

6.4 FMC K – ICC

6.4.1 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	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 & 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.

6.4.3 Principle 3: Social obligations and benefit sharing

<i>Key Document & Responsible Party</i>	<i>Supporting Documents and Other Requirements</i>		<i>Document assessment</i>
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	A
	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	B
Compliance Audit Report (Post Harvest Report)			
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 specified 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 K is not compliant with Principle 3.

Table 48 - Assessment of the Social Agreement

<i>Criteria</i>	<i>Comments</i>	<i>Validity</i>
Code of conduct	The rights and responsibilities are missing	B
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

6.4.4 Principle 4: Forest management operations and harvesting

<i>Key Document & 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 and the 5 YFMP were not sighted by the review team. 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 K is not compliant with Principle 4.

Table 49 - Assessment of the AOP - FMC K

<i>Criteria</i>		<i>Validity criteria</i>
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	The report is not detailed. The harvested volumes are not presented	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
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

6.4.5 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	C
EPA	5.1.3	Environmental Impact Permit	A
	5.2.1	Annual Environmental Audit	B
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.

An undated EPA monitoring report was filed as a EIA in LiberTrace.

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

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

6.4.6 Principle 6: Timber transportation and traceability

<i>Key Document & 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 K is partially compliant with Principle 6.

6.4.7 Principle 7: Transformation and timber processing

<i>Key Document & Responsible Party</i>	<i>Supporting Documents and Other Requirements</i>		<i>Document assessment</i>
FDA	7.1.4	Sawmill Permit	A
EPA	7.1.3	Approved Environmental Plan	C
Company	7.2.1	All logs and timber products are properly labelled.	A
	7.3.2	The log inputs and processed wood outputs are recorded on Sawmill log input form and sawmill output form and recorded in LiberTrace.	A

ICC manages the only industrial sawmill of Liberia, which transforms wood from FMC I (Geblo Logging) and FMC K (ICC).

Inputs and outputs statements were in line with the LiberTrace requirements. Although, the Environmental Plan was not shared for review.

Although FDA purports to conduct a joint annual inspection with the EPA, neither organization prepares monitoring reports, except in the case of non-compliance. In such cases, then the GoL agency only prepares a notification letter about the non-compliance for the company rather than a full inspection report.

As a result, FMC K cannot be considered as fully compliant with Principle 7.

6.4.8 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 K is not compliant with Principle 8.

6.4.9 Principle 9: Taxes, fees and other payments

Key Document & Responsible Party	Supporting Documents and Other Requirements		Document assessment
Company ICC	9.1.1	Tax clearance certificate	A
	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, 1334550 USD overdue, 1680173 USD undue
	9.2.2	Invoices and receipts for Bid Premium Fee Payment in Libertrace.	C, 63037 USD overdue
	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, 432937 overdue
	9.3.3	Invoices and receipts for Contract Administration Fee in Libertrace.	C, 268275 overdue
	9.3.4	Invoices and receipts for Annual Coupe Inspection Fees in Libertrace.	C, 15000 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, 15000 USD overdue
	9.3.6	Invoices and receipts for Chain of Custody Fees in Libertrace.	A
		Invoices and receipts for Exports Fees in Libertrace.	C, 63037 USD overdue

A tax clearance certificate was issued in 4/2019 notwithstanding some 3 million USD in overdue forest taxes. ICC has a large debt with LRA not only with unpaid area fees but also unpaid stumpage fees and missing payments to cover the area fees arrears.

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 K is not compliant with Principle 9.

Table 50 - State of concession fee payments (in USD - 1/2017-7/2019) – FMC K

Area Fee	Export fee	Stumpage fee	arrears	other fees	Bid Premium	sum	status
1 680 173	0	0		0	2 574 150	4 254 323	undue
1 334 550	63 037	432 937	755 806	284 775	340 880	3 211 985	overdue
0	1 840 897	2 355 759	814 610	161 691	0	5 172 958	Paid
3 014 723	1 903 934	2 788 696	4 144 566	446 466	2915030	12 639 266	total

6.4.10 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	A
	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 K is partially compliant with Principle 10.