.4 Workers (staff and contractors) shall be provided with well-maintained safety equipment in good working order, appropriate to the tasks of workers and the equipment used (e.g. local norms are important, ideally the following: hard hats, hearing protection, high visibility vests, steel toe boots and chainsaw proof caps).

Interviews with DOF staff confirmed that they have no documented safety plan or program. During interview and checking of PPE in DAFO office, there were hard hats, rubber boots, high visibility vests and gloves available. There were 20 pieces of each item. Most of them were still brand new. Interviewed DAFO staff mentioned that the PPE will be provided during the harvesting activities to selected person only especially who work directly in tree felling. Interview with workers involved in last forest inventory confirmed that they were only provided with one set of PPEs for a team. One set consist of one PPE mentioned above. Therefore, only one person in the team wear PPE. Normally, there were 6 persons in a team. Moreover, during the review of budget plan, there was no specific budget allocated for PPE/safety. Considering the insufficient coverage of FME’s safety program that do not cover all operation, no clear hazard identification and risk assessment, unclear measures and protective equipment policy and no clear safety plan.

Based on Labor law No.43 dated 24 December 2013 Section IV Chapter 3 and the whole section VIII, employer shall establish internal regulation related to ensure worker's safety and health in the workplace that include risk assessment, appropriate measures for reducing hazards and risks, methods for protecting against workplace accidents, protection against injury and occupational diseases and the gradual creation of a culture of safety at the workplace at all times. Per the law article 122, employer shall conduct safety assessment and report to authority annually and consult with union or representative of employees. The FME could not provide any evidence related to requirement above. The identified nonconformances result in a failure to achieve the intent of the criterion and result in 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:** Prior to inclusion to certificate scope.

**NCR Evaluation Type**  
On-site ☒ Desk Review ☐

**Evidence Provided by Organization:** PENDING

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

### NCR Status:
OPEN

### Comments (optional):

### NCR#:
04/18  NC Classification:  Major  Minor X

**Standard & Requirement:**  FM-32 Laos indicator 4.2.5  
**Report Section:**  Appendix IV

#### Description of Nonconformance and Related Evidence:

4.2.5 FME shall maintain up to date records of work-related accidents, and preferably all safety performance.

Interview with staff from PAFO and DAFO confirmed that there were no work-related accidents for the last 12 months. However, there was also no procedure for recording and no record available. Interview with villager involved in last inventory confirmed that in case of accident happen they will treat by themselves and never been told to record. However, the villagers confirmed that there was no major accident happened. Auditor conclude that FME has no clear procedure and record of work-related accident available but since no operation activities for the last 12 months and no accident happened the non-conformance was graded minor.

#### 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 next annual audit.

### NCR Evaluation Type
On-site ✗  Desk Review ☑

**Evidence Provided by Organization:**  PENDING

**Findings for Evaluation of Evidence:**  PENDING

### NCR Status:
OPEN

### Comments (optional):

### NCR#:
05/18  NC Classification:  Major  Minor X

**Standard & Requirement:**  FM-32 Laos indicator 5.1.1  
**Report Section:**  Appendix IV

#### Description of Nonconformance and Related Evidence:

5.1.1 Budgets shall include provision for environmental and social as well as operational costs necessary to maintain certifiable status (e.g. management planning, road maintenance, silvicultural treatments, long-term forest health, growth and yield monitoring, and conservation investments).

SUFORD produces a detailed annual operating budget for the project that includes most elements required to implement an FSC compliant management systems. In the absence of revenue from timber harvesting, DoF covers staff salaries and other operating expenses are covered by the SUFORD project budget.

However, the SUFORD budget and the operation budget included in the 2018 action plan do not include budget allocation for costs related to health and safety program or environmental protection. DoF staff were not able to demonstrate that the costs for these important functions are covered by a separate budget. Both are important operational costs that are required to maintain certifiable status.
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 next annual audit.

NCR Evaluation Type: On-site [ ] Desk Review [x]

Evidence Provided by Organization: PENDING

Findings for Evaluation of Evidence: PENDING

NCR Status: OPEN

Comments (optional):

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<td>06/18</td>
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Description of Nonconformance and Related Evidence:

5.1.2 The income predicted in the operating budgets shall be based upon sound assumptions.

No income predictions were available at the time of the audit. The 2018 action plan for Dong Sithouane PFA includes a list of trees to be harvested along with volume estimates for planned logging operations, however there is no provision to calculate the predicted revenue from the harvested trees.

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 next annual audit.

NCR Evaluation Type: On-site [ ] Desk Review [x]

Evidence Provided by Organization: PENDING

Findings for Evaluation of Evidence: PENDING

NCR Status: OPEN

Comments (optional):

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Description of Nonconformance and Related Evidence:

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

6.1.3 Environmental impacts of on-site processing facilities shall be controlled (e.g. waste, construction impacts, etc.).

6.1.4 Landscape level impacts of forest management (e.g. cumulative effects of forest operations within and nearby the FMU) shall be considered.

Based on the documented evidence provided and interviews with responsible staff, the FME does not have
adequate systems in place to assess environmental impacts prior to site-disturbing operations.

PSFM Operations manual sections 5.1.6 and 6.5 detail potential impacts related to harvesting activities that are to be assessed prior to site disturbing activities. However, there are no specific procedures or work instructions for implementing EIAs or forms to record the results of the assessment to ensure potential impacts are mitigated. Staff interviewed indicated that no EIA takes place before initiation of management activities only a post-harvest impact assessment is completed. Staff also confirmed that there is no procedure to do environmental impact assessment prior to harvesting or other site disturbing activities.

There are no procedures or established systems for controlling environmental impacts from onsite processing facilities (log yard). While currently not in use due to logging moratorium, the audit team did not note excessive amounts of inorganic trash around the site.

Current management planning documents/systems do not consider landscape level impacts of forest management activities on the FMU.

The nonconformances identified for 3 of the 5 indicators of criterion 6.1 result in a failure to achieve the objectives of the criteria and result in a Major Nonconformance at the level of the criterion

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 inclusion to certificate scope.

NCR Evaluation Type: On-site ☒ Desk Review ☐

Evidence Provided by Organization: PENDING

Findings for Evaluation of Evidence: PENDING

NCR Status: OPEN

Comments (optional):

MAJOR NCR#: 08/18 NC Classification: Major X Minor

Standard & Requirement: FM-32 Laos indicators 6.2.1, 6.2.3, 6.2.4, 6.2.5

Report Section: Appendix IV

Description of Nonconformance and Related Evidence:

6.2.1 The likely presence of rare, threatened or endangered species and their habitats (e.g. nesting and feeding areas) shall be assessed on the basis of the best available information.

6.2.3 Appropriate to the scale and intensity of management, conservation zones, protection areas or other protection measures shall be established based on technically sound requirements for the protection of rare, threatened and endangered species and their habitats.

6.2.4 Conservation zones should be demarcated on maps, and where feasible, on the ground.

6.2.5 Effective procedures shall be implemented during forest operations to protect conservation zones, identified species and their habitats

The current forest management plan, Dong Sithouane, Thapangthong, Savannakhet Province Production Forest Management Plan (October 2017) includes a list of the number of RT&E flora and fauna species that "occur" on the FMU but does not detail the names of species or locations they were found. No conservation zones or management strategies are documented to protect the species or conservation zones during harvesting. There was no evidence that formal field surveys to identify presence of RT&E species have occurred. The FME does periodically interview villages regarding the wildlife species they have encountered and record this in village meeting minutes.
The FME undertook comprehensive HCV assessments in 2004 and 2011. Both assessments identified numerous RTE species that have been known to exist on the FMU or could be present. Some of the species are listed on international indices (e.g. IUCN, CITES) as endangered, critically endangered, globally endangered, at risk of extinction, etc. The lists included Eld’s deer, Asian elephants, Asian tigers, Siamese crocodile, and others. However, the information from these assessments have not been incorporated into current management plan.

The nonconformances identified for 4 of the 6 indicators of this criterion result in a failure to achieve the objectives of the criteria and result in a Major Nonconformance at the level of the criterion.

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 inclusion to certificate scope.

NCR Evaluation Type
On-site  Desk Review

Evidence Provided by Organization:
PENDING

Findings for Evaluation of Evidence:
PENDING

NCR Status:
OPEN

Comments (optional):

NCR#:
09/18

NC Classification:
Major
Minor X

Standard & Requirement:
FM-32 Laos indicator 6.3.1

Report Section:
Appendix IV

Description of Nonconformance and Related Evidence:
6.3.1 The forest manager shall have site-specific data or published analyses of local forest ecosystems that provides information on the FMU with regards to:
  • regeneration and succession
  • genetic, species and ecosystem diversity
  • natural cycles that affect productivity

From the system of PSPs located on the PFAs in Laos, DOF does have data on forest growth, forest types and tree species present on the FMU. However, the FME was not able to demonstrate that they possess site-specific data or published analysis of local forest ecosystems that provides information on the FMU that is listed in the indicator.

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 next annual audit.

NCR Evaluation Type
On-site  Desk Review

Evidence Provided by Organization:
PENDING

Findings for Evaluation of Evidence:
PENDING
NCR Status: OPEN
Comments (optional):

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<tr>
<td>Report Section:</td>
<td>Appendix IV</td>
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**Description of Nonconformance and Related Evidence:**

6.5.1 *All forest operations with the potential for negative environmental impact (as identified in 6.1) shall have written guidelines defining acceptable practices which are available to forest managers and supervisors. Such operational guidelines shall meet or exceed national or regional best management practices.*

6.5.6 *Road construction, maintenance and closure standards shall be followed in the forest.*

PSFM operations manual, dated in June 2018 (page 87) provides detailed procedures for implementation of activities with the potential for environmental impact including road construction and bridge building. The procedures are consistent with national DOF Guideline on Timber Harvesting in Production Forest No.2157. Procedures include:

- Construction of logging roads on flat and sloping terrain.
- Installing stream crossings.
- Log landings
- Logging camps
- Tree felling
- Log transport to first landing
- Log transport to second landing

However, there are no procedures or guidelines for road monitoring and maintenance. As forest roads are included within the defined scope of the expansion audit there needs to be defined guidelines for implementing road maintenance activities to minimize potential environmental impacts. This is raised as minor nonconformance because there have been no forest management operations on the FMU for several years so road use is limited to use by local villages.

**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 next annual audit.

**NCR Evaluation Type**

On-site ✔ Desk Review ❌

**Evidence Provided by Organization:**

PENDING

**Findings for Evaluation of Evidence:**

PENDING

**NCR Status:**

OPEN

Comments (optional):

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**Description of Nonconformance and Related Evidence:**

6.5.2 *Maps and/or work plans shall be produced at a scale that allows effective monitoring of vulnerable*
areas (e.g. hilly terrain) and supervision of soil and water resource management and protection activities.

FME staff explained that the maps provided for timber harvesting operations are large-scale tree location maps. The audit team looked at a tree location map for a planned harvest operation and confirmed that these maps do not include locations of streams, roads or other sensitive areas that could be impacted through harvesting activities. The audit team concluded that the tree location maps are not sufficient to meet the intent of this indicator.

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 next annual audit.

NCR Evaluation Type

Evidence Provided by Organization: PENDING

Findings for Evaluation of Evidence: PENDING

NCR Status: OPEN

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### Description of Nonconformance and Related Evidence:

**7.4.1** FME shall make publicly available a summary of the management plan including information on elements listed in criterion 7.1.

FME staff provided summary of 2017 management plan. During the audit, the summary of 2018 management plan was not available. The 2017 summary did not include Map, rate of harvest, and monitoring provision. Moreover, FME staff confirmed that the document was not publicly available. A minor NCR was 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:

By next annual audit.

### NCR Evaluation Type

On-site [ ] Desk Review [X]

### Evidence Provided by Organization:

| Findings for Evaluation of Evidence: | PENDING |
| NCR Status: | OPEN |
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### Description of Nonconformance and Related Evidence:

**8.3.2** Sales invoices and other documentation related to the sale of certified products shall include the chain of custody certificate code in the correct format (e.g. RA-FM/COC-XXXX).

Interviewed staff provided FME’s instruction for selling and transportation of certified log dated 2010. The instruction was using incorrect code “SW” from previous certification and has not been updated. A minor NCR was 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:

By next annual audit.

### NCR Evaluation Type

On-site [ ] Desk Review [X]
### Description of Nonconformance and Related Evidence:

8.5.1 For large operations, results of monitoring shall be incorporated into summaries and other documents that are publicly available.

Interviews confirmed that the monitoring results were in separated documents and not made publicly available. A minor non-conformance was 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:**

By next annual audit.

**NCR Evaluation Type**

On-site [ ] Desk Review [x]

### Description of Nonconformance and Related Evidence:

9.1.1 FMEs shall have conducted an assessment to identify HCVs. Such an assessment should include:

- Consultation with conservation databases and maps;
- Consideration of primary or secondary data collected during forest inventories on the designated forest area by FME staff, consultants or advisors;
- Interviews with environmental/biological specialists indigenous/local communities, and scientific experts, etc.;
- Documentation of threats to HCVs; and,
- If threats to HCVs or HCVF exist, identification of actions to address the threats.

9.1.2 For large operations, FME shall:

- Produce written HCVF assessment(s) that identify(ies) HCVs or HCVF and proposes strategies to ensure their protection; and,
- Conduct credible, independent, technically qualified review of the HCVF assessment and related recommendations to address HCV threats and protection; and,
• **Demonstrate that credible actions are being taken to address HCV/HCVF protection and/or threat reduction.**

The FME had previously completed two comprehensive HCV assessments for the Dong Sithouane FMU. The first was completed in 2004 and the re-assessment was completed in mid-2011 using a newly developed HCV framework for Laos. Both HCV assessments were completed considering primary and secondary data available and through consultation with relevant specialist. Both assessments detail extensive areas of HCV for all 6 categories. During interviews in the Savannakhet Provincial Forestry office, staff indicated that the HCV assessments were no longer valid and only HCV 4 and 6 remained on the FMU. Riparian zones along importance rivers are categorized as HCV 4 as these rivers are critical sources of water for villages and village spirit forests and cremation locations are identified as HCV 6.

Examples of HCVs identified in the 2004 and 2011 assessments that were dropped include; HCV 3 - large areas or relatively intact dry diptocarp forests in the eastern part of the forest were classified as HCV as they are underrepresented in NPAs, and are critical habitat for Eld’s deer which are known to be in the area. The population known to exists on the two PFAs in Savannakhet is one of only two remaining in Laos; HCV 1 – the presence of globally endangered species (Asian Elephant, Tiger, Siamese crocodile, Guar, Eld’s deer, cobra, etc) has been documented in the two HCV assessments conducted in the past 15 years. As these species were previously confirmed to exist on the FMU, the precautionary approach would require that a more intensive study be undertaken to determine the extent that these species exist on the FMU before dropping them as an HCV.

This drastic change in defined HCV areas is not supported by an updated HCV assessment, stakeholder consultation or supporting information detailing why areas previously identified as HCV 1, 2, 3 and 5 in two previous HCV assessments are no longer classified as HCVs. When question, staff indicated the focused has shifted from forest conservation to production forest. Based on this evidence the audit team concluded that the FME’s management systems does not include a HCV assessment that meets the requirements of this criterion.

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**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 inclusion to certificate scope.

**NCR Evaluation Type**
- On-site [x]
- Desk Review [ ]

**Evidence Provided by Organization:** PENDING

**Findings for Evaluation of Evidence:** PENDING

**NCR Status:** OPEN

**Comments (optional):**

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**MAJOR NCR#:** 17/18  
**NC Classification:** Major X  
**Minor**

**Standard & Requirement:** FM-32 Laos indicators 9.2.1, 9.2.2, 9.2.3

**Report Section:** Appendix IV

**Description of Nonconformance and Related Evidence:**

9.2.1 **FME consultations with stakeholders shall clearly outline identified conservation attributes as well as proposed strategies for their maintenance or threat reduction.**

The HCV assessments completed in 2004 and 2011 both included consultation with stakeholders that outlined the conservations attributes and proposed strategies for their maintenance or threat reduction. Both assessments identified large areas of HCV 1, 2, 3 and 5. Stakeholders provided input on the proposed
management strategies for these identified attributes and protection measures. The assessments detail how these comments were considered in finalizing the HCV assessment. The decision to declassify the identified HCVs 1, 2, 3 and 5 from management systems did not go through a consultation process with relevant stakeholders. No evidence of stakeholder support was provided to support the decision to declassify nearly all HCVs was presented.

9.2.2 For large operations, the stakeholder consultation for HCVF strategy development, and actions taken in response to such consultation, shall be documented.

There is no valid HCV assessment in place and no stakeholder consultation has been implemented for the revised HCV results.

The nonconformances identified for the 2 indicators of this criterion result in a fundamental failure to achieve the objects of the criteria resulting in a major nonconformance.

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 inclusion to certificate scope.

NCR Evaluation Type On-site [✓] Desk Review [ ]

Evidence Provided by Organization: PENDING

Findings for Evaluation of Evidence: PENDING

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Description of Nonconformance and Related Evidence:

9.3.1 If HCVF or HCVs are present, planning documents shall provide site-specific information which describes the measures taken to protect or restore such values.

9.3.2 Measures to protect HCVF values shall be available in public documents or in the FME management plan summary.

HCVs are present on the Dong Sithouane PFA. However, there is no longer a valid HCV assessment that meets the requirements of criteria 9.1 or 9.2 to inform the required information in planning documents to protect the HCVs that exist on the FMU. The current FMU management plan only includes a table summarizing the area of each category of HCV located on the sub-FMUs, along with generic protection measures. The FME did not provide evidence of site-specific information which describes the measures taken to protect or restore such values. No evidence was provided to demonstrate that measures to protect HCVs are included in publicly available documents.

The nonconformances identified for both applicable indicators of this criterion result in a fundamental failure to achieve the objects of the criteria resulting in a major nonconformance.

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.

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| Standard & Requirement: | FM-32 Laos indicator 9.4.1  
| Report Section: | Appendix IV  
| Description of Nonconformance and Related Evidence: |  

9.4.1 A system for continuous monitoring of HCVF values shall be incorporated into the FME’s planning, monitoring and reporting procedures.

No evidence was provided to demonstrate that the FME has a system for continuous monitoring of HCVs that is incorporated into the FME’s planning, monitoring or reporting procedures. The PSFM Operations manual section 6.4.5 Continuous and Participatory Monitoring of HCV/HCVF, provides very general procedures that monitoring will be conducted but does not include; specific description of monitoring activities; work instructions for implementing the monitoring activities or how monitoring results will be utilized to inform management planning. This represents a fundamental failure to achieve the objectives of criterion 9.4 and results in a major nonconformance.

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 inclusion to certificate scope.  
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| NCR Evaluation Type | On-site ☒ Desk Review ☐  
| Evidence Provided by Organization: | PENDING  
| Findings for Evaluation of Evidence: | PENDING  
| NCR Status: | OPEN  
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| MAJOR NCR#: | 20/18 | NC Classification: | Major X | Minor  
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| Standard & Requirement: | FM-35 indicator CoC.1.2  
| Report Section: | Appendix V  
| Description of Nonconformance and Related Evidence: |  

COC 1.2: All relevant staff shall demonstrate awareness of the FME’s procedures and competence in implementing the FME’s CoC control system.

During interview with staff, several key staff were demonstrating awareness of tree marking process and
could clearly provide copy of the documented procedure. However, in relation to record keeping, claim, trademark and registration code, no staff demonstrate sufficient knowledge. Moreover, DAFO staff could not provide the documented evidences, PAFO staff could provide partial procedures only. It was confirmed that all interviewed staff were key responsible staff. The insufficient knowledge was considered as insufficient system; therefore, a Major NCR was 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:** Prior to inclusion to certificate scope.

**NCR Evaluation Type**  
On-site [x] Desk Review [ ]

**Evidence Provided by Organization:** PENDING

**Findings for Evaluation of Evidence:** PENDING

**NCR Status:** OPEN

**Comments (optional):**

**NCR#:** 21/18  
**NC Classification:** Major  
**Minor X**

**Standard & Requirement:** FM-35 indicator CoC.1.3

**Report Section:** Appendix V

**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.

All of the FMU was included within the scope of evaluation and no non-certified material enter the FMU therefore point a and b was not applicable. In terms of point c to e, interviewed staff could not provide any documented evidence nor demonstrate knowledge on point c to e. During review of FME PSFM, section 5.3.7 point 3.h mentions that sales documentation is require to include all FSC required information but did not detail what information shall be included. In FME’s instruction for selling and transportation of certified log dated 2010, there were instruction with incorrect code using “SW” and using “FSC Pure”. In section, 5.3.6.3 point 4 it was mentioned 5 years record keeping. The procedure for trademark use was available in PSFM operation manual section 5.3.8 and group certification manual section 6.6. The unawareness of staff to the procedure was addressed in CoC.1.2. The incorrect claim procedure for point c was considered as minor non-conformance.
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 next annual audit

NCR Evaluation Type: On-site Desk Review

Evidence Provided by Organization: PENDING

Findings for Evaluation of Evidence: PENDING

NCR Status: OPEN

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| Report Section: | Appendix V | Description of Nonconformance and Related Evidence: | COC 3.3: FME shall compile an annual report on FSC certified sales containing monthly sales in terms of volume of each FSC certified product sold to each customer. This report shall be made available to Rainforest Alliance staff and auditors during regular audits and upon request.

Interviewed staff confirmed that the FME did not provide monthly sales report and no procedure require it. The FME only made annual production report.

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 next annual audit.

NCR Evaluation Type: On-site Desk Review

Evidence Provided by Organization: PENDING

Findings for Evaluation of Evidence: PENDING

NCR Status: OPEN

Comments (optional):

Note: DoF Group entity includes FMUs being assessed for FSC CW/FM Certification against FSC-STD-30-010, therefore the evaluation of FC STD-30-005 included group members for both standards.

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<td>1.4 The Group entity shall define training needs and implement training activities and/or communication</td>
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strategies relevant to the implementation of the applicable FSC standards.

2.3 Group entity staff and Group members shall demonstrate knowledge of the Group’s procedures and the applicable Forest Stewardship Standard.

The group entity has defined annual training for conducting internal audits, but no further training needs are defined beyond that topic. The training they conducted in 2018 for implementing internal audits used the DOF 10 principles of good forestry and not the FSC standards. Therefore, not recent training has been implemented related to implementation of the applicable FSC standards.

Group entity has not defined and implemented training to ensure implementation of FSC requirements. Staff interviewed throughout the audit were not knowledgeable of FSC standard requirements or the PSFM Operations Manual.

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 next annual audit.

NCR Evaluation Type: On-site [x] Desk Review [ ]

Evidence Provided by Organization: PENDING

Findings for Evaluation of Evidence: PENDING

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Description of Nonconformance and Related Evidence:

3.1 The Group entity shall establish, implement and maintain written procedures for Group membership covering all applicable requirements of this standard, according to scale and complexity of the group including:

I. Organizational structure;
II. Responsibilities of the Group entity and the Group members including main activities to fulfill such responsibilities (i.e. Development of management plans, sales and marketing of FSC products, harvesting, planting, monitoring, etc);
III. Rules regarding eligibility for membership to the Group;
IV. Rules regarding withdrawal/ suspension of members from the Group;
V. Clear description of the process to fulfill any corrective action requests issued internally and by the certification body including timelines and implications if any of the corrective actions are not complied with;
VI. Documented procedures for the inclusion of new Group members;
VII. Complaints procedure for Group members.

The DoF Group Certification Operations Manual Revised 2016 includes detailed procedures for group membership that cover all points except V. The Group Procedures Manual does not contain a clear description of the process to fulfill any corrective action requests issued internally and by the certification body including timelines and implications if any of the corrective actions are not complied with.
### 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 next annual audit.

### NCR Evaluation Type:
On-site ☐ Desk Review ☒

### Evidence Provided by Organization:
PENDING

### Findings for Evaluation of Evidence:
PENDING

### NCR Status:
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### NCR#:
26/18

### NC Classification:
Major ☒ Minor X

### Standard & Requirement:
FSC-STD-30-005; 4.2

### Report Section:
Appendix VII

### Description of Nonconformance and Related Evidence:

#### 4.2 A consent declaration or equivalent shall be available between the Group Entity and each Group member

The Group entity provides all group members with the DoF Group Certification Operations Manual to convey the relevant information related to the consent agreements. The manual includes all information specified in this criterion except for reference to, or inclusion of the FSC Controlled Wood Standard for FMEs FSC-STD-30-010 v1-0. Group member staff at the Provincial and District levels informed the audit team that they had not seen the FSC Controlled Wood Standard for FMEs, FSC-STD-30-010. The group procedures cover both the FSC FM/CoC members and FSC CW/FM members so both are covered by the scope of this evaluation. Based on this evidence the audit team concluded that the Group Entity has not ensured all group members have been provided access to the applicable FSC standards.
The DoF Group Certification Operations Manual includes a procedure in section 5.4.1 on page 60 that specifies all group members are required to sign a Group Membership agreement for admittance in the DOF Group of FMUs and that this also signifies their commitment to a level of management consistent with the national standards and the FSC Principles and Criteria.

However, during interviews with the Group Manager and SUFORD project consultant, they confirmed that there is no consent declaration and that the Group Membership agreement that is specified in the Group Manual is not being implemented. Therefore, there is no consent declaration or equivalent available for the four new group member FMUs included in the scope of the the FM/CoC scope expansion audit and CW/FM assessment.

The group manager indicated that consent is implied as the group entity and candidate group members are part of the same governmental department, therefore, a consent declaration is not required. This is not specified in the group manual. The manual specifies that membership in the group requires a signed Group Membership Agreement. Based on this evidence the audit team concluded that the FME is not in conformance with criterion 4.2 and is not implementing their documented 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:**
By next annual audit.

**NCR Evaluation Type**
On-site [ ] Desk Review [ ]

**Evidence Provided by Organization:**
PENDING

**Findings for Evaluation of Evidence:**
PENDING

**NCR Status:**
OPEN

**NCR#:**
27/18  
**NC Classification:**  
Major [ ] Minor X [ ]

**Standard & Requirement:**
FSC-STD-30-005; 8.1

**Report Section:**
Appendix VII

**Description of Nonconformance and Related Evidence:**

8.1 The Group entity shall implement a documented monitoring and control system that includes at least the following:

1. Written description of the monitoring and control system;
2. Regular (at least annual) monitoring visits to a sample of Group members to confirm continued compliance with all the requirements of the applicable Forest Stewardship Standard

The group entity has “DOF Group Certification Operations Manual” (GCOM) dated May 2016. Section 5.1 of the GCOM provided clear requirement that members of the DOF Group of FMUs are subject to annual monitoring and assessment. The procedure for internal audit was also described in section 5.4. Although in section 5.4.5 mentioned that internal audit shall use FSC principle and criteria, reviewed available internal audit report dated March 2018 and 2016 confirmed that the FME did not use FSC standard for their internal audit. The DOF use 10 principles developed by DOF (ten Principles of Good FMU Management) that did not cover all FSC FM or CW requirement. Auditor concluded that the group entity’s internal audit cannot confirm continued compliance with all the requirements of the applicable Forest Stewardship Standard.
However, since the current scope only included SLIMF and no significant issues was identified by CB, this non-conformance was graded as minor.

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| **NCR#:** | 28/18 |
| **NC Classification:** | Major | Minor [x] |
| **Standard & Requirement:** | FSC-STD-30-005;8.7 |
| **Report Section:** | Appendix VII |

**Description of Nonconformance and Related Evidence:**

8.7 The Group entity shall issue corrective action requests to address non-compliances identified during their visits and monitor their implementation.

Reviewed internal audit report dated March 2018 confirmed that the group entity (GE) issued CAR to address non-compliances identified during internal audit. All non-conformances identified were graded as minor and has 12 months’ timeline for conformance. Auditor also reviewed previous internal audit report dated 2016 and 2017 with several CARs issued. However, there was no monitoring of the implementation of the CAR. Interviewed staff mentioned that many non-conformances have not been addressed. The GE cannot provide evidence of monitoring on implementation of CARs. Since the current scope is only SLIMF with limited impact and activities and no major issue identified by internal audit and CB, the non-conformance was graded as minor.

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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).

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<thead>
<tr>
<th>OBS 01/18</th>
<th>Reference Standard &amp; Requirement: FM-32 Laos indicator 2.3.1.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3.1 FME shall use mechanisms for resolving disputes over tenure claims and use rights that respectfully involve the disputants and are consistent in process.</td>
<td></td>
</tr>
</tbody>
</table>

During stakeholder consultation, stakeholders raised a comment related to payment of harvesting fee. Stakeholders provided a letter detailing the calculated revenues from a timber sale planned for the Dongkapor and Dongsithuan Forest production area dated 26 July 2010. The stakeholder informed the audit team that the timber harvest revenue was never received from DoF. The stakeholder indicated that they followed up several times but never received a response. The letter was signed by head of FMU and DAFO representative. Through follow up with the FME staff and verification of 2010 harvesting records, the audit team confirmed that the planned harvest was never implemented, therefore no outstanding payment is due to the village. The FME also provided 2006 harvesting report where according to FME was the last harvest in the village. FME also provided payment evidence for the 2006 harvesting.

Observation

FME should ensure clear and timely responses to stakeholder inquiries to avoid future misunderstandings.
## 3. AUDIT PROCESS

### 3.1. Auditors and qualifications:

<table>
<thead>
<tr>
<th>Auditor Name</th>
<th>Auditor role</th>
<th>Qualifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gabriel Bolton</td>
<td>Auditor role</td>
<td>Bachelors of Science in Forestry from the University of Vermont (1996). Over 10 years of experience working as a forester in the Northeastern US with 15 years of experience related to forest certification. Employed by Rainforest Alliance since 2006 and currently is Rainforest Alliance’s global technical expert on forest management certification. Gabe has participated in more than 40 audits and assessments on six continents in addition to completing Rainforest Alliance CoC and FM Lead Assessor Training.</td>
</tr>
<tr>
<td>Pratama Bagus Kurniaji</td>
<td>Auditor role</td>
<td>Kurniaji, graduated from Universitas Gadjah Mada with Forest Resource Conservation major. Experienced in FSC FM/CoC assessments and audits in SE Asia countries and Indonesia mandatory forest certification audit (PHPL). He has completed FSC FM Lead auditor training, SAN lead auditor training, Trademark Training and FSC Chain of Custody lead auditor training. Currently work in Rainforest Alliance as FM and Verification service coordinator that managing clients in Asia Pacific.</td>
</tr>
<tr>
<td>Douangta BOUAPHAVONG</td>
<td>Auditor role</td>
<td>Local Expert</td>
</tr>
<tr>
<td>Thoumthone Vongvisouk</td>
<td>Auditor role</td>
<td>Local Expert</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Thoumthone Vongvisouk has a PhD degree on natural resource governance, his PhD dissertation focuses on natural conservation, land use planning, livelihood development and REDD+ (Reducing Emission from Deforestation and Forest Degradation). Based on his expertise, he worked for several research projects in relation to land use planning, natural resources governance and so forth. These include “Impact of I-REDD Project activities on Rural People’s livelihoods: <a href="http://www.i-redd.eu%E2%80%9D">www.i-redd.eu”</a>; “Property and Citizenship in Developing Societies (ProCit): <a href="http://www.procit.dk%E2%80%9D">www.procit.dk”</a>; “International Program for Research on the Interactions between Population, Development, and Environment” and so on. Beside scientific research projects, he also worked as a national consultant for several projects and International NGOs. These include, but not limit to, (1) in 2015, he assessed how local responses and policy option on falling rubber prices in the Northern Laos, which is supported by HELVETAS Swiss cooperation in Laos; (2) in October 2015, he also worked as national consultant for assessment of Environmental Safeguard for SUFORD (Sustainable Forestry and Rural Development), supported by the World Bank and the Government of Finland; (3) in 2014, he worked as a consultant for evaluation of the final project of the PAREDD (Participatory land and Forest Management for Reducing Deforestation, supported by JICA; (4) in 2014, he also worked as National REDD consultant for the World Wild Fund for nature (WWF); (5) in 2006, he worked as national consultant for assessment of opportunities to promote responsible procurement and certification in Laos’s forest product sector; etc.</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>2(^{nd}) May 2018</td>
<td>Vientiane Capital</td>
<td>National Stakeholder consultation + Opening meeting</td>
</tr>
<tr>
<td>3(^{rd}) May 2018</td>
<td>Savannakhet Province</td>
<td>Traveling to Savannakhet Province</td>
</tr>
<tr>
<td>4(^{th}) May 2018</td>
<td>Savannakhet Province</td>
<td>Stakeholder consultation Savannakhet Province</td>
</tr>
<tr>
<td>5(^{th}) – 6(^{th}) May 2018</td>
<td>Savannakhet Province</td>
<td>Field audit Thapangthong FMA</td>
</tr>
<tr>
<td>7(^{th}) May 2018</td>
<td>Savannakhet Province</td>
<td>Document review and staff interviews.</td>
</tr>
<tr>
<td>8(^{th}) May 2018</td>
<td>Savannakhet and Khammouane Province</td>
<td>FSC FM/CoC expansion audit closing meeting (Provincial office) and travel to Khammouane Province.</td>
</tr>
<tr>
<td>23(^{rd}) May 2018</td>
<td>Vientiane DoF office</td>
<td>CVA and Group entity audits</td>
</tr>
<tr>
<td>24(^{th}) May 2018</td>
<td>Vientiane Capital</td>
<td>Final closing meeting for CVA, FSC FM/CoC expansion audit and CW/FM assessment.</td>
</tr>
</tbody>
</table>

Total number of person days used for the audit: 32

= number of auditors participating \(4 \times \) average number of days spent in preparation, on site and post site visit follow-up including stakeholder consultation \(8\)

3.3. Sampling methodology:

The objective of the audit was to expand the scope of the current FSC FM/CoC group certificate to include timber production FMUs. The current certificate scope is restricted to low intensity SLIMF NTFP producing FMUs. The scope of the FME’s FSC FM/CoC certificate previously included timber production FMUs, including the FMU that is the focus of this evaluation. The scope of the certificate was reduced in response to the decision to stop all logging in natural forest in Lao P.D.R. several years ago. The FME is now seeking to add production forest areas back into the scope in anticipation that the moratorium on logging in natural forests will be lifted soon.

The FME, along with its partners are implementing a Participatory Sustainable Forest Management model on the FMU, where management activities and responsibilities are shared with local villages. As no harvesting operations have occurred for several years, the focus was to evaluate; staff and community’s knowledge of FME’s documented management systems, implementation of non-harvest related management activities, accuracy of tree inventory maps and data, identification and protection of HCVs and engagement with local communities to ensure their rights and resources are identified and protected. To achieve this the audit team; conducted a thorough review of the FMEs documented management systems and maps, interviewed DOF staff at the national, provincial and district levels, conducted interviews with relevant stakeholders, carried out stakeholder meetings in four separate villages and inspected planned harvest locations to verify map and inventory accuracy.

3.3.1 List of FMUs selected for evaluation
### 3.4. Stakeholder consultation process

Prior to audit, stakeholder notification was distributed to key stakeholders’ via email. There was no feedback received prior to the initiation of the audit in response to the stakeholder notification. A stakeholder workshop was conducted in the Capital, Vientiane on 2 May 2018 to formally kick off the project. Key national and provincial stakeholders were invited to participate in the workshop. Stakeholder consultation during the audit consisted of formal meetings in villages located within the FMU, consultation with relevant government departments and other relevant eternal stakeholders.

<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>FSC offices &amp; ASI</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Government Departments</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>ENGOs</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Social NGOs</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Labor Union</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Forest Industry</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Members of local communities</td>
<td>34</td>
<td>34</td>
</tr>
</tbody>
</table>

### 3.5. Changes to Certification Standards

- **Forest stewardship standard used in audit:**
  - FM-32: Rainforest Alliance/SmartWood Interim Standard for Assessing Forest Management in Laos Ver 12-14;
  - FM-33 Rainforest Alliance/ SmartWood Generic Non-Timber Forest Products Certification Addendum (March 2012);
  - FSC-STD-30-005 FSC standard for group entities in forest management groups v1-1

- **Revisions to the standard since the last audit:**
  - ☑ No changes to standard.
  - ☐ Standard was changed (detail changes below)

- **Changes in standard:**
  - In 2017 small changes were made to the FSC Standard for Group Entities in Forest Management Groups FSC-STD-30-005 to clarify some terms and definitions.

- **Implications for FME:**
  - Not applicable - no new requirements
## 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: One grievance as mentioned in stakeholder issue above.</td>
<td></td>
</tr>
<tr>
<td>Accident records</td>
<td>Y ☐ N ☒</td>
</tr>
<tr>
<td>Comments: No accident records were available. An NCR was raised.</td>
<td></td>
</tr>
<tr>
<td>Training records</td>
<td>Y ☒ N ☐</td>
</tr>
<tr>
<td>Comments: Through the SUFORD project, detailed annual training plans are prepared. Plans include topic, trainees and allocated budget.</td>
<td></td>
</tr>
<tr>
<td>Operational plan(s) for next twelve months</td>
<td>Y ☒ N ☐</td>
</tr>
<tr>
<td>Comments:</td>
<td></td>
</tr>
<tr>
<td>Inventory records</td>
<td>Y ☒ N ☐</td>
</tr>
<tr>
<td>Comments:</td>
<td></td>
</tr>
<tr>
<td>Harvesting records</td>
<td>Y ☐ N ☒</td>
</tr>
<tr>
<td>Comments: There has been no harvesting for several years due to logging ban.</td>
<td></td>
</tr>
</tbody>
</table>

### b) Group Certificates

<table>
<thead>
<tr>
<th>Required Group Records</th>
<th>Reviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group management system</td>
<td>Y ☒ N ☐</td>
</tr>
<tr>
<td>Comments:</td>
<td></td>
</tr>
<tr>
<td>Rate of membership change within the group</td>
<td>Y ☐ N ☒</td>
</tr>
<tr>
<td>Comments: Not applicable. There has been no change in membership.</td>
<td></td>
</tr>
<tr>
<td>Formal communication/written documentation sent to members by the group entity during the audit period</td>
<td>Y ☐ N ☒</td>
</tr>
<tr>
<td>Comments: No formal communication or records of written documentation sent to group members was available during the audit. Minor NCR issued.</td>
<td></td>
</tr>
<tr>
<td>Records of monitoring carried out by the group entity</td>
<td>Y ☒ N ☐</td>
</tr>
<tr>
<td>Comments: Internal audit reports were available for all FMUs include in the scope of the two evaluations.</td>
<td></td>
</tr>
<tr>
<td>Records of any corrective actions issued by the group entity</td>
<td>Y ☒ N ☐</td>
</tr>
<tr>
<td>Comments: Internal audit reports included correct actions requests.</td>
<td></td>
</tr>
<tr>
<td>Updated list of group members</td>
<td>Y ☒ N ☐</td>
</tr>
<tr>
<td>Comments:</td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX I: FSC FM Change of Scope Audit Reporting Form:

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

**Forest management enterprise information:**

<table>
<thead>
<tr>
<th>Forest management enterprise information:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FME legal name:</td>
<td>Department of Forestry</td>
</tr>
<tr>
<td>FME Certificate Code:</td>
<td>RA-FM/COC – 001711</td>
</tr>
<tr>
<td>Reporting period</td>
<td>Previous 12 month period <strong>Dates</strong> May 2017 to May 2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1. Scope Of Certificate</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of certificate:</td>
<td>multiple FMU with single group of like FMU-s</td>
</tr>
<tr>
<td>SLIMF Certificate:</td>
<td>not applicable</td>
</tr>
</tbody>
</table>

**New FMUs added since previous evaluation**

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

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

<table>
<thead>
<tr>
<th>2. FME Information</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No changes since previous report (if no changes since previous report leave section blank)</td>
<td></td>
</tr>
<tr>
<td>Forest zone</td>
<td>Tropical</td>
</tr>
<tr>
<td>Certified Area under Forest Type</td>
<td></td>
</tr>
<tr>
<td>- Natural</td>
<td>74472 hectares</td>
</tr>
<tr>
<td>- Plantation</td>
<td>0 hectares</td>
</tr>
<tr>
<td>Stream sides and water bodies</td>
<td>480 Linear Kilometers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Forest Area Classification</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No changes since previous report (if no changes since previous report leave section blank)</td>
<td></td>
</tr>
<tr>
<td>Total certified area (land base)</td>
<td>101693 ha</td>
</tr>
<tr>
<td>1. Total forest area</td>
<td>74472 ha</td>
</tr>
<tr>
<td>a. Total production forest area</td>
<td>36521 ha</td>
</tr>
<tr>
<td>b. Total non-productive forest area (no harvesting)</td>
<td>37951 ha</td>
</tr>
<tr>
<td>- Protected forest area (strict reserves)</td>
<td>1936 ha</td>
</tr>
<tr>
<td>- Areas protected from timber harvesting and managed only for NTFPs or services</td>
<td>36015 ha</td>
</tr>
<tr>
<td>- Remaining non-productive forest</td>
<td>0 ha</td>
</tr>
<tr>
<td>2. Total non-forest area (e.g., water bodies, wetlands, fields, rocky outcrops, etc.)</td>
<td>27221 ha</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. High Conservation Values identified via formal HCV assessment by the FME and respective areas</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No changes since previous report (if no changes since previous report leave section blank)</td>
<td></td>
</tr>
<tr>
<td>Code</td>
<td>HCV TYPES¹</td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
</tr>
<tr>
<td>HCV1</td>
<td>Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).</td>
</tr>
<tr>
<td>HCV2</td>
<td>Forest areas containing globally, regionally or nationally significant large landscape level</td>
</tr>
</tbody>
</table>

¹ 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](http://hcvnetwork.org/library/global-hcv-toolkits).
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.

<table>
<thead>
<tr>
<th>HCV3</th>
<th>Forest areas that are in or contain rare, threatened or endangered ecosystems.</th>
<th>ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>HCV4</td>
<td>Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control).</td>
<td>1936 ha</td>
</tr>
<tr>
<td>HCV5</td>
<td>Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health).</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>
<td>64 ha</td>
</tr>
</tbody>
</table>

Number of sites significant to indigenous people and local communities 32

| 5. Workers | |
|-------------|---|---|
| Number of workers including employees, part-time and seasonal workers: | |
| Total number of workers | 35 workers |
| - Of total workers listed above | 30 Male | 5 Female |
| Number of serious accidents | 0 | |
| Number of fatalities | 0 | |

<table>
<thead>
<tr>
<th>6. Pesticide Use</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ FME does not use pesticides. (delete rows below)</td>
<td>ha</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>Department of Forestry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Contact</td>
<td>Bounpone Senthong</td>
</tr>
<tr>
<td>Title</td>
<td>Deputy Director General</td>
</tr>
<tr>
<td>Primary Address</td>
<td>Vientiane Capital, Lao PDR</td>
</tr>
<tr>
<td>Telephone</td>
<td>(856)20 22227330</td>
</tr>
<tr>
<td>Fax</td>
<td></td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:bounpone.sth@gmail.com">bounpone.sth@gmail.com</a></td>
</tr>
<tr>
<td>Webpage</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>☑ Add/Delete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total certified area</td>
<td>☑ Add/Delete</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hectares (or)</td>
<td>Acres</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Species** (note 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>Xyilia kerrii; Anisoptera robusta</td>
<td>Mai deng; Mai bak</td>
<td>Add</td>
</tr>
<tr>
<td>Hopea pierrei; Hopea feerea</td>
<td>Mai laen; Mai khenhin</td>
<td>Add</td>
</tr>
<tr>
<td>Lagerstroemia tomentosa</td>
<td>Mai peuy</td>
<td>Add</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>Log</td>
</tr>
</tbody>
</table>
APPENDIX II-a: Certified Group Member/FMU List

(Insert additional rows as necessary for groups with more than 15 members).

1. **Total # members in the certified pool:** 3

2. **Total area in Current Pool (ha. or acres):** 112,642

**CERTIFIED FMU TABLE** *(list all FMU included in FM/CoC certificate scope)*

<table>
<thead>
<tr>
<th>Name of Member/Contact Details</th>
<th>Assigned Sub Code</th>
<th>Management Tenure</th>
<th>FMU Location (e.g. town, county)</th>
<th>FMU Latitude/Longitude$^2$</th>
<th>FMU area (ha)</th>
<th>Main Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Xienglieu Village</td>
<td>Xienglieu</td>
<td>Community Managed</td>
<td>Bolikhan District, Bolikhamxay</td>
<td>N 18.69333 E 104.02917</td>
<td>4,789.7</td>
<td>Rattan</td>
</tr>
<tr>
<td>Xiengsieu Village</td>
<td>Xiengsieu</td>
<td>Community Managed</td>
<td>Bolikhan District, Bolikhamxay</td>
<td>N 18.71917 E 103.99583</td>
<td>6,159.2</td>
<td>Rattan</td>
</tr>
<tr>
<td>Thapangthong Forest Management Area*</td>
<td>Thapangthong</td>
<td>State Managed</td>
<td>Dong Sithouane PFA, Savannaket Province</td>
<td>N 16.17650 E 105.85250</td>
<td>101,693</td>
<td>Logs</td>
</tr>
</tbody>
</table>

**Total area in certified pool.** 112,642

*FMU cannot be added to certificate scope until all major NCRs are closed.

$^2$ 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.
Corrective Action Verification Audit (CVA) Report

Organisation: Department of Forestry Lao P.D.R.
Certificate Code: NC-FM/COC-001711
Report Date: 16 April 19

I. AUDIT PROCESS

Auditor, Qualifications: Indu Bikal Sapkota (IBS), Audit Team Leader, Indu Bikal Sapkota is working as Certification Manager, Asia Pacific, NEPCon, and he is responsible for the management of the NEPCon day to day operation of the region including coordinating forest management client portfolio and for servicing present and prospective clients in all matters related to forest management certification, carbon, and verification. He is a climate focal person of the region. Indu holds an international master’s degree (MSc) in Tropical Forestry from Wageningen University, the Netherlands; and has also earned an BSc Forestry degree with a distinction from Tribhuvan University. Prior to joining Rainforest Alliance and now NEPCon, Indu spent over 10 years working in forestry and conservation in Asia and Europe. He has also worked as a facilitator for the Rainforest Alliance Assessor Training Program. He has received the RA Carbon and Forest Management Assessor Training and Lead Auditor Training. He is also an ISO 9001 approved lead auditor. He has been involved intensively in FSC FM assessment/audit; CoC assessment/audit; and Carbon projects as an auditor as well as project manager. Until now, he has taken part over 80 audits/reassessments/assessments in Asia Pacific countries; and led more than 80% of them as a lead auditor.

Pratama Bagus Kurniaji (PBK), Auditor Trainee, Pratama is an FM coordinator in NEPCon Asia Pacific with focus on planning, implementing and reviewing NEPCon’s FSC FM audits in Asia Pacific countries. With bachelor’s degree in forestry – Conservation, He is experienced in FSC certification, Indonesia mandatory certification, Sustainable Agriculture Certification and Legality Certification.

Douangta BOUAPHAVONG (DB), Local Expert, Douangta BOUAPHAVONG is currently working as Academic instructor on Wood Utilization and Forest engineering in Department of Forest Economic and Wood Technology Faculty of Forest Science, National University of Laos. He is specialized in Wood Utilization/Engineering forest, Wood Science, survey forest, and Nature conservation.

Thoumthone Vongvisouk (TV), Local Expert, Thoumthone Vongvisouk has a PhD
degree on natural resource governance, his PhD dissertation focuses on natural conservation, land use planning, livelihood development and REDD+ (Reducing Emission from Deforestation and Forest Degradation). Based on his expertise, he worked for several research projects in relation to land use planning, natural resources governance and so forth. These include “Impact of I-REDD Project activities on Rural People’s livelihoods: www.i-redd.eu”; “Property and Citizenship in Developing Societies (ProCit): www.procit.dk”; “International Program for Research on the Interactions between Population, Development, and Environment” and so on. Beside scientific research projects, he also worked as a national consultant for several projects and International NGOs. These include, but not limit to, (1) in 2015, he assessed how local responses and policy option on falling rubber prices in the Northern Laos, which is supported by HELVETAS Swiss cooperation in Laos; (2) in October 2015, he also worked as national consultant for assessment of Environmental Safeguard for SUFORD (Sustainable Forestry and Rural Development), supported by the World Bank and the Government of Finland; (3) in 2014, he worked as a consultant for evaluation of the final project of the PAREDD (Participatory land and Forest Management for Reducing Deforestation, supported by JICA; (4) in 2014, he also worked as National REDD consultant for the World Wild Fund for nature (WWF); (5) in 2006, he worked as national consultant for assessment of opportunities to promote responsible procurement and certification in Laos’s forest product sector; etc

Audit Date(s): 7 to 25 January 2019
CVA Type: Desk review ☐
On-site ☒
Location(s): DOF Office - Vientiane Capital; PAFO Office - Savannakhet Province; DAFO Office – Thapangthong; Bark Khoumkham Village; Compartment 44.

Audit Overview: The audit is conducted as a part of series of audits for DOF Lao that included annual audit 2018 for current active certificate, CVA for FM scope change, and CVA for CW-FM. The opening meeting was conducted on 7 Jan 2019 in DOF office, Vientiane Capital. Other meetings, documents review and interview with staffs, villagers and stakeholders were conducted in PAFO Savannakhet and DAFO Thapangthong from the 11th to the 16th January 2019. Field visits were also conducted to compartment 44, log landing, as well as Nonsavang and Bark Khoumkham Villages. Interviewed staffs, villagers and workers, and stakeholders include: (confidential kept by NEPCon)

Changes to Scope since last Audit: During the audit, the FME requested the change on scope due to changes in national policy in forestry. The scope changed to 41,258.8 ha. The scope of FMU is clearly mentioned in FMP and is well mapped. The remaining 60,433.9 from previous scope is now allocated as utilization forest for local villages.

II. NON-CONFORMITY REPORT (NCR) EVALUATION

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<td>4.2.2 FME shall implement a program of worker safety.</td>
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</table>
4.2.3 Health and safety measures shall comply with national minimum requirements.
4.2.4 Workers (staff and contractors) shall be provided with well-maintained safety equipment in good working order, appropriate to the tasks of workers and the equipment used (e.g. local norms are important, ideally the following: hard hats, hearing protection, high visibility vests, steel toe boots and chainsaw proof caps).

Interviews with DOF staff confirmed that they have no documented safety plan or program. During interview and checking of PPE in DAFO office, there were hard hats, rubber boots, high visibility vests and gloves available. There were 20 pieces of each item. Most of them were still brand new. Interviewed DAFO staff mentioned that the PPE will be provided during the harvesting activities to selected person only especially who work directly in tree felling. Interview with workers involved in last forest inventory confirmed that they were only provided with one set of PPEs for a team. One set consist of one PPE mentioned above. Therefore, only one person in the team wear PPE. Normally, there were 6 persons in a team. Moreover, during the review of budget plan, there was no specific budget allocated for PPE/safety. Considering the insufficient coverage of FME’s safety program that do not cover all operation, no clear hazard identification and risk assessment, unclear measures and protective equipment policy and no clear safety plan.

Based on Labor law No.43 dated 24 December 2013 Section IV Chapter 3 and the whole section VIII, employer shall establish internal regulation related to ensure worker’s safety and health in the workplace that include risk assessment, appropriate measures for reducing hazards and risks, methods for protecting against workplace accidents, protection against injury and occupational diseases and the gradual creation of a culture of safety at the workplace at all times. Per the law article 122, employer shall conduct safety assessment and report to authority annually and consult with union or representative of employees. The FME could not provide any evidence related to requirement above. The identified nonconformances result in a failure to achieve the intent of the criterion and result in 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: Prior to inclusion to certificate scope.

NCR Evaluation Type

| Evidence Provided by Organization: | Guideline on implementation of health and safety program of forestry workers, No. 5963/DoF; dated on 28 December 2018.
|                                 | Regulation of the labor work using in forest management in village level. No 32/TT date 26 Nov 2018.
|                                 | Agreement of the Director of PAFO on assignment staff to officially work on training with regards to forest certification and NTFP in Thapangthong, Dong Sithouane, Agreement No.0038/PAFO-SNK, dated 11 January 2016.
|                                 | List of participants of workshop on NCR resolving follow up external audit for forest certification (FSC-FM), dated 5 Nov 2018.
|                                 | Workshop proceeding on familiarity and understanding of FSC-FM standards at Songkhone District, Savannakhet Province, dated 14 Dec 2018.
|                                 | Record of stakeholder consultation on sustainable forest management with village level in Hintangkhok, dated 20-30 Nov 2018.
<p>|                                 | Agreement of Minister of Ministry of Labor and Social Welfare on organization and implementation of labor health and safety at the national level No.4321/MoLSW, dated 8 September 2009. |</p>
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<tr>
<th>Findings for Evaluation of Evidence:</th>
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| From documents review and interviews with FME staffs, it was found that the FME had developed a guideline on implementation of health and safety program of the forestry workers (document No. 5963/DoF; dated 28 December 2018). DoF formulated the health and safety program based on labor protection regulations stated in the trade-union's regulation; then signed by Director/DDG of DoF, and prior to signing the document, they had meeting among officials of DoF. The FME also consulted with villagers on health and safety program (refer to record No.32/village head, dated 24 November 2018), which entitled “regulation on labor use for forest management activities”. As reflected from the record as well as from interviews with villagers (Nonsavang and Bak Khoumkham villages in Thapangthong district), there were 55 participants in the consultation meeting. Health and labor safety program formulation also consulted with provincial and district levels staffs (refer to meeting record, dated 14 December 2018: point No. 5); attendant list was provided with 33 participants including DoF, PAFO-Savannakhet, DAFO-Thapangthong staffs.

According to the guideline, all the workers have to attend safety training prior to conducting the works in the sites (section 3.2). The FME makes use of contractors for harvesting operation and FME requires contractors to train their workers on safety prior to harvesting (section 3.2.2).

Moreover, as mentioned in the guideline, a number of measures were stated to implement health and safety program for villagers and workers; DAFO and contractors have to ensure: a) proper working places for all workers; b) provide appropriate PPEs (helmets, gloves, shoes, high visibility vests, etc.) and ensure the safety use of equipment; c) ensure that contractor, workers and villagers have first-aid kits; d) conduct risk assessment; e) provide training and information to villagers; f) children below 12 years are not allowed to be present in the workplace; g) workers are not allowed to use any drug and alcohol, and other mind altering substances; h) assign staff responsible for safety and health during working in the field; and i) in case of accident, DAFO and contractors are responsible to take care of workers.

The audit team verified the above measures by interviewing DAFO staffs in Thapangthong district, as well as villagers and workers in Nonsavang and Bak Khoumkham villages.

From interview with FME staffs, it was further found that for every activity conducted in the field will have an assigned leader/s, who will be overall responsible for conducting the assigned operations including ensuring health and safety of the workers. For example, the audit team reviewed an example of assigned activity (agreement of the Director of PAFO on assignment staff to officially work on training with regards to forest certification and NTFP in Thapangthong, Dong Sithouane, Agreement No.0038/PAFO-SNK, 5 staffs), where a team leader appointed to perform the tasks in a team of five staffs.

With regards to risk assessment, based on interview with FME staffs, they provide training to workers and/or villagers prior to conducting any activity in the field; for example, when planning for logging on site, they have to identify the right direction of felling to avoid any risks to workers. According to the interview, there had been no accidents over 20 years to the workers.
Based on interview and document review (Guideline on implementation of health and safety program of the labor working in the FMUs, No. 5963/DoF; dated on 28 December 2018). PPE, DAFO provides PPE to workers. PPE had been provided that includes: helmets, gloves, shoes, high visibility vests. The audit team verified it on-site from the interviews with villagers and workers in Nonsavang and Bak Khoumkham villages (Thapangthong district).

Moreover, the audit team interviewed with Mr. Silipardthana Vorabouth (head labor and social welfare section of the provincial labor and social welfare office of Savannakhet province) and found that there is an agreement on organization and implementation of labor health and safety nation-wide in Laos (No.4321/MoLSW, dated 8 September 2009); in which PAFO is included as provincial committee member and reports to the committee regularly. The audit team also shared the copy of health and safety guideline of DoF with Silipardthana Vorabouth at the time of interview, and he mentioned the health and safety program of DoF is in compliance with the national requirement.

NCR Status: CLOSED

Comments (optional):

MAJOR NCR#: 07/18  NC Classification: Major X Minor
Standard & Requirement: FM-32 Laos indicators 6.1.2, 6.1.3, 6.1.4
Report Section: Appendix IV

Description of Nonconformance and Related Evidence:

6.1.2 Environmental assessments shall consistently occur prior to site disturbing activities.
6.1.3 Environmental impacts of on-site processing facilities shall be controlled (e.g. waste, construction impacts, etc.).
6.1.4 Landscape level impacts of forest management (e.g. cumulative effects of forest operations within and nearby the FMU) shall be considered.

Based on the documented evidence provided and interviews with responsible staff, the FME does not have adequate systems in place to assess environmental impacts prior to site-disturbing operations.

PSFM Operations manual sections 5.1.6 and 6.5 detail potential impacts related to harvesting activities that are to be assessed prior to site disturbing activities. However, there are no specific procedures or work instructions for implementing EIAs or forms to record the results of the assessment to ensure potential impacts are mitigated. Staff interviewed indicated that no EIA takes place before initiation of management activities only a post-harvest impact assessment is completed. Staff also confirmed that there is no procedure to do environmental impact assessment prior to harvesting or other site disturbing activities.

There are no procedures or established systems for controlling environmental impacts from onsite processing facilities (log yard). While currently not in use due to logging moratorium, the audit team did note excessive amounts of inorganic trash around the site.

Current management planning documents/systems do not consider landscape level impacts of forest management activities on the FMU.

The nonconformances identified for 3 of the 5 indicators of criterion 6.1 result in a failure to achieve the objectives of the criteria and result in a Major Nonconformance at the level of the criterion.

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.

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<td>NCR Evaluation Type</td>
<td>On-site ☒ Desk Review ☐</td>
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| Evidence Provided by Organization: | • Environmental impact assessment guideline No. 5961/DoF; dated 28 December 2018.  
| Findings for Evaluation of Evidence: | FME had developed environmental impact assessment guideline No. 5961/DoF; dated on 28 December 2018. The guideline primarily focuses on ensuring that concerned staff working in forestry has to assess environmental impacts prior to any pre-harvesting inventory, patrolling, forest road building, annual logging, transporting the log from first landing to second landing, implementation of silviculture activities, NTFP harvesting, and other activities that might disturb forest areas.  
Environmental impact assessment is part of annual operations planning as reflected in the document and from the interview with FME staffs. The FME had also developed template for assessing environmental impact prior to site disturbing activities.  
From documents review and interviews, it was found that DoF staffs provide trainings/advises to workers and villagers on mitigating/avoiding environmental impacts from forest management activities.  
Once completing environmental impact assessment prior to any site disturbing activities, the report is consolidated and submitted to DAFO/PAFO/DoF, then the team leader, who was responsible in doing the assessment, will ensure reduced impacts while implementing the site activities.  
With regards to non-organic trash in log yard, the FME staffs mentioned that it was cleared in collaboration with the respective villagers, and they will continue minimizing trash in the site. The audit team visited second log yard in Nonsavang village, roads in the FMUs and several compartments and found that there was no any inorganic trash around the site.  
After the assessment, the FME had updated/revised the FMU management plan (Document No. 011/FIPD; dated 3 January 2019). The audit team reviewed the management plan. The section 5.2 of the management plan reflects landscape level approaches to forest management by considering zoning and assigning responsibilities of management of different zones in partnership with respective stakeholders. |
| NCR Status: | CLOSED |
| Comments (optional): | |

**MAJOR NCR#: 08/18**

**NC Classification:** Major X

**Standard & Requirement:** FM-32 Laos indicators 6.2.1, 6.2.3, 6.2.4, 6.2.5

**Report Section:** Appendix IV

**Description of Nonconformance and Related Evidence:**

6.2.1 The likely presence of rare, threatened or endangered species and their habitats (e.g. nesting and feeding areas) shall be assessed on the basis of the best available information.

6.2.3 Appropriate to the scale and intensity of management, conservation zones, protection areas or other protection measures shall be established based on technically sound requirements for the protection of rare,
threatened and endangered species and their habitats.

6.2.4 Conservation zones should be demarcated on maps, and where feasible, on the ground.

6.2.5 Effective procedures shall be implemented during forest operations to protect conservation zones, identified species and their habitats.

The current forest management plan, Dong Sithouane, Thapangthong, Savannakhet Province Production Forest Management Plan (October 2017) includes a list of the number of RT&E flora and fauna species that "occur" on the FMU but does not detail the names of species or locations they were found. No conservation zones or management strategies are documented to protect the species or conservation zones during harvesting. There was no evidence that formal field surveys to identify presence of RT&E species have occurred. The FME does periodically interview villages regarding the wildlife species they have encountered and record this in village meeting minutes.

The FME undertook comprehensive HCV assessments in 2004 and 2011. Both assessments identified numerous RTE species that have been known to exist on the FMU or could be present. Some of the species are listed on international indices (e.g. IUCN, CITES) as endangered, critically endangered, globally endangered, at risk of extinction, etc. The lists included Eld’s deer, Asian elephants, Asian tigers, Siamese crocodile, and others. However, the information from these assessments have not been incorporated into current management plan.

The nonconformances identified for 4 of the 6 indicators of this criterion result in a failure to achieve the objectives of the criteria and result in a Major Nonconformance at the level of the criterion.

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<td>NCR Evaluation Type</td>
<td>On-site ☒ Desk Review ☐</td>
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| Evidence Provided by Organization: | • HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018.  
  • Various maps of forest management and HCV zones (printed on 3 Jan 2019). |

The FME had conducted HCV assessment during October to December 2018 (HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018). The assessment has made use of participatory wildlife survey, field survey, utilization of maps and other background information such as published results of the HCV assessment of Dong Sithouane PFA (2004), where the FMU is located, and reviews of the biodiversity in 8 SUFORD PFAs and forest habitat types in SUFORD-AF PFAs, which include the Dong Sithouane PFA., HCV identification methodologies, mapping and formulation of management and monitoring measures (section 2.2). The wildlife field survey was conducted by transect-walk approach and every location, where any evidence of wildlife presence found, was recorded (species, coordinates of location, and nature of evidence). The audit team also reviewed the field records.

The assessment report specifies: names of species including local name, English name and scientific name; IUCN status, location of villages (where the species were found). Moreover, the assessment report highlights various management zones including HCVs identified (section 2) during the assessment; the specific management measures to protect and maintain the HCVs including RTE species found in the FMU (section 3). In addition to the assessment report, the audit team was also provided with maps that reflect various management zones including HCV areas.
The FME consider the whole FMU as HCVF. Reviewed HCV maps confirmed that whole area is identified as HCV 1&5. The FME assess threat based on HCV and develop measures for each threat considering management zone (according to timber potency). The defined measures include broad policy and specific action to be taken on each zone and its monitoring. Considering the low intensity of harvest that the FME only harvest less than 30% of harvestable trees with strict measures on standing stock, species to be harvested, slope, season, knowledgeable villagers and implemented mostly by man power, auditor consider that the measures defined by FME are sufficient. While implementation need to be evaluated during next audit because no activity caused by logging ban and this HCV assessment report has just completed in December 2018. During interviews with national experts that attended the HCV stakeholder workshop they confirmed that they believe the measures are technically sound.

The assessment results were found to be incorporated in the revised FMU management plan version December 2018 (section 5.3).

| NCR Status: | CLOSED |
| Comments (optional): |

### MAJOR NCR#:
12/18

| Standard & Requirement: | FM-32 Laos indicator 7.1.3 |
| Report Section: | Appendix IV |

#### Description of Nonconformance and Related Evidence:

7.1.3 Maps that are presented shall be accurate and sufficient to guide forest activities (also see Criterion 6.5).

The FME had several maps including HCV map, land use map, operational map and tree map. Auditor sampled tree map in compartment 187/2019 that FME plan to harvest on 2019. During visit to the compartment, the FME staff could find all sampled tree including 59-1, 58-4, and 58-3. However, the tree number 58-3 was already logged. FME staff confirmed that it may be illegal logging. Auditor also found fresh felled trees. It was confirmed by FME staff that the map was based on 2015 inventory and has not been updated. FME staff also could not show marking of the compartment boundary in the field. Moreover, there was no contour line in the map but in general the FMU topography is flat. Auditor concluded that the tree map was no longer sufficient to guide operation. Since tree map play important role to ensure implementation of RIL as well as COC, A major NCR was 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:
Prior to inclusion to certificate scope.

#### NCR Evaluation Type
On-site ✔ Desk Review ❌

#### Evidence Provided by Organization:
- Forest management plan for Thapangthong FMU in Dong Sithouane PFA Savannakhet Province, version December 2018
- Forest Management Plan. No 011, dated 3 Jan 2019
- Tree maps, dated 23 to 27 2018
Along with the HCV assessment and revising forest management plan, the FME had conducted the inventory of compartment No.44 and are planning for other compartments to be harvested in 2020. The inventory of compartment No.44 consisted of mapping of large trees with DBH more 40 cm; selected trees to be cut in 2020; consolidated information on trees to be felled in 2020; marked compartment boundary on the ground; planned for access to trees to be felled. The audit team also verified by interviewing with villagers and workers in compartment No.44 as well as by visiting the site.

Moreover, the audit team sampled tree map in compartment 44/2019 that FME plan to harvest in 2020. During visit to the compartment with the FME staffs, the audit team found all sampled trees (trees No. 10, 11 and 23; baseline 1, strip 23). Hence, the tree maps were found to be adequate to guide forest management activities.

The FME had previously completed two comprehensive HCV assessments for the Dong Sithouane FMU. The first was completed in 2004 and the re-assessment was completed in mid-2011 using a newly developed HCV framework for Laos. Both HCV assessments were completed considering primary and secondary data available and through consultation with relevant specialist. Both assessments detail extensive areas of HCV for all 6 categories. During interviews in the Savannakhet Provincial Forestry office, staff indicated that the HCV assessments were no longer valid and only HCV 4 and 6 remained on the FMU. Riparian zones along importance rivers are categorized as HCV 4 as these rivers are critical sources of water for villages and village spirit forests and cremation locations are identified as HCV 6.
Examples of HCVs identified in the 2004 and 2011 assessments that were dropped include: HCV 3 - large areas or relatively intact dry diptocarp forests in the eastern part of the forest were classified as HCV as they are underrepresented in NPAs, and are critical habitat for Eld’s deer which are known to be in the area. The population known to exists on the two PFAs in Savannakhet is one of only two remaining in Laos; HCV 1 – the presence of globally endangered species (Asian Elephant, Tiger, Siamese crocodile, Guar, Eld’s deer, cobra, etc) has been documented in the two HCV assessments conducted in the past 15 years. As these species were previously confirmed to exist on the FMU, the precautionary approach would require that a more intensive study be undertaken to determine the extent that these species exist on the FMU before dropping them as an HCV.

This drastic change in defined HCV areas is not supported by an updated HCV assessment, stakeholder consultation or supporting information detailing why areas previously identified as HCV 1, 2, 3 and 5 in two previous HCV assessments are no longer classified as HCVs. When question, staff indicated the focused has shifted from forest conservation to production forest. Based on this evidence the audit team concluded that the FME’s management systems does not include a HCV assessment that meets the requirements of this criterion.

**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 inclusion to certificate scope.

**NCR Evaluation Type**
On-site [x] Desk Review [ ]

**Evidence Provided by Organization:**
- HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018.
- Forest management plan for Thapangthong FMU in Dong Sithouane PFA Savannakhet Province, version December 2018.
- List of participants of consultation meeting HCVF at DOF, dated 17 December 2018.
- Consultation meeting minutes on HCV assessment under district management for FSC certification, dated 17 August 2017.

**Findings for Evaluation of Evidence:**
As reflected at the time of audit, both documents review and interviews, it was found that the FME had conducted HCV assessment during the October to December 2018 (HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018). While conducting HCV assessment:

- The FME had made use of HCV resource network guideline and referred to various published and unpublished documents including the HCV assessment of Dong Sithouane PFA; a review of biodiversity in 8 PFAs, and biodiversity and sustainable forest management in Lao PDR (published in 2002 by WCS).
- In terms of collecting primary data, the assessment had made use of participatory wildlife survey, field survey, utilization of maps and other background information, HCV identification.
methodologies, mapping and formulation of management and monitoring measures (HCV assessment Tha Pangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018: section 2.2). The wildlife field survey was conducted by transect-walk approach and every location, where any evidence of wildlife presence found, was recorded (species, coordinates of location, and nature of evidence). The audit team also reviewed the field records and verified on site with interviews with villagers and workers in Nonsavang and Bak Khoumkham villages in Thapathong district.

- In additions to consultation with local communities during the assessment processes, the FME had also organized consultation workshop involving biodiversity experts, international NGOs, Lao wildlife conservation society, environmental academia, and environmental agencies of government (HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018: section 6).

- From the document review, the audit team found that various threats to HCVs were documented (HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018: section 4.3). Among the identified threats, some of them are conversion of the natural forest to other uses, illegal logging, improperly conducted legal logging, improper collection of NTFPs and hunting.

- Moreover, the FME had also identified various mitigation measures or actions to address the identified threats (HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018: section 4.4.1 to section 4.4.5). Some of the measures mentioned are, reduced impact logging, closing road one week after logging period, only logging in dry season, regular patrolling and no hunting, and NTFPs collection at sustainable level. The audit team further verified HCV processes from interviews with DAFO staffs as well as with villagers (Nonsavang and Bak Khoumkham villages in Thapangthong district).

9.1.2

- As reflected at the time of audit, both document review and interview, it was found that the FME had conducted HCV assessment during the October-December 2018 (HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018). The assessment identified various HCVs including HCV 1, fourteen (14) globally threatened species, HCV3 on the mixed deciduous and dry evergreen forests threatened by human activities and have been declining, HCV 4 on riparian, HCV 5 The forests are sources of game and fish in its streams for food, many kinds of NTFPs, fuel for household uses, building materials, fodder for seasonal grazing, water sources, and items that can be sold for
cash needed by the households. HCV 6. Sacred sites that are relatively small and are located close to the villages but mostly outside of the FMU. (section 3 of the report), and similarly, various mitigation measures/strategies were proposed in the report (section 4.4.1 to section 4.4.5).

- In additions to consultation with local communities during the assessment processes, the FME had also organized consultation workshop involving biodiversity experts, international NGOs, Lao wildlife conservation society, environmental academia, and environmental agencies of government (HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018: section 6). The feedback/inputs from the workshops were considered in finalizing the report (HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018: annex 6). Auditor reviewed the national stakeholder minutes and more importantly confirm with stakeholders attended the consultation on the consultation process. Interviewed stakeholders confirmed that FME explain detail of the assessment process, result, management plan and provide discussion opportunity. Stakeholders were providing feedbacks. Feedbacks and FME responses are recorded in the minutes. All interviewed expert stakeholders confirmed that the meeting is technically sound and can be qualified as credible, independent, technically qualified review.

- The assessment results were found to be incorporated in the revised management plan (Forest management plan for Thapangthong FMU in Dong Sithouane PFA Savannakhet Province, version December 2018: section 5.3).

- In the assessment report, section 4.5 states that the HCV management measures that are described in the FMU management plan will be implemented through the conduct of annual operation planning and plan implementation operations. The audit team reviewed approved operational plan for 2019 that includes mitigation measures for HCV protection in annual operational plan 2019 of Dong Sithouane PFA in Thapangthong FMU (section 2.3). This was also verified with on-site visit and interview with villagers and workers as well as DAFO staffs.

**NCR Status:** CLOSED

**Comments (optional):**

**MAJOR NCR#:** 17/18  **NC Classification:** Major X  Minor

**Standard & Requirement:** FM-32 Laos indicators 9.2.1, 9.2.2

**Report Section:** Appendix IV

**Description of Nonconformance and Related Evidence:**

9.2.1 FME consultations with stakeholders shall clearly outline identified conservation attributes as well as proposed strategies for their maintenance or threat reduction.
The HCV assessments completed in 2004 and 2011 both included consultation with stakeholders that outlined the conservation attributes and proposed strategies for their maintenance or threat reduction. Both assessments identified large areas of HCV 1, 2, 3 and 5. Stakeholders provided input on the proposed management strategies for these identified attributes and protection measures. The assessments detail how these comments were considered in finalizing the HCV assessment. The decision to declassify the identified HCVs 1, 2, 3 and 5 from management systems did not go through a consultation process with relevant stakeholders. No evidence of stakeholder support was provided to support the decision to declassify nearly all HCVs was presented.

9.2.2 For large operations, the stakeholder consultation for HCVF strategy development, and actions taken in response to such consultation, shall be documented.

There is no valid HCV assessment in place and no stakeholder consultation has been implemented for the revised HCV results.

The nonconformances identified for the 2 indicators of this criterion result in a fundamental failure to achieve the objects of the criteria resulting in a major nonconformance.

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<tr>
<td>Timeline for Conformance:</td>
<td>Prior to inclusion to certificate scope.</td>
</tr>
<tr>
<td>NCR Evaluation Type</td>
<td>On-site [ ] Desk Review [x]</td>
</tr>
</tbody>
</table>
| Evidence Provided by Organization: | • HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018. (including all 6 appendices)  
  • Forest management plan for Thapangthong FMU in Dong Sithouane PFA Savannakhet Province, version December 2018. |
| Findings for Evaluation of Evidence: | The FME had conducted HCV assessment during October to December 2018 (HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018).  
  During this assessment, the FME implemented consultation with local communities as verified from the interviews with local villagers in Thapangthong district, the FME had also organized national level consultation workshop involving biodiversity experts, international NGOs, Lao wildlife conservation society, environmental academia, and environmental agencies of government (HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018: section 6). The feedback/inputs from the village level consultation as well as from the national level workshop were considered in finalizing the report (HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018: annex 6).  
  Based on interview with FME staff, after HCV identification phase, the FME drafted HCV mitigation/management measures and monitoring and presented the draft at the HCV assessment workshop for stakeholder comments. Based on the consultation, the HCV assessment report was finalized.  
  The audit team also interviewed a number of the national level stakeholders/experts, who took part in the HCV assessment process and provided feedback/inputs at the national level workshop; and all the |
interviewed stakeholders confirmed of their participation and they considered the methodology used in the HCV process is credible and scientific. Interviewed stakeholders confirmed that FME explain detail of the assessment process, result, management plan and provide discussion opportunity. Stakeholders were providing feedbacks. Feedbacks and FME responses are recorded in the minutes reviewed by auditor. All interviewed expert stakeholders confirmed that the meeting is technically sound. The stakeholder consultation process, attendance list and minutes of the consultation are documented and attached in the HCV assessment report appendix 6.

NCR Status: CLOSED

Comments (optional):

MAJOR NCR#: 18/18  NC Classification: Major X Minor

Standard & Requirement: FM-32 Laos indicator 9.3.1

Report Section: Appendix IV

Description of Nonconformance and Related Evidence:

9.3.1 If HCVF or HCVs are present, planning documents shall provide site-specific information which describes the measures taken to protect or restore such values.

9.3.2 Measures to protect HCVF values shall be available in public documents or in the FME management plan summary.

HCVs are present on the Dong Sithouane PFA. However, there is no longer a valid HCV assessment that meets the requirements of criteria 9.1 or 9.2 to inform the required information in planning documents to protect the HCVs that exist on the FMU. The current FMU management plan only includes a table summarizing the area of each category of HCV located on the sub-FMUs, along with generic protection measures. The FME did not provide evidence of site-specific information which describes the measures taken to protect or restore such values. No evidence was provided to demonstrate that measures to protect HCVs are included in publicly available documents.

The nonconformances identified for both applicable indicators of this criterion result in a fundamental failure to achieve the objects of the criteria resulting in a major nonconformance.

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: On-site Desk Review

NCR Evaluation Type

Evidence Provided by Organization:

- HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018.
- Forest management plan for Thapangthong FMU in Dong Sithouane PFA Savannakhet Province, version December 2018.

Findings for Evaluation of Evidence: The FME had conducted HCV assessment during October to December 2018 (HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018). The assessment has
made use of participatory wildlife survey, field survey, utilization of maps and other background information, HCV identification methodologies, mapping and formulation of management and monitoring measures (section 2.2). The audit team verified it on-site from interviews with villagers and workers as well as DAFO staffs in Thapangthong district.

The assessment identified various HCVs (section 3 of the report), and similarly, various mitigation measures/strategies were proposed in the report (section 4.4.1 to section 4.4.5).

The assessment results were found to be incorporated in the revised management plan (Forest management plan for Thapangthong FMU in Dong Sithouane PFA Savannakhet Province, version December 2018: section 5.3).

In the assessment report, section 4.5 states that the HCV management measures that are described in the FMU management plan will be implemented through the conduct of annual operation planning and plan implementation operations. The audit team reviewed approved operational plan for 2019 that includes mitigation measures for HCV protection in annual operational plan 2019 of Dong Sithouane PFA in Thapangthong FMU (section 2.3). This was also verified from interviews with the DAFO staffs in Thapangthong district.

Based on HCV assessment report, the HCV assessment is based on several sources of information that include participatory wildlife survey, field survey and stakeholder consultation in national and villages level. Audit team verified it on-site from interviews with villagers and workers as well as DAFO staffs in Thapangthong district and phone interview with national level stakeholders. Auditor consider that the use of these primary sources of information provide site-specific information about the FMU that used by the FME as the basis to define measures to be taken to protect or restore such values as described in the HCV assessment report. Auditor consider this as conformance with indicator 9.3.1.

As reflected at the time of audit, it was found that the FME forest management plan is publicly available. Moreover, from the interview with the FME staffs, the audit team found the HCV assessment report itself is a public document. Auditor consider this as conformance with indicator 9.3.2.

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<td>Major X Minor</td>
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<tr>
<td>Standard &amp; Requirement:</td>
<td>FM-32 Laos indicator 9.4.1</td>
</tr>
<tr>
<td>Report Section:</td>
<td>Appendix IV</td>
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</tbody>
</table>

**Description of Nonconformance and Related Evidence:**

9.4.1 A system for continuous monitoring of HCVF values shall be incorporated into the FME’s planning, monitoring and reporting procedures.

No evidence was provided to demonstrate that the FME has a system for continuous monitoring of HCVs that is incorporated into the FME’s planning, monitoring or reporting procedures. The PSFM Operations manual section 6.4.5 Continuous and Participatory Monitoring of HCV/HCVF, provides very general procedures that monitoring will be conducted but does not include; specific description of monitoring activities; work instructions for implementing the monitoring activities or how monitoring results will be utilized.
to inform management planning. This represents a fundamental failure to achieve the objectives of criterion 9.4 and results in a major nonconformance.

<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>
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<td><strong>NCR Evaluation Type</strong></td>
<td>On-site ☒ Desk Review ☐</td>
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**Evidence Provided by Organization:**
- HCV assessment Thapangthong FMU in Dong Sithouane PFA, Savannakhet Province, version December 2018.
- Forest management plan for Thapangthong FMU in Dong Sithouane PFA Savannakhet Province, version December 2018.

**Findings for Evaluation of Evidence:**
The HCV assessment results were found to be incorporated in the revised management plan (Forest management plan for Thapangthong FMU in Dong Sithouane PFA Savannakhet Province, version December 2018: section 5.3).

In the revised FMU forest management plan version December 2018, section 5.3.3 states continuous monitoring and reporting as part of its annual forest management operations. This monitoring plan is based on the monitoring system defined in the HCV assessment report. Based on HCV assessment report, the FME define monitoring as “aimed at determining whether the HCV management measures are being implemented and the maintenance of the HCVs is being attained.” FME divided monitoring into three categories,

- **Operational monitoring** evaluates whether the management plan is being implemented. This covers all management measures, both for production of timber and NTFPS and conservation or maintenance of HCVs.

- **Strategic monitoring** aims to assess whether the management objectives are being attained, including both production objectives and the maintenance of HCVs.

- **Threat monitoring** aims to assess any changes in threats to the FMU including land-use pressures, illegal harvesting, and threats to the HCVs.

Under those categories, FME define aspect to be monitored for specific values, activities, and threat. This further defined in operational plan. In the HCV assessment report, steps of implementation of the annual HCV protection related monitoring activities are also define as will be undertaken by:

- Organizing a short training-workshop prior to the conduct of the activity.
- Mobilizing the DFU staff to the villages or to the forest site after the training-workshop.
- Undertaking the activity.
- Reporting the activity, which will be compiled and submitted by DFU to PFS. The monitoring reports will be used as inputs in the preparation of the DOF annual report of PFA management, as
well as in any planning or plan updating activity.

The audit team also reviewed an approved annual operational plan for the FMU for 2019, and found that various components of monitoring are proposed: threats to flora and fauna species, presence of inorganic trash, hunting, threats to habitats of wildlife species, etc.

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<tr>
<td>Standard &amp; Requirement:</td>
<td>FM-35 indicator CoC.1.2</td>
</tr>
<tr>
<td>Report Section:</td>
<td>Appendix V</td>
</tr>
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</table>

**Description of Nonconformance and Related Evidence:**

>COC 1.2: All relevant staff shall demonstrate awareness of the FME’s procedures and competence in implementing the FME’s CoC control system.

During interview with staff, several key staff were demonstrating awareness of tree marking process and could clearly provide copy of the documented procedure. However, in relation to record keeping, claim, trademark and registration code, no staff demonstrate sufficient knowledge. Moreover, DAFO staff could not provide the documented evidences, PAFO staff could provide partial procedures only. It was confirmed that all interviewed staff were key responsible staff. The insufficient knowledge was considered as insufficient system; therefore, a Major NCR was 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:** Prior to inclusion to certificate scope.

**NCR Evaluation Type**

<table>
<thead>
<tr>
<th>Evidence Provided by Organization:</th>
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<tbody>
<tr>
<td>• DOF Instruction of CoC system, No. 5960/DOF, dated 20 December 2018.</td>
</tr>
<tr>
<td>• Guideline of timber transportation, controlling from logging area to second landing, No. 0962/DOF, dated 9 April 2010.</td>
</tr>
<tr>
<td>• Summary log list from first landing to second landing, Thapangthong FMU, Dong Sihouane PFA, 2010 (to see the sample format for last harvest).</td>
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</table>

**Findings for Evaluation of Evidence:**

Mr. Khongsavanh Chounlamountry is responsible for CoC at PAFO and Mr. Khamdy Phommachak is responsible for CoC at the district level.

Based on interviews with the FME staffs (both PAFO and DAFO levels), it was evident that the responsible staffs for CoC could demonstrate sufficient knowledge in relations to CoC processes, record keeping and trademarks. The audit team confirmed that the knowledge is consistent with the reviewed documents above.

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III. CONCLUSIONS

NCRs Closed:  ☑ No follow-up required related to closed NCRs
☐ Original NCRs closed and new NCR(s) issued, see section IV below

NCRs Open:  
☐ Certification not approved; conformance with NCRs required
☐ Major NCRs not closed; suspension of certification required
☐ Minor NCRs are upgraded to Major; see section IV below
☐ New NCR(s) issued, see section IV below

Comments/Follow-up Actions:  The FMU can be added to the current active certificate upon closing the Major NCR 06/17 issued in the annual audit. NCR 06/17 has the same root cause with NCR 27/18 issued during the scope expansion audit.

IV. OPEN NCRs

Newly issued or upgraded NCRs:  None

[V. AUDIT REPORT APPROVAL]

Note: a formal Report Review and Approval (RRA) process 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 significant 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.

☑ Refer to separate RRA record in NEPCon Salesforce
☐ Report approved by way of this checkbox
Approved by: Gabriel Bolton
Date: 16 April 2019
☑ 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.
Corrective Action Verification Audit (CVA) Report

<table>
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<tr>
<th>Organisation:</th>
<th>Department of Forestry, Lao P.D.R. (DOF)</th>
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<tbody>
<tr>
<td>Certificate Code:</td>
<td>NC-FM/COC-001711</td>
</tr>
<tr>
<td>Report Date:</td>
<td>31 May 2019</td>
</tr>
</tbody>
</table>

VI. AUDIT PROCESS
Auditor, Qualifications: Indu Bikal Sapkota (IBS), Audit Team Leader, Indu Bikal Sapkota is working as Certification Manager, Asia Pacific, NEPCon, and he is responsible for the management of the NEPCon day to day operation of the region including coordinating forest management client portfolio and for servicing present and prospective clients in all matters related to forest management certification, and verification. He is a climate focal person of the region. Indu holds an international master’s degree (MSc) in Tropical Forestry from Wageningen University, the Netherlands; and has also earned an BSc Forestry degree with a distinction from Tribhuvan University. Prior to joining Rainforest Alliance and now NEPCon, Indu spent over 10 years working in forestry and conservation in Asia and Europe. He has also worked as a facilitator for the Rainforest Alliance Assessor Training Program. He has received the RA Carbon and Forest Management Assessor Training and Lead Auditor Training. He is also an ISO 9001 approved lead auditor. He has been involved intensively in FSC FM assessment/audit; CoC assessment/audit, and Carbon projects as an auditor as well as project manager. Until now, he has taken part over 80 audits/reassessments/assessments in Asia Pacific countries; and led more than 80% of them as a lead auditor.

Pratama Bagus Kurniaji (PBK), Auditor Trainee, Pratama is an FM coordinator in NEPCon Asia Pacific with focus on planning, implementing and reviewing NEPCon’s FSC FM audits in Asia Pacific countries. With bachelor’s degree in forestry – Conservation, He is experienced in FSC certification, Indonesia mandatory certification, Sustainable Agriculture Certification and Legality Verification.

Douangta BOUAPHAVONG (DB), Local Expert, Douangta BOUAPHAVONG is currently working as Academic instructor on Wood Utilization and Forest engineering in Department of Forest Economic and Wood Technology Faculty of Forest Science, National University of Laos. He is specialized in Wood Utilization/Engineering forest, Wood Science, survey forest, and Nature conservation.

Audit Date(s): 17 to 31 May 2019
CVA Type: Desk review ☒ On-site ☐ Location(s): -

Audit Overview: The audit was conducted as desk audit with email exchange as main communication method. The FME representative, Mr. Bounpone Sengthong sent evidences to audit team on 17 May 2019. Thirteen documents were well received by audit team. Twelve documents were in Lao language and one summary in English. Besides document review, audit team also communicated with DOF staff, external advisor from SUFFORD as well as community involved during internal audit via email exchange and direct call. The list of interviewed persons is kept by NEPCon.

Changes to Scope since last Audit: None

VII. NON-CONFORMITY REPORT (NCR) EVALUATION
8.1 The Group entity shall implement a documented monitoring and control system that includes at least the following:
i. Written description of the monitoring and control system;
ii. Regular (at least annual) monitoring visits to a sample of Group members to confirm continued compliance with all the requirements of the applicable Forest Stewardship Standard, and with any additional requirements for membership of the Group.

Findings:
The group entity has written description of the monitoring and control system in the DOF Group Certification Operations Manual in the Section 5.4.3 Conduct of Internal FMU Monitoring and Assessment and in the Section 5.4.5 Annual Internal Audits to be conducted once a year. However, there is no internal monitoring documentation available during the audit.

Corrective action request:
Organisation 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 non-conformance.

Timeline for Conformance: 3 Months from the previous NCR conformance deadline

Evidence Provided by Organisation:
Evidence provided 2018:
report on internal audit in FMU of Bolikhan district in Pakbeuak national production forest, dated 7 Mar 2018

Evidences provided during CVA May19:
- 2019 internal audit notes_Mahaxay district dated 26 April 2019
- 2019 internal audit notes_Xebangfai district dated 22 April 2019
- 2019 Internal Audit Notes_Bolikhan FMU dated 25 April 2019
- 2019 internal audit notes_Buarapha district dated 24 April 2019
- 2019 Internal Audit Notes_Thapangthong dated 23 April 2019
- 2019 internal audit notes_Xaybuathong district dated 23 April 2019
- 2019 Internal Audit Report_BolikhanFMU dated 5 May 2019
- 2019 Internal Audit Report_Bourapha district dated 30 April 2019
- 2019 Internal Audit Report_Mahaxay district dated 30 April 2019
- 2019 Internal Audit Report_Thapangthong dated 5 May 2019
- 2019 Internal Audit Report_Xaybuathong district dated 30 April 2019
• 2019 Internal Audit Report_Xebangfai district dated 30 April 2019
• Actions and evidences for closing the Major NCR dated 17 May 2019.
• Email communication from SUFFORD dated 23 May 2019
• CV of lead auditors of internal audit and external consultant providing training dated 2018.

Findings for Evaluation of Evidence:

Findings from January 2019:
Based on the documents review and interviews, it was found that the FME conducts monitoring in relations to harvesting of rattan, reforestation, and other various aspects. In regard to internal monitoring documentation, the FME provided evidence as above (2018 evidence). The certified FMUs are internally audited as part of larger scope of Bolikhan district. However, reviewed available internal audit report dated March 2018 confirmed that the FME did not use FSC standard for their internal audit. The DOF use 10 principles developed by DOF (ten Principles of Good FMU Management) that did not cover all FSC FM nor CW requirement. Auditor concluded that the group entity’s internal audit cannot confirm continued compliance with all the requirements of the applicable Forest Stewardship Standard. This issue is similar with NCR 27/18 issued during scope expansion audit. Therefore, the NCR 27/18 will be combined here and upgrade the grading into Major.

Finding CVA May 2019:
Based on the document review of GCOM, auditor confirmed that the FME is in conformance with requirement 8.1.i above. The GCOM section “5.4.5 Annual Internal Audits” clearly provide written description on FME’s internal audit as monitoring and control system. The procedure of conducting the internal monitoring is also clearly defined in GCOM section “5.4.3 Conduct of Internal FMU Monitoring and Assessment”.

In regard to point ii requirement above, auditor confirmed that the internal audit was conducted regularly as per previous finding although using FME’s own standard. During this CVA, the FME address the NCR by providing 2019 internal audit reports as mentioned in evidence provided above. The evidences consist of internal audit report, internal audit checklist and summary of action taken to address this NCR.

There are 6 reports and 6 checklists covering the 6 FMUs included in the scope of the existing FM/CoC certificate, proposed FSC FM/CoC scope expansion and pending CW/FM certificate. Based on provided checklist, auditor confirmed that the FME conducted internal audit using FSC Principle & Criteria taken from FM-32 Lao ver.12-14 as basis requirement. Although some indicators have simpler wording compared to the actual indicator wording, auditor confirmed that it still met the intension of respective indicator.

Based on review of the internal audit report and checklist, auditor confirmed that FME used sampling method on evaluating FSC P&C. In 2019 audit report, the FME focused on principles 4, 7, 8 and 9. The internal audit was led by experienced staff. Lead auditor was also trained by well experienced external advisor.
from DOF SUFORD-SU Forestry National Consultant. In the internal audit checklist provided, findings for each indicator evaluated are mentioned. For any CAR and OBS identified, a CAR/OBS table was presented in the internal audit report. The table included indicators, finding, grading, corrective recommendation and timeline for conformance. Interviewed persons are also clearly mentioned in last section of the report.

During email communication with the FME staff and advisors, Auditor found that the FME’s approach on internal audit is by “cover all FSC/NEPCon (RA) applicable standards (P/C/I and Group, CoC, NTFP), but to focus on four selected Principles for indicator-by-indicator evaluation.” Further, it was explained by the FME’s consultant that “DOF is simply following the practice of RA/NEPCon in conducting its Annual Audit. If the DOF internal audit is to be conducted right after NEPCon has indicated what Principles it will include in the upcoming/proposed Annual Audit, then those Principles will automatically be included for indicator-by-indicator evaluation during the DOF internal audit. The practice will be such that all Principles are covered in the series of annual internal audits, but for the internal audit to be conducted prior to the re-assessment (once every five years) then all indicators will be covered, i.e. all ten Principles, as well as the other applicable standards, e.g. Group, CoC, NTFP, etc.”

During separate interview with lead auditors and trainer, audit team confirmed that both auditors and trainer had sufficient knowledge on internal audit and FSC Criteria. Auditors could explain the plan, process of the internal audit and grading of findings clearly according to DOF’s own categories. In separate interview with stakeholders interviewed during internal audit, auditor also confirmed that internal audit has been done and the process was consistent with the report.

Based on above finding, audit team conclude that the FME had clear written description of the monitoring and control system implemented through internal audit annually on all certified members that is enough to confirm continued compliance with all the requirements of the applicable Forest Stewardship Standard, and with any additional requirements for membership of the Group. Therefore, this NCR is closed.

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<tr>
<td>Comments (optional):</td>
<td>NCR 27/18 issued during scope expansion audit is combined here and the grading is upgraded to Major with timeline 3 months from the previous NCR conformance deadline</td>
</tr>
</tbody>
</table>
NCRs Closed:

☒ No follow-up required related to closed NCRs
☐ Original NCRs closed and new NCR(s) issued, see section IV below

NCRs Open:

☐ Certification not approved; conformance with NCRs required
☐ Major NCRs not closed; suspension of certification required
☐ Minor NCRs are upgraded to Major; see section IV below
☐ New NCR(s) issued, see section IV below

Comments/Follow-up Actions:
None

IX. OPEN NCRs
None.

X. AUDIT REPORT APPROVAL

Note: a formal Report Review and Approval (RRA) process 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 significant 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.

☒ Refer to separate RRA record in NEPCon Salesforce
☐ Report approved by way of this checkbox
Approved by: Gabe Bolton
Date: 10 June 2019
☐ 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.