



LegalSource™ Audit Report for Greenheart (Suriname) N.V.

Annual audit 2021

Report date: November 19, 2021

Certificate code: NC-LS-057290

Issued date: June 11, 2020

Organisation Contact

Varsha Sewdien, Compliance officer
Duisburglaan 31, Paramaribo, Suriname.

Audit managed by

NEPCon Latin America
1a. Avenida 10-87, Zona 10, Nivel 5, Oficina 6, Edificio
Torre Viva, Guatemala City, Guatemala
Contact person: Edgar Bámaca
Email: ebamaca@preferredbynature.org

LegalSource Audit Report Template:	
Document Code:	LS-03
Type of document:	LegalSource Audit Report Template
Scope:	International
Status of document:	Approved
Version:	V 2.1
Date:	23 January 2018
Consultation period:	N/A
Approval body:	NEPCon
Contact person:	Gabriel Bolton, Forest Legality Programme Manager
Contact email:	gbolton@preferredbynature.org

Contents

A. INTRODUCTION	4
B. SCOPE	4
C. AUDIT FINDINGS	9
D. CLOSED NON-CONFORMANCES	13
E. LEGALSOURCE DUE DILIGENCE CHECKLIST (CONFIDENTIAL)	14
F. LEGAL COMPLIANCE AT THE FOREST LEVEL (CONFIDENTIAL)	25
STANDARD CHECKLIST	27
G. LEGAL COMPLIANCE IN THE SUPPLY CHAIN (CONFIDENTIAL)	45
STANDARD CHECKLIST	45
H. CHAIN OF CUSTODY (COC) (CONFIDENTIAL)	51
STANDARD CHECKLIST	51
APPENDIX 1: EXHIBIT LIST (CONFIDENTIAL)	56

A. Introduction

The purpose of this report is to document conformance with the requirements of the LegalSource standard by **GREENHEART (SURINAME) 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>The company was established in 2003, under the name Octagon International N.V. i.o.; in 2004 the company changed into a limited company, Octagon International N.V.; in 2011 the name was changed into Greenheart (Suriname) N.V. (GHS N.V.).</p> <p>GHS N.V. is the operating forest entity in several concessions in the western area of Suriname. At the moment an area of approximately 185,104 ha is being managed by GHS N.V. A sawmill in the Apura and a further processing facility in Leiding, are also part of the activities of GHS N.V. The current activities of the company are forest harvesting, processing, export of round logs and sawn timber and local sales (sawn timber). Export sales is also taking place using four trader companies of Greenheart group.</p> <p>At forest operation, the planning and monitoring is made by the staff while felling, skidding and hauling is made by one contractor 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:	<p>The list of species is given in the Scope Details document (Exhibit 04), Annex 1.</p> <p>Product types included in this scope: Round Wood – 4403; Sleepers & Cross-ties – 4406; Sawn Wood – 4407; and Dimensional Timber / Lumber, finished – 4409.</p>
Changes to certificate scope since last audit:	<p>The products Sleepers & Cross-ties – 4406; and Dimensional Timber / Lumber, finished – 4409 had been added to the certificate scope during this audit. In addition the following species were added to the scope within this certificate:</p> <p><i>Terminalia dichotoma G.Mey.; Humiria balsamifera Aubl.; Lecythis zabucajo Aubl., Mora gonggrijpii (Kleinhoonte) Sandwith; Peltogyne paniculate Benth; Tetragastris altissima (Aubl.) Swart; Tetragastris spp.; Brosimum rubescens Taub.; Loxopterygium sagotii Hook.f.; Vochysia tomentosa (G.Mey.) DC.; Vochysia guianensis Aubl.; Bocoa prouacensis Aubl.</i></p> <p>One trader company is also added to the scope of this certificate (See details below).</p>
Certificate Sites or Group members <input type="checkbox"/> In place of below table, details are found in Exhibit	
Site 1:	
Site name:	Greenheart (Suriname) N.V. NOTE: This legal entity includes the Forest Management Units, Apoera sawmill 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:	Forest Manager, Primary manufacturer, Secondary Manufacturer
Product Scope:	<p>The list of species is given in the Scope Details document (Exhibit 04), Annex 1.</p> <p>Round Wood – 4403; Sleepers & Cross-ties – 4406; Sawn Wood – 4407; and Dimensional Timber / Lumber, finished – 4409</p>
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	<i>Same as for site 1</i>
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	<i>Same as for site 1</i>
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	<i>Same as site 1</i>
Site visited during audit:	<input checked="" type="checkbox"/>

Evaluation Process	
Audit team:	<p>Cristina Vidal, Lead Auditor</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>Due to travel restrictions because of the COVID-19 pandemic, her participation in this audit was remote from Costa Rica.</p> <p>Adolfo Lemus, Support Auditor</p>

	<p>Guatemalan, with a B.Sc. degree in Environmental Management Systems and a M.Sc. degree in Environmental Engineering. For the past 22 years he has been involved in natural resources management in Guatemala and El Salvador. He has received training as an FSC lead auditor, and for other schemes, including Legal Source. He had coordinated and participated in several certification audits as a lead auditor.</p> <p>Due to travel restrictions because of the COVID-19 pandemic, his participation in this audit was remote from Guatemala.</p> <p>Giani Razab-Sekh, Local Expert</p> <p>A Surinamese forester with a MSc degree in Tropical forestry from Bangor University in Wales, UK. The local expert is experienced in tropical silviculture, round wood grading, community forestry, forestry certification and forestry lecturing. He received the formal FM Lead Auditor training offered by Preferred by Nature in 2020 and served as a local expert in the last four years, both in Suriname and Guyana. Since he lives in Suriname, his participation consisted in helping the rest of the audit team in interpreting some documents that were in Dutch, as well as conducting the field visits to observe the management systems and conducting interviews with workers.</p>
<p>Description of Audit Process:</p>	<p>This is the first audit for Greenheart Suriname, against the LegalSource Standard (LS-02) V2-1, and NEPCon Generic Chain of Custody Standard (NC-STD-01). Due to the COVID-19 restrictions for traveling, the audit was conducted remotely from Costa Rica (lead auditor), and Guatemala (support auditor), using Google Teams; in Suriname a local expert was on-site to support the audit team with direct observations and translations when needed. The audit took place in two phases: on the 10th of May the opening meeting was done, explaining the scope, objectives, and methodologies, it was attended by the Compliance Officer (main responsible for certification), and other department heads, such as Human Resources, Sales/Exports, Forestry, and Finance. An overview of the current operations was led by the Compliance Officer, where she explained the basic organization's structure, responsibilities, the DDS' design, and its implementation. A first round of documentation review and interview to the SBB officials took place during that week as well. The field visit was not possible at that time due to the weather conditions (e.g., too much rain; hence, the roads to the forest management units were under water).</p> <p>The second phase took place between the 17th and 24th of August, when it was feasible to travel to the management units. The time used for the audit is explained because the same visit was used to collect information, not only for Greenheart Suriname (GHS), but for Greenheart Forest Central (GFC) as well.</p> <p>On the first field day, the local expert, along a team from the organization, travelled from Paramaribo to the Apoera sawmill (part of GHS); while the audit team conducted a remote interview with the heads of Sales & Distribution, and Export & Sales, Human Resources and Finance departments.</p> <p>Half of the second day was dedicated to the CoC review for the Apoera site, and the rest of the day to inspecting management sites of GHS: Eastern border of 725a concession; main camp Mozes, trucking activities, stumps, kapvak 71 in 725a.</p> <p>The third day concession 733 was visited, observing stumps, and skidding operations; then the team travelled to the Tibiti main camp (concession 422 of GFC). The audit team conducted a remote interview with the head of Finance.</p> <p>The fourth day was dedicated to inspecting management sites of GFC (concessions 396b, 422, 721a, 719, and 734): borders' checks, trucking activities, condition of roads, buffer zones, stumps, protected areas. The</p>

	<p>audit team conducted a remote interview with the head of Human Resources.</p> <p>The fifth day was dedicated to the CoC review for the Tibiti sawmill and travelling back to Paramaribo. Interviews with several workers took place at different stages of the tour.</p> <p>During the sixth day the CoC review for the Leiding site in Paramaribo took place; then a review of the Timber Inventory Management Information System (TIMIS) took place, where the audit team observed how the system works to trace back the bundles. The Sustainable Forestry Information System Suriname (SFISS) was checked, as well, tracing back a sample of logs. An interview with the person in charge of Health and Safety took place; and a thorough review of the active concession licenses was done as well, with help from the Forest Planning Manager.</p> <p>The seventh day of the audit the closing meeting took place, before the same team that was present at the opening meeting, to share the preliminary findings. The following day, an interview with the Ministry of Labor took place, because it was not possible to arrange it before the closing meeting.</p>
<p>Actions taken by Organisation prior to report finalisation:</p>	<p>Several pending documents were delivered after audit visit: adjusted DDS, scope, covid protocols, risk mitigation action plans for the NCR listed in closing meeting and other technical records.</p>
<p>Notes for the next audit:</p>	<p>Check progress on the issuance of Dinasty Forestry Industry NV concessions 'licenses which expired on Sept 2, 2021.</p>

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 #:	01/21	
Non-Conformance Grading:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	LegalSource Standard (LS-02), Requirement: 4.1	
Description of Non-conformance:		
<p>4.1 The Organisation shall review its due diligence system at a minimum annually, in order to address any weaknesses.</p> <p>NOTE: Internal monitoring shall cover internal entities and group members/sites (where applicable), as well as for any suppliers and sub-suppliers.</p> <p>4.1.1 All non-conformances and corrective actions identified shall be documented.</p> <p>4.1.2 Organisation shall ensure that all non-conformances are addressed and corrected in a timely manner.</p> <p>4.1.3 Organisation shall make all reports of monitoring available to the Certification Body.</p> <p>The organization reviews its DDS on an annual basis according to the protocols. No weaknesses were detected in the internal monitoring. However during field visits, RIL techniques were not properly followed up. This issue was not reported as non-conformance or as an observation to follow up.</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 (21/10/2022).	
Evidence Provided by Organisation:	PENDING	
Findings for Evaluation of Evidence:	PENDING	

NCR Status:	OPEN
Comments (optional):	

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 1.2.2	
Description of Non-conformance:		
<p>1.2.2. A valid concession license agreement shall exist.</p> <p>The Organization holds a concession license under its own name (733) and it acts as the forest operator for other concessions issued to other two entities, which are also part of the Greenheart Group (Epro N.V., and Dynasty Forestry Industry N.V.). Concessions 1040, 550, 550b, and 551c issued to Dynasty Forestry Industry N.V. were valid until 01/Sep/2021; and 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 (21/10/2022).	
Evidence Provided by Organisation:	PENDING	
Findings for Evaluation of Evidence:	PENDING	
NCR Status:	OPEN	
Comments (optional):		

Non-Conformance #:	03/21	
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:		
<p>1.2.3. <i>The process of obtaining concessions shall follow an open and transparent process based on clear criteria and be confined to eligible Organisations.</i></p> <p>License that belongs to Dynasty Forestry Industry N.V. (#1040, 550 b, 551 c and 550) were due on September 2, 2021, thus no approved business plan exists for those concessions.</p>		
Corrective action request:	<p>Organisation shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.</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.
Timeline for Conformance:	12 months (21/10/2022).
Evidence Provided by Organisation:	PENDING
Findings for Evaluation of Evidence:	PENDING
NCR Status:	OPEN
Comments (optional):	

Non-Conformance #:	04/21	
Non-Conformance Grading:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	LegalSource Standard (LS-02), Annex 1, Requirement 3.1.4	
Description of Non-conformance:		
<i>3.1.4 Harvesting restrictions shall be observed in the field.</i>		
The observed stumps (tree 141, PAK, kapvak 147, concession 733; and tree 131, PAK, kapvak 148, concession 733), were higher than expected, and damage to harvested logs were observed.		
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:	12 months (21/10/2022).	
Evidence Provided by Organisation:	PENDING	
Findings for Evaluation of Evidence:	PENDING	
NCR Status:	OPEN	
Comments (optional):		

Non-Conformance #:	05/21	
Non-Conformance Grading:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	LegalSource Standard (LS-02) V2.1, Requirement 9.1 NEPCon Generic Chain of Custody Standard (NC-STD-01), Requirement 5.1	
Description of Non-conformance:		

9.1 For products that are covered by the scope of the LegalSource certification, the Organisation may make a product-related certification claim on sales and transport documents.

5.1 Organisation shall ensure claim information is provided on sales invoices and shipping documents, including the following:

5.2.1 Description of the product and the claim category;

5.2.2 Quantity of each product/claim category;

5.2.3 NEPCon Generic Chain of Custody Certification Code, if applicable.

Three of the invoices and associated packing lists with LS certification claims (#GHS20-061 from 1/Dec/20; #GHS21-005 from 1/Feb/21; #GHS21-041 from 12/May/21) have the following description: "Legal Source Claim", and the other invoice (#GHS21-024 from 19/Mar/21) reads: "NepCon Legal Source". This is not the correct claim permitted in the LS standards.

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 (21/10/2022).
Evidence Provided by Organisation:	PENDING
Findings for Evaluation of Evidence:	PENDING
NCR Status:	OPEN
Comments (optional):	

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:

No OBS was issued.

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 #:	05/20	
Non-Conformance Grading:	MAJOR <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>
Standard & Requirement:	LegalSource standard (LS-02) V2-1; Annex 1: 5.2.3	
Description of Non-conformance:	<p><i>5.2.3. All required transport documents shall exist and be documented.</i></p> <p>GHS did not issue VVB for some logs from concession landing 733 to Apura sawmill.</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 (March 25, 2021)	
Evidence Provided by Organisation:	<p>The identified root-case that originated the non-conformance was an incomplete training for the person recording the incoming VVB. This time Mr. Henck James (data manager in Apoera), and Mr. Humphrey James (Apoera's Inventory Supervisor) demonstrated a good level of understanding about their functions, and all requested data was readily available to the audit team.</p>	
Findings for Evaluation of Evidence:	<p>It was observed the log yard supervisor checks the VVB forms to be complete (including species, total number of logs, origin, previous owner, truck license, and log measurements). All the logs received in Apoera are LS certified. Each VVB has four copies: one for the seller, one for the transporter, one for the buyer, and one for SBB. Since the concessions are being administered by the same management group, there are no invoices when the logs are received at the sawmill from the concessions; the VVB forms are the only documents accompanying the logs. All the requested VVBs were shown and found to be complete.</p>	
NCR Status:	CLOSED.	
Comments (optional):	None.	