

## 6.3 FMC I – Geblo Logging Inc.

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

<i>Key Document &amp; 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	C
	1.3.1	Notarized affidavit executed by its CEO declaring that company's owners do not include prohibited person	C

Although a notarized affidavit declaring the company's owners do not include prohibited persons was unavailable for review, the company's ownership was assessed by LEITI and found to be fully compliant.

### 6.3.2 Principle 2: Forest allocation

<i>Key Document &amp; Responsible Party</i>	<i>Supporting Documents and Other Requirements</i>		<i>Document assessment</i>
FDA	2.1.1	Socio economic survey report	C
	2.1.3	Proof of community consultation	C
	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	C
	2.3.2	Pre-qualification certificate	C
	2.3.4	Liquidity guarantee	C
	2.7.1	Bidder's bond receipt	C
	2.8.1	Performance bonds	A

There were no documents available relating to bidding and awarding processes for this concession.

**Therefore, FMC I is not compliant with Principle 2.**

### 6.3.3 Principle 3: Social obligations and benefit sharing

<i>Key Document &amp; Responsible Party</i>	<i>Supporting Documents and Other Requirements</i>		<i>Document assessment</i>
<b>Social Agreement (for FMC, TSC, CFMA)</b>			
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	A
	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	B
	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
<b>Quarterly Bank Statement of Escrow Account</b>			
Company	3.5.1	Receipt of payments to escrow account	C
<b>Compliance Audit Report (Post Harvest Report)</b>			
FDA	3.5.2	FDA verification of payment to communities	C

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

V. 3.2.3: Only the CFDC’s Chairperson is mentioned in the SA.

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.

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

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

**Table 44 - Assessment of the Social Agreement**

<i>Criteria</i>	<i>Comments</i>	<i>Validity</i>
Code of conduct	The rights and responsibilities are missing	C
Financial benefit		A
Payment by the Holder	Payments terms are different from the requirements	B
Funds released by the Holder	-	C
Practical settlement dispute mechanism		A

#### 6.3.4 Principle 4: Forest management operations and harvesting

<i>Key Document &amp; Responsible Party</i>	<i>Supporting Documents and Other Requirements</i>		<i>Document assessment</i>
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)	B
	4.1.2	Annual Operational Plan (AOP)	B
	4.1.4	Written permission from land owner	C
		Approved annual blocks	C
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 was not sighted by the review team. The 5YFMP and the AOP don'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 I is not compliant with Principle 4.**

**Table 45 - Assessment of the AOP - FMC I**

<i>Criteria</i>		<i>Validity criteria</i>
<b>AOP is existing</b>		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)	No enumeration results presented	C
Harvesting forecasts	-	C
Annual Coupe Map	Not in line with the requirements. No tree location.	C
Stock map	-	C
Planning of harvesting operations	No map presented, no enumeration	C
Planning of other activities	-	C
<b>Overall compliance of the document</b>	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)	<b>C</b>

**Table 46 - Assessment of the 5YFMP – FMC I**

<i>Criteria</i>	<i>Comments</i>	<i>Validity criteria</i>
<b>5YFMP is existing</b>		A
General framework		A
Assessment of the previous 5YMP		A
Description and location of the forest compartment		A
Results of the multi-resources inventory	No multi-resources inventory conducted	C
Planning of logging activities on the Forest Compartment	No methodology, no explanations given on the volumes claimed	B
Activity forecast / implementation chart	No implementation chart	C
<b>Overall compliance of the document</b>	Not in line with official guidelines. Besides, as no multiresources inventory was conducted, this document has no background.	C

### 6.3.5 Principle 5: Environmental obligations

<i>Key Document &amp; Responsible Party</i>	<i>Supporting Documents and Other Requirements</i>		<i>Document assessment</i>
Company	5.1.1	Environmental Impact Assessment Report prepared and approved	C
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

Although the EIA document was missing, the company was still delivered an EIP.

The reports supposed to be made by EPA and FDA were also missing.

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

### 6.3.6 Principle 6: Timber transportation and traceability

<i>Key Document &amp; Responsible Party</i>	<i>Supporting Documents and Other Requirements</i>		<i>Document assessment</i>
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 I is partially compliant with Principle 6.**

### 6.3.7 Principle 7: Transformation and timber processing

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

### 6.3.8 Principle 8: Workers rights, health safety and welfare

<i>Key Document &amp; Responsible Party</i>	<i>Supporting Documents and Other Requirements</i>		<i>Document assessment</i>
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 I is not compliant with Principle 8.**

### 6.3.9 Principle 9: Taxes, fees and other payments

<i>Key Document &amp; Responsible Party</i>	<i>Supporting Documents and Other Requirements</i>		<i>Document assessment</i>
Company Geblo Logging	9.1.1	Tax clearance certificate	C
	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, 657330 USD overdue, 1315493 undue
	9.2.2	Invoices and receipts for Bid Premium Fee Payment in Libertrace.	A , not due
	9.2.3	Invoices and receipts for Annual Registration Fees in Libertrace (Timber Processor).	A
	9.3.2	Invoices and receipts for Stumpage Fees in Libertrace.	A, 68 USD overdue
	9.3.3	Invoices and receipts for Contract Administration Fee in Libertrace.	C, 330665 USD overdue, of which one alone 329665 (01.07.2018)
	9.3.4	Invoices and receipts for Annual Coupe Inspection Fees in Libertrace.	C, 1600 USD overdue
	9.3.5	Invoices and receipts for Waybill Sticker Fees in Libertrace.	A
		Invoices and receipts for Barcode Tag Fee in Libertrace.	C, 5000 USD overdue
	9.3.6	Invoices and receipts for Chain of Custody Fees in Libertrace.	A
	Invoices and receipts for Exports Fees in Libertrace.	A	

Geblo logging has built up its area debt by another 657 330 USD during the last 2½ years. No paid invoices for annual area fees recorded during the last 30 months. Moreover, there are 1.3 million USD of area fees still open until oct 2020.

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 I is not compliant with Principle 9.**

**Table 47 - State of concession fee payments (in USD - 1/2017-7/2019) – FMC I**

<i>Area Fee</i>	<i>Export fee</i>	<i>Stumpage fee</i>	<i>arrears</i>	<i>other fees</i>	<i>Bid Premium</i>	<i>sum</i>	<i>status</i>
1 315 493	0	0		0	2 404 298	3 719 790	undue
657 330	0	68	0	345 915	0	1003313	overdue
0	1 286	517 958	0	28 450	0	547 694	Paid
1 972 823	1 286	518 026		374 365	2 404 298	4 267 484	total

### 6.3.1 Principle 10: Export, processing and trade requirements

<i>Key Document &amp; Responsible Party</i>	<i>Supporting Documents and Other Requirements</i>		<i>Document assessment</i>
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 I is partially compliant with Principle 10.**

## 6.4 FMC K – ICC

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

<i>Key Document &amp; 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	C
	1.3.1	Notarized affidavit executed by its CEO declaring that company's owners do not include prohibited person	C

Although a notarized affidavit declaring the company's owners do not include prohibited persons was unavailable for review, the company's ownership was assessed by LEITI and found to be fully compliant.

### 6.4.2 Principle 2: Forest allocation

<i>Key Document &amp; Responsible Party</i>	<i>Supporting Documents and Other Requirements</i>		<i>Document assessment</i>
FDA	2.1.1	Socio economic survey report	C
	2.1.3	Proof of community consultation	C
	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	C
	2.3.2	Pre-qualification certificate	C
	2.3.4	Liquidity guarantee	C
	2.7.1	Bidder's bond receipt	C
	2.8.1	Performance bonds	C

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.

**Therefore, FMC K is not compliant with Principle 2.**