

6.2 FMC F – Euro Liberian Logging Company

6.2.1 Principle 1: Legal existence/recognition and eligibility to operate in forestry sector

| <i>Key Document & Responsible Party</i> | <i>Supporting Documents and Other Requirements</i> | | <i>Document assessment</i> |
|---|--|--|----------------------------|
| Company | 1.1.1 | Business Registration Certificate | A |
| | 1.1.2 | Articles of incorporation | A |
| | 1.1.3 | Declaration of ownership | A |
| | 1.2.3 | List of shareholders and beneficiaries | A |
| | 1.3.1 | Notarized affidavit executed by its CEO declaring that company's owners do not include prohibited person | B |

The FMC contract exists. The company is legally registered. There is no notarized affidavit declaring that company's owners do not include prohibited person.

Therefore, FMC F is mostly compliant with Principle 1.

6.2.2 Principle 2: Forest allocation

| <i>Key Document & Responsible Party</i> | <i>Supporting Documents and Other Requirements</i> | | <i>Document assessment</i> |
|---|--|--|----------------------------|
| FDA | 2.1.1 | Socio economic survey report | B |
| | 2.1.3 | Proof of community consultation | C |
| FDA | 2.2.2 | Approved concession certificate | C |
| | 2.4.1 | Public tender notice | C |
| | 2.4.3 | Due Diligence Report | C |
| | 2.4.4 | Final report of bid evaluation panel to the Inter-Ministerial Concessions Committee (IMCC) | C |
| | 2.4.5 | IMCC recommendation to President | C |
| Company/ FDA | 2.3.1 | Pre-qualification report | A |
| | 2.3.2 | Pre-qualification certificate | A |
| | 2.3.4 | Liquidity guarantee | C |
| | 2.7.1 | Bidder's bond receipt | C |
| | 2.8.1 | Performance bonds | A |

All other documents created prior to the allocation of the forestry contract, and held by the FDA, have been lost and were not available for review. The bidder's bond and liquidity guarantee documents are also missing.

Therefore, FMC F is not compliant with Principle 2.

6.2.3 Principle 3: Social obligations and benefit sharing

| Key Document & Responsible Party | Supporting Documents and Other Requirements | | Document assessment |
|--|---|--|---------------------|
| Social Agreement (for FMC, TSC, CFMA) | | | |
| Community/ Company | 3.1.3 | Evidence that no complaint filed to FDA by an affected community alleging exclusion from negotiation or failure of contract holder to negotiate | C |
| | 3.2.1 | Executed Social Agreement signed by contract holder and CFDC | B |
| | 3.2.3 | List of CFDC identified or registered with FDA | C |
| | 3.3.2 | Description of the minimum cubic meter fee that the contract/ permit holder will pay on a quarterly basis to the affected communities | A |
| | 3.3.1 | Code of conduct that determines rights and responsibilities of communities and contract holders | A |
| | 3.3.3 | Bank book or other records of the required interest-bearing escrow account opened by the contract/ permit holder in trust for the affected communities | C |
| | 3.3.4 | Social Agreement to include a dispute resolution mechanism | A |
| Quarterly Bank Statement of Escrow Account | | | |
| Company | 3.5.1 | Receipt of payments to escrow account | C |
| Compliance Audit Report (Post Harvest Report) | | | |
| FDA | 3.5.2 | FDA verification of payment to communities | C |

This company does not meet its obligations regarding the supply of documents in LiberTrace. Evidence of payment to the communities were not sighted by the review team.

Evidence that no complaint was filed to FDA by affected persons are missing as detailed at Section 0.

Regarding the SA, only the Chairperson of the CFDC is specified.

There is no evidence that a specific bank account has been opened by the holder for the payment of the concerned communities. As detailed at Section 0, payments are realized in cash to communities.

In addition, the FDA did not share a document to attest that payments are made to the communities.

Table 40 - Assessment of the Social Agreement

| Criteria | Comments | Validity |
|--|--|----------|
| Code of conduct | | A |
| Financial benefit | | A |
| Payment by the Holder | Payment terms are distinct from requirements | C |
| Funds released by the Holder | - | C |
| Practical settlement dispute mechanism | | A |

Regarding the Social Agreement (SA) and per the other FMCs, the content complies with the regulation, except the escrow account setting up.

As a result, FMC F is not compliant with Principle 3.

6.2.4 Principle 4: Forest management operations and harvesting

| Key Document & Responsible Party | Supporting Documents and Other Requirements | | Document assessment |
|----------------------------------|---|---|---------------------|
| Company | 4.1.3 | 25 Year Forest Management Plan (SFMP) | C |
| | 4.1.1 | Annual Harvesting Certificate | A |
| | 4.1.2 | 5 Year Forest Management Plan (5YFMP) | C |
| | 4.1.2 | Annual Operational Plan (AOP) | B |
| | 4.1.4 | Written permission from land owner | C |
| | | Approved annual blocks | A |
| FDA | 4.2.4 | Annual Compliance Audit Report (Post Harvest Audit) | C |
| Company / FDA | 4.2.3 | Tally sheets / Felled trees data verification | A |
| Company | 4.2.3 | TDF records on LiberTrace | A |

The SFMP and the 5YFMP were not sighted by the review team. The AOP doesn't comply with the official guidelines (see tables below).

The company was granted a harvesting certificate despite its weaknesses on the management documents.

The company labels trees and logs and these are recorded on LiberTrace enumeration and TDF databases.

Therefore, FMC F is not compliant with Principle 4.

Table 41 - Assessment of the AOP - FMC F

| Criteria | | Validity criteria |
|---|---|-------------------|
| AOP is existing | | A |
| Ratification of the AOP | | A |
| Location of the Annual Coupe (AC) on the FMC area (FMCs and CFMAs only) | The compartments and AC are not based on a SFMP. | C |
| AC Area | The area of the compartment is not presented | C |
| Annual audit report | - | C |
| Pre-harvest enumeration (stock survey) | The presented enumeration is the one for the blocks of the previous exercise. There was no enumeration for the current one. | C |

| <i>Criteria</i> | | <i>Validity criteria</i> |
|---|---|--------------------------|
| Harvesting forecasts | No enumeration | C |
| Annual Coupe Map | - | C |
| Stock map | - | C |
| Planning of harvesting operations | No map presented, no enumeration | C |
| Planning of other activities | - | C |
| Overall compliance of the document | Most of the requirements of the guidelines are inexistent. The basics of an AOP are not met (no enumeration, no stock calculation, maps, compartment not in line with SFMP) | C |

6.2.5 Principle 5: Environmental obligations

| <i>Key Document & Responsible Party</i> | <i>Supporting Documents and Other Requirements</i> | | <i>Document assessment</i> |
|---|--|--|----------------------------|
| Environmental Impact Permit (for FMC, TSC, CFMA) | | | |
| Company | 5.1.1 | Environmental Impact Assessment Report prepared and approved | B |
| EPA | 5.1.3 | Environmental Impact Permit | A |
| | 5.3.2 | Annual Environmental Audit | C |
| FDA | 5.4.2 | Annual Compliance Audit (Post Harvest Audit) Report | C |

The company seems to meet most of its obligations regarding the supply of documents in LiberTrace. On the other hand, the EPA and the FDA do not provide tangible evidence on their inspections and audit.

The comments related to this section are the same for all FMCs and listed in Section 4.2.2.3.

As a general comment, the abstract and content of the EIA report complies with guidelines. Nevertheless two-thirds of the document were not sighted by the review team.

As a result, FMC F is not compliant with Principle 5.

Table 42 - Assessment of the Environmental Impact Assessment

| <i>Criteria</i> | <i>Comments</i> | <i>Validity</i> |
|---|---|-----------------|
| Executive summary | Several elements are missing | C |
| Introduction-overview of the project | | A |
| Policy, legal and administrative framework | | A |
| Detailed project description | Quality detailed approach. But descriptions of the construction phase and the operation phase are missing. Chapter truncated. | B |
| Description of the Environment | - | B |
| Impact Prediction and Evaluation | - | B |
| Socio-economic analysis of project impacts | - | B |
| Environmental Management Plan (EMP) and Mitigation Measures | - | B |
| Identification of Alternatives | - | B |
| Monitoring Program | - | B |

| Criteria | Comments | Validity |
|--|----------|----------|
| Public Participation | - | B |
| Description of the best available Technology | - | B |
| Conclusion and Recommendations | - | B |

6.2.6 Principle 6: Timber transportation and traceability

| Key Document & Responsible Party | Supporting Documents and Other Requirements | | Document assessment |
|----------------------------------|---|---|---------------------|
| Company / FDA | | Barcode records in LiberTrace | A |
| Company / FDA | 6.1.1 | Waybills | A |
| | 6.2.1 | Tally sheets. | A |
| | 6.2.1 | LDF records in LiberTrace | A |
| | 6.3.1 | Cross cutting data in LiberTrace | A |
| | 6.3.3 | Annual Compliance Audit (Post Harvest Audit) Report | C |

There is no specific observation for this company on Principle 6. The analysis made at Section 4.2.2.4 remains valid.

The annual compliance audit report was not sighted by the review team.

FMC F is partially compliant with Principle 6.

6.2.7 Principle 7: Transformation and timber processing

This Principle is not applicable as the company has no transformation and timber processing plant.

6.2.8 Principle 8: Workers rights, health safety and welfare

| Key Document & Responsible Party | Supporting Documents and Other Requirements | | Document assessment |
|----------------------------------|---|---|---------------------|
| Ministry of Labor | 8.5.2 | Ministry of Labor Audit Report | C |
| NASCORP | 8.5.3 | Attestation from National Social Security & Welfare Corporation (NASCORP) | C |
| FDA | 8.6.1 | Annual Compliance Audit (Post Harvest Audit) Report | C |
| Company | 8.2.2 | Payroll | C |

The review team couldn't find enough objective evidence that the Workers Rights, Health Safety and Welfare requirements are being met either by the companies or the regulatory authorities.

Besides, the reports supposed to be produced by the Ministry of Labor, NASCORP and FDA were not sighted.

As a result, FMC F is not compliant with Principle 8.

6.2.9 Principle 9: Taxes, fees and other payments

| Key Document & Responsible Party | Supporting Documents and Other Requirements | | Document assessment |
|----------------------------------|---|--|--|
| Company | 9.1.1 | Tax clearance certificate | A |
| Euro Liberian | 9.4.1 | Tax return | C |
| FDA LVD / Company | 9.2.1 | Invoices and receipts for Annual Area Fees (including Previous Bid Premium) in Libertrace. | C, 634175 USD overdue, 2334367 USD still undue |
| | 9.2.2 | Invoices and receipts for Bid Premium Fee Payment in Libertrace. | None invoiced |
| | 9.2.3 | Invoices and receipts for Annual Registration Fees in Libertrace (Timber Processor). | NA |
| | 9.3.2 | Invoices and receipts for Stumpage Fees in Libertrace. | C, 240802 USD (45 invoices) overdue |
| | 9.3.3 | Invoices and receipts for Contract Administration Fee in Libertrace. | C, 1000 USD overdue |
| | 9.3.4 | Invoices and receipts for Annual Coupe Inspection Fees in Libertrace. | A |
| | 9.3.5 | Invoices and receipts for Waybill Sticker Fees in Libertrace. | A |
| | | Invoices and receipts for Barcode Tag Fee in Libertrace. | A |
| | 9.3.6 | Invoices and receipts for Chain of Custody Fees in Libertrace. | A |
| | Invoices and receipts for Exports Fees in Libertrace. | A | |

A tax clearance document was issued to Euro Liberian in March 2019 although considerable volumes of overdue area fees and stumpage fees were recorded by the SGS system (Table 43). The fact indicates:

- That LRA is adopting other criteria than those stipulated in the VPA (“paying all taxes and fees required of it by law and in keeping with the terms of its contract”) or that
- The company paid all concession fees but neither LRA fed in the information into the SGS system nor have receipts be presented.
- The SGS system did not record properly information provided by LRA or the Ministry of Finance.

Due to the high volumes of unpaid forestry fees options b and c seem to be less likely than a).

Bid premium arrears are considered as not due yet, while these payments are pending since 2013.

No records were sighted regarding the community payments.

As a result, FMC F is not compliant with Principle 9.

Table 43 - State of concession fee payments (in USD - 1/2017-7/2019) – FMC F

| Area Fee | Export fee | Stumpage fee | arrears | other fees | Bid Premium | sum | status |
|-----------|------------|--------------|---------|------------|-------------|-----------|---------|
| 2 334 367 | 0 | 0 | | 0 | 5 125 235 | 7 459 602 | undue |
| 634 175 | 0 | 240 802 | 204 762 | 1 000 | 0 | 1 080 739 | overdue |
| 634 175 | 302 150 | 229 029 | 182 069 | 23 250 | 0 | 1 370 674 | Paid |
| 3 602 717 | 302 150 | 469 831 | 386831 | 24 250 | 5 125 235 | 8 830 275 | total |

6.2.1 Principle 10: Export, processing and trade requirements

| Key Document & Responsible Party | Supporting Documents and Other Requirements | | Document assessment |
|----------------------------------|---|--|---------------------|
| Company | 10.2.1 | Export Permit report from LiberTrace | A |
| | 10.2.2 | Export shipment specification log (SOP 20) in LiberTrace | A |
| | 10.2.3 | Export specification-sawn timber (SOP 21) in LiberTrace | NA |
| | 10.2.4 | Log export volume report | A |
| LVD | 10.2.5 | Proof of payment of export fees (SOP 26) in LiberTrace | A |
| | | Reference price as found in market intelligence data base (MIDB) | C |

There is no specific observation for this company on Principle 10. The analysis made at Section 4.2.2.8 remains valid.

The MIDB report was not sighted by the review team. Besides, the official FOB prices have not been reviewed for at least the last four years.

FMC F is partially compliant with Principle 10.