



LegalSource™ Audit Report for Greenheart Forest Central N.V.

Annual audit 2022

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Organisation Contact

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A. Introduction

The purpose of this report is to document conformance with the requirements of the LegalSource standard by **GREENHEART FOREST CENTRAL N.V.** hereafter referred to as "Organisation". The report presents findings of LegalSource auditors, who have evaluated the Organisation's systems and performance against the applicable requirements. The sections below provide the audit conclusions and follow-up actions required by the Organisation.

Dispute resolution: If stakeholders have concerns or comments about the LegalSource standard or the auditing body, they are encouraged to contact their closest NEPCon regional office. Formal concerns and complaints should be sent in writing.

B. Scope

The LegalSource audit, report and certificate covers the following scope:

Report Type	
Report type:	Confidential

Organisation Details	
Primary contact:	Varsha Sewdien, Compliance officer
Address:	Duisburglaan 31, Paramaribo, Suriname
Tel/Web/Email:	(597) 463327 Ext. 223 / www.greenheart.com / varshasewdien@greenheartgroup.com
Jurisdiction of primary legal entity:	Paramaribo, Suriname
Primary Activity	Primary Manufacturer
Description of Organisation:	<p>Greenheart Forest Central N.V. (GFC), established in December 2011, is the operating forest entity in several concessions in the Tibiti-area. At the moment 125,858 ha are being managed by GFC. A sawmill in the Tibiti-area and a further processing facility in Leiding, are also part of the activities of GFC. The current activities of the company are forest exploitation, processing, export of round logs and sawn timber and local sales (sawn timber). GFC also uses three trade companies to sell its products which are included in this audit.</p> <p>At forest operation, the planning and monitoring is made by the staff while felling, skidding and hauling is made by contractors listed in the scope.</p>

Certificate Scope	
Certificate Type	<input checked="" type="checkbox"/> Single site certificate <input type="checkbox"/> Group/ Multi-site certificate
Standards Evaluated:	<input checked="" type="checkbox"/> LegalSource Standard (LS-02) V2-1 <input checked="" type="checkbox"/> NEPCon Generic Chain of Custody Standard (NC-STD-01) <input type="checkbox"/> NEPCon Generic Group & Multi-Site Standard (NC-STD-02)

Product scope:	The list of species is given in the Scope Details document (Exhibit 04), Annex 1. Product types included in this scope: Round Wood – 4403; Sleepers & Cross-ties – 4406; Sawn Wood – 4407; and Dimensional Timber / Lumber, finished – 4409.
Changes to certificate scope since last audit:	Concession 396b was reincorporated to the scope. A new license was issued in August 26, 2022
Certificate Sites or Group members	
<input type="checkbox"/> In place of below table, details are found in Exhibit	
Site 1:	
Site name:	Greenheart Forest Central N.V. NOTE: This legal entity includes de Forest Management Units, Tibiti sawmill and storage site, and Leiding sawmill (secondary processing and storage site)
Site Address/ Tel/Web/Email:	Duisburglaan no. 31, Paramaribo, Suriname / (597) 463-327 / http://www.greenheartgroup.com / varshasewdien@greenheartgroup.com
Site Activity:	Primary Manufacturer
Product Scope:	The list of species is given in the Scope Details document (Exhibit 04), Annex 1. Product types included in this scope: Round Wood – 4403; Sleepers & Cross-ties – 4406; Sawn Wood – 4407; and Dimensional Timber / Lumber, finished – 4409.
Site visited during audit:	<input checked="" type="checkbox"/>
Site 2	
Site name:	Caps Houtmaatschappij N.V.
Site Address/ Tel/Web/Email:	Nicolaas Gudsstraat 26, Wanica, Suriname / (597) 463-327 / http://www.greenheartgroup.com / varshasewdien@greenheartgroup.com
Site Activity:	Broker/trader without physical handling
Product Scope	The list of species is given in the Scope Details document (Exhibit 04), Annex 1. Product types included in this scope: Round Wood – 4403; Sleepers & Cross-ties – 4406; Sawn Wood – 4407; and Dimensional Timber / Lumber, finished – 4409.
Site visited during audit:	<input checked="" type="checkbox"/>
Site 3	
Site name:	Tasks Lumber Company N.V
Site Address/ Tel/Web/Email:	Nicolaas Gudsstraat 26, Wanica, Suriname / (597) 463-327 / http://www.greenheartgroup.com / varshasewdien@greenheartgroup.com

Site Activity:	Broker/trader without physical handling
Product Scope	The list of species is given in the Scope Details document (Exhibit 04), Annex 1. Product types included in this scope: Round Wood – 4403; Sleepers & Cross-ties – 4406; Sawn Wood – 4407; and Dimensional Timber / Lumber, finished – 4409.
Site visited during audit:	<input checked="" type="checkbox"/>
Site 4	
Site name:	Rolaplica Houtmaatschappij N.V.
Site Address/ Tel/Web/Email:	Nicolaas Gudsstraat 26, Wanica, Suriname / (597) 463-327 / http://www.greenheartgroup.com/ varshasewdien@greenheartgroup.com
Site Activity:	Broker/trader without physical handling
Product Scope	The list of species is given in the Scope Details document (Exhibit 04), Annex 1. Product types included in this scope: Round Wood – 4403; Sleepers & Cross-ties – 4406; Sawn Wood – 4407; and Dimensional Timber / Lumber, finished – 4409.
Site visited during audit:	<input checked="" type="checkbox"/>

Evaluation Process	
Audit team:	<p>Cristina Vidal</p> <p>Paraguayan based in Costa Rica; Forestry Engineer; in 2005 she received a M.Sc. in Tropical Forest Management and Biodiversity Conservation from CATIE (Costa Rica). She has developed experience working in protected areas, ecosystem restoration, commercial plantations, silviculture, forestry production, ecology monitoring. She has received training as a lead auditor under ISO 14001:2004, and FSC formal training</p> <p>Miquel Betrouw</p> <p>Local Expert. Surinamese. Student of Anton de Kom University, Forestry; 2020. He had previous experience as local expert for LS assessment.</p>
Description of Audit Process:	<p>The audit started with an opening meeting held at the Central office in Paramaribo with the presence of all the relevant staff involved in the LS scope. Later a brief presentation was made by the GFC managers to explain the scope, products, processing, clients and other relevant issues. During the first day, a document review was done along with several interviews to key personnel. On the second day, stakeholder interviews were held with SBB and the Ministry of Labor. The remaining days were assigned to visit the sawmill in Tibiti and the three concessions: 719, 721a and 734. The sawmill was checked with the site manager and a brief explanation was received in each stage of the CoC system. At the forest, a kapvak was chosen randomly in each concession to verify borders, directional felling, buffer zones, roads, skid trails, and other SBB regulations. Both, at the forest and sawmill, several samples were taken to trace back in TIMIS</p>

	(internal traceability system) and SFISS system (official traceability system). The last day, all findings were reviewed and pending issues were collected. After it a closing meeting was held with the relevant staff.
Actions taken by Organisation prior to report finalisation:	None
Notes for the next audit:	None

C. Audit Findings

Audit Conclusion:	
Organisation approved: Minor non-conformance(s) issued	<input checked="" type="checkbox"/>
Organisation not approved: ----	<input type="checkbox"/>
Additional comments: None	

Non-Conformances

Non-conformance reports (NCRs) describe the non-conformances identified during audits. NCRs include defined timelines for the Organisation to demonstrate conformance. MAJOR non-conformances issued during assessments/reassessments shall be closed prior to issuance of the certificate. MAJOR non-conformances issued during annual audits shall be closed within the timeline specified in the NCR, or result in certificate suspension. Where applicable, all non-conformances against standard requirements are shown below:

Non-Conformance #:	MAJOR 01/22	
Non-Conformance Grading:	MAJOR <input checked="" type="checkbox"/>	Minor <input type="checkbox"/>
Standard & Requirement:	LegalSource Standard (LS-02) V2.1, Requirement 4.1.3, 8.2 NEPCon Generic Chain of Custody Standard (NC-STD-01), Requirement 1.3	
Description of Non-conformance:		
<p><i>4.1. The Organisation shall review its due diligence system at a minimum annually, in order to address any weaknesses.</i></p> <p><i>4.1.3 Organisation shall make all reports of monitoring available to the Certification Body.</i></p> <p><i>8.2 The Organisation shall document and justify the effectiveness of risk mitigation measures.</i></p> <p><i>1.3 The Organisation shall develop and implement procedures for addressing non-conformances identified by auditors.</i></p> <p>GFC did not submit the internal monitoring report to the auditor. Therefore it was not possible to evaluate the effectiveness of risk mitigation measures.</p>		
Corrective action request:	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>	
Timeline for Conformance:	3 months (27/01/2023)	
Evidence Provided by Organisation:	PENDING	

Findings for Evaluation of Evidence:	PENDING
NCR Status:	OPEN
Comments (optional):	<i>None</i>

Non-Conformance #:	MAJOR 02/22	
Non-Conformance Grading:	MAJOR <input checked="" type="checkbox"/>	Minor <input type="checkbox"/>
Standard & Requirement:	LegalSource Standard (LS-02) V2.1, Requirement 9.4, 9.5, 9.6 NEPCon Generic Chain of Custody Standard (NC-STD-01), Requirement 6.2	
Description of Non-conformance:		
<p><i>9.4 The Organisation may make general promotional claims about its LegalSource conformance status.</i></p> <p><i>9.5 When making a LegalSource sales claim, the Organisation shall include its LegalSource certification code on the promotional material alongside the claim.</i></p> <p><i>9.6 The Organisation shall submit all claims related to the LegalSource program to the Certification Body for review and approval prior to use.</i></p> <p><i>6.2 Organisation shall submit all claims to NEPCon for review and approval prior to use.</i></p> <p>GFC used the Legal Source claim in its website: https://www.greenheartsuriname.com/legal-source . However no approval was grant by Preferred by Nature prior to use. The use did not include certification code and claim.</p>		
Corrective action request:	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>	
Timeline for Conformance:	3 months (27/01/2023)	
Evidence Provided by Organisation:	PENDING	
Findings for Evaluation of Evidence:	PENDING	
NCR Status:	OPEN	
Comments (optional):	<i>None</i>	

Observations

Observations (Obs) are issued for the early stages of a problem which does not in and of itself constitute a non-conformance, but which the auditor considers may lead to a future non-conformance if not addressed by the Organisation or where general improvements may be made. Where applicable, all observations are shown below:

Observation #:	01/22
Standard & Requirement:	LegalSource Standard (LS-02) V2.1, Annex 1, Requirement 1.4.1
Description of Observation: GFC showed legal rights to harvest in concessions: 422, 734, 719 and 721a. All of them are valid, but concession 422 will expire next 5 March 2023.	
<i>Provide details of observation.</i>	
GFC should decide whether to apply for an extension of this license or remove from the certificate scope before the due date	

D. Closed Non-Conformances

Closed Non-Conformances

This section indicates where the Organisation has adequately addressed non-conformances issued during or since the last audit.

Any non-conformances which cannot be closed remain open and appear in Section C (above). Failure to comply with a minor non-conformance results in the NCR being upgraded to major; the specified follow-up action is required by the Organisation or involuntary suspension will take place.

Non-Conformance #:	01/21	
Non-Conformance Grading:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	LegalSource Standard (LS-02), Annex 1, Requirement 1.2.2	
Description of Non-conformance:		
<p><i>1.2.2.</i> A valid concession license agreement shall exist.</p> <p>The Organization acts as the forest operator for concessions issued to other three entities, which are also part of the Greenheart Group (Suma Lumber Company N.V., Bravia Houtonderneming N.V., and GH Timber Company N.V.). Concession 396b, issued to Suma Lumber Company N.V. was valid until 10/Aug/2020. Even when the concession holder is in process of renewing the concession licenses, the process is still on-going.</p>		
Corrective action request:	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>	
Timeline for Conformance:	12 months (22/10/2022)	
Evidence Provided by Organisation:	Interview and updated version of the scope	
Findings for Evaluation of Evidence:	GFC decided to remove concession 396b until the renewal of the license instrument, however, Suma Lumber Company N.V. receive a new license for this concession on August 26, 2002 with the License No. 2194-22/Min GBB.	
NCR Status:	CLOSED	
Comments (optional):	None	

Non-Conformance #:	02/21	
Non-Conformance Grading:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	LegalSource Standard (LS-02), Annex 1, Requirement 1.2.3.	
Description of Non-conformance:		

1.2.3. The process of obtaining concessions shall follow an open and transparent process based on clear criteria and be confined to eligible Organisations.

License 396 b that belongs to Suma Lumber Company N.V. were due on August 11, 2020, thus no approved business plan exists for this concession.

Corrective action request:	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</p> <p>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.</p>
Timeline for Conformance:	12 months (22/10/2022).
Evidence Provided by Organisation:	Updated version of scope excluding 396b from LS certification.
Findings for Evaluation of Evidence:	GFC removed 396b from the scope of this certificate, however, Suma Lumber Company N.V. receive a new license for this concession on August 26, 2002 with the License No. 2194-22/Min GBB. One of the requirement to obtain the concession is the business plan.
NCR Status:	CLOSED
Comments (optional):	<i>None</i>