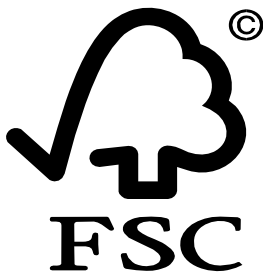


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SmartWood

Practical conservation through certified forestry

Forest Management Certification Assessment Report for:

Muling Forestry Bureau of
Heilongjiang Province
in
Heilongjiang, China

Certificate code:	SW-FM/CoC- 003531
Auditors:	Loy Jones, Xiao Jianmin and Zheng Xiaoxian
Audit Dates:	06-14, April, 2008
Report Finalized:	13 October 2008
Operation Contact:	Shi Fengming
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INTRODUCTION

This report presents the findings of an independent certification assessment conducted by a team of specialists representing the SmartWood Program of the Rainforest Alliance. The purpose of the assessment was to evaluate the ecological, economic and social performance of Muling Forestry Bureau of Heilongjiang Province forest management as defined by the Forest Stewardship Council.

This report contains four main sections of information and findings and several appendixes. The whole report plus appendixes I will become public information about the forest management operation that may be distributed by SmartWood or the Forest Stewardship Council (FSC) to interested parties. The remainder of the appendixes are confidential, to be reviewed only by authorized SmartWood and FSC staff and reviewers bound by confidentiality agreements.

The purpose of the SmartWood program is to recognize conscientious land stewardship through independent evaluation and certification of forestry practices. Forestry operations that attain SmartWood certification may use the SmartWood and FSC labels for public marketing and advertising.

1. SCOPE OF THE CERTIFICATE

1.1. Scope of the certificate

Muling Forestry Bureau of Heilongjiang Province is a state owned forestry enterprise located in Mudanjiang City, Heilongjiang province northeast of China. All the forests in the FME are included in the certificate, and the FME's forest only distributed in Mudanjiang City, Heilongjiang province.

See more detailed information about the FME and areas covered by the certificate in Appendix II.

1.2. Exclusion of areas from the scope of certificate

X	Applicability of FSC partial certification and excision policy		
<input checked="" type="checkbox"/>	All forest land owned or managed by the FME is included in the scope of this evaluation.		
<input type="checkbox"/>	FME owns and/or has management involvement in other forest land/properties (forest management units) not being evaluated. Provide description of other forests below:		
<input type="checkbox"/>	Is any portion of the forest management unit (s) under evaluation for certification being excluded? If yes, complete all sections below.		
Comments / Explanation for exclusion:			
Control measures			
Other Forest area	Location	Size (ha)	

2. ASSESSMENT PROCESS

2.1. Certification Standard Used

SW China Interim Standards January 2008

Local adaptation: The original local adaptation of the SmartWood Generic Standards was first done in 2004 and has undergone 2 revisions based upon new requirements by FSC, which included stakeholder consultation prior to the assessment of Muling Forestry Bureau. There is a FSC National Initiative in place in China now working on a set of China National Standards that will be used by SmartWood as soon as it is adopted by FSC International.

2.2. Assessment team and qualifications

Loy Jones, BS in Forest Management, Oregon State University. Experience: Regional Manager Asia Pacific Region since March 2006, Senior Forester for the US Region from 2004 through early 2006, total of four years as Regional Manager, Southern USA, and 2 years as the SmartWood Coordinator for the PNW and British Columbia providing full range of SmartWood certification services to forest managers and manufacturers of forest products. Four years as independent consultant in Washington working with private and public landowners in forestry and wildland fire. Spent 15 years with Washington Department of Natural Resources with experiences including forest practice, fire and surface mining regulation enforcement, forest land management at the stand through district levels, wildland urban interface fire program coordination, and manager of the first Interagency Fire Dispatch Center in Wenatchee, WA and manager of the Aquatic Lands Geoduck Program. Mr. Jones has led, managed or participated as an auditor on over 50 certification assessments, 8 pre-assessments, and over 100 annual audits throughout the US, British Columbia, and Asia Pacific. He has been an instructor for several SmartWood assessor training seminars, assisted SAF in developing their Certified Auditor testing process, presented the SAF auditor training workshop and has completed ANSI RAB accredited ISO 14001 EMS Lead Auditor training. Mr. Jones has served as a member or advisor for the FSC Pacific Coast, Southeast, Appalachian, Mississippi Alluvial Valley, Ozark-Ouachita, and British Columbia Standards working groups

Xiao Jianmin, SmartWood-trained assessor and SmartWood representative China. He has been working on forest management and chain of custody assessments and audits in China. And he has 14 years of forest ecology and silviculture research background. He got PhD degree in Beijing Forestry University and used to work for Chinese Academy of Forestry for 4 years. He also has worked in University of Goettingen as visit researcher.

Zheng Xiaoxian, Doctorate Degree in Forestry from the Gifu University in Japan and is currently a Professor of Forest Management in Beijing Forestry University, and has 30 years of experience in Forestry. Experience of FSC Forest certification: January 12th-18th, 2007, Formal evaluating GFA expert of FSC Forest certification in Dongfanhong forestry bureau, Heilongjiang Province, China. September 5th-9th, 2006, Advance evaluating GFA Expert of FSC Forest certification in Dongfanhong forestry bureau, Heilongjiang Province, China. May 29th- 31th, 2006, Formal evaluating GFA expert of FSC Forest certification in Badaling forest farm, Beijing, China. November 20th-25th, 2004; Formal evaluating SGS social workgroup expert of FSC Forest certification in Youhao forestry bureau, Heilongjiang Province, China. November 12th-19th, 2004;

Formal evaluating SGS social workgroup expert of FSC Forest certification in Baihe forestry bureau, Jilin Province, China.

2.3. Report peer reviewers

There will be two independent peer reviewers for the report after the client has the chance to review and provide comments on the first draft.

2.4. Assessment schedule (including pre-assessment and stakeholder consultation)

Date	Location /main sites	Main activities
Oct 25, 2007	Office of FMO	Pre-assessment: Opening meeting, FMO introduction, document checking, responsible person interview
Oct 26, 2007	Field survey	Pre-assessment: Survey a nursery, a permanent investigation sample, a HCWF, a logged land, a reservoir, a fire survey tower and some community
Oct 27, 2007	Office of FMO	Pre-assessment: Closing meeting (half day - morning)
Oct 28-29, 2007	Beijing	Pre-assessment: Report writing
April 6, 2008	Beijing and Muling	Assessment: Auditors from Beijing to Muling
April 7, 2008	Office of FMO	Assessment: Staff meeting and introduction to assessment procedure, FMO introduction, document checking, responsible person interview
April 8, 2008	Office of FMO, Heping FMU, Longzhaogou FMU, Gonghe nursery	Assessment: FMO introduction, HCVF survey, interview with forest managers and workers in two FMU and one nursery.
April 9, 2008	Laodaogou FMU,	Assessment: Harvest site survey, wild animal monitoring survey
April 10, 2008	Log yard, Laodaogou nursery,	Assessment: COC assessment, pesticide use survey
April 11, 2008	Office of FMO, meeting room in hotel	Assessment: Stakeholder meeting, internal meeting
April 12, 2008	Meeting room in hotel	Assessment: Internal meeting
April 13, 2008	Meeting room in hotel, office of FMO,	Assessment: Internal meeting, close meeting
April 14-15, 2008	Office	Report writing
Total number of person days used for the audit: 39 person days = number of auditors participating 3 times total number of days spent for the audit 13		

2.5. Evaluation strategy

A pre-assessment was carried out for Muling Forestry Bureau of Heilongjiang Province in October, 2007. This allowed for auditors to get a general idea of the forest management of the state owned forest enterprise in Northeast China.

In the assessment, auditors tried to visit more sites and interview as many staff and stakeholders as possible. Some gaps issued found in the pre-assessment were more of a focus for evaluation.

List of management aspects reviewed by assessment team:

Type of site	Sites visited	Type of site	Sites visited
Road construction	Heping FMU and Laodaogou FMU	Illegal settlement	NA
Soil drainage	Heping FMU	Bridges/stream crossing	Heping FMU
Workshop	N/A	Chemical storage	Gonghe nursery and Laodaogou nursery
Tree nursery	Gonghe nursery and Laodaogou nursery	Wetland	Longzhaogou FMU and Laodaogou FMU
Planned Harvest site	Laodaogou FMU	Steep slope/erosion	Laodaogou FMU
Ongoing Harvest site	NA	Riparian zone	Muling River and all FMUs
Completed logging	Laodaogou FMU	Planting	NA
Soil scarification	NA	Direct seeding	NA
Planting site	Interplanted area along main highway near dam.	Weed control	NA
Felling by harvester	NA	Natural regeneration	Longzhaogou FMU and Laodaogou FMU
Felling by forest worker	NA	Endangered species	Heping FMU and Laodaogou FMU
Skidding/Forwarding	NA	Wildlife management	Heping FMU and Laodaogou FMU
Clearfelling	NA	Nature Reserve	Heping FMU
Shelterwood management	Longzhaogou FMU	Key Biotope	Heping FMU
Selective felling	Longzhaogou FMU and Laodaogou FMU	Special management area	Heping FMU and Laodaogou FMU
Sanitation cutting	NA	Historical site	NA
Pre-commercial thinning	Longzhaogou FMU	Recreational site	NA
Commercial thinning	Longzhaogou FMU and Laodaogou FMU	Buffer zone	Laodaogou FMU
Logging camp	Log yard of FME and FMU	Local community	Heping FMU, Laodaogou FMU and Muling town

	villages		
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2.6. Stakeholder consultation process

The purpose of the stakeholder consultation strategy for this assessment was threefold:

- 1) To ensure that the public is aware of and informed about the assessment process and its objectives;
- 2) To assist the field assessment team in identifying potential issues; and,
- 3) To provide diverse opportunities for the public to discuss and act upon the findings of the assessment.

This process is not just stakeholder notification, but wherever possible, detailed and meaningful stakeholder interaction. The process of stakeholder interaction does not stop after the field visits, or for that matter, after even a certification decision is made. SmartWood welcomes, at any time, comments on certified operations and such comments often provide a basis for field assessment.

In the case of Muling Forestry Bureau, prior to the actual assessment process, a public consultation stakeholder document was developed and distributed by email, FAX and mail. Through input from the FME, CAF and assessment team members an initial list of stakeholders was developed and public announcements were distributed to them. This list also provided a basis for the assessment team to select people for interviews (in person or by telephone or through email). A single public meeting was also held without the FMU staff present to allow input without concerns from oversight by the FMU.

Stakeholder Type (NGO, government bodies, local inhabitant, contractor etc.)	Stakeholders Notified (#)	Stakeholders consulted directly or provided input (#)
NGOs	10	10
Local Community members	31	5
Govt agency	24	22
Union	0	0

3. ASSESSMENT FINDINGS AND OBSERVATIONS

3.1. Stakeholder comments received

The stakeholder consultation activities were organized to give participants the opportunity to provide comments according to general categories of interest based upon the assessment criteria. The table below summarizes the issues identified by the assessment team with a brief discussion of each based upon specific interview and/or public meeting comments.

FSC Principle	Stakeholder comment	SmartWood response
P1: FSC Commitment and Legal Compliance	<ul style="list-style-type: none"> There are some conflicts between superior authority's commands and FSC standard. Leader change of the FMO will cause some uncertainty to implement FSC Criteria. 	<p>During assessment, the FMO shows that conflicts between superior authority's commands and FSC standard were identified, and FME will need to work with appropriate parties to resolve those conflicts. (See CAR 01/08)</p> <p>At this time leadership is pretty solid with no indication a change is imminent.</p>
P2: Tenure & Use Rights & Responsibilities	<ul style="list-style-type: none"> The borderline between FMO and local farmer is very clear. There are not any property conflicts between them. FMO has a mechanism to resolve land property conflict with local community. 	<p>This was confirmed in the field and no comment required.</p> <p>FMO established a mechanism to resolve conflicts with local community.</p>
P3 – Indigenous Peoples' Rights	<ul style="list-style-type: none"> NA 	NA
P4: Community Relations & Workers' Rights	<ul style="list-style-type: none"> FME is a very powerful organization, local farmer normally in an inferior position when settle conflicts, 	<p>Many activities have been done by FME to improve local people's welfare.</p> <p>No comments required</p>
P5: Benefits from the Forest	<ul style="list-style-type: none"> FMO uses the forest's multiple products and services efficiently. FMO's harvest quantity is much less than annual growth. 	<p>NFPP has been carried out in Muling. Central government will provide some financial support to FME for harvest reduction and improve NTFP use. Multiple use of the forest was apparent during the assessment. There is concern that continued reduction in harvest levels would significantly impact the economic viability of the FME and community, particularly since the harvest levels now are significantly lower than annual growth rates. (See OBS 02/08)</p>
P6: Environmental Impact	<ul style="list-style-type: none"> Some stakeholders considered a need for FME to pay more attention to water quality of the Muling River. Some nature reserves are 	<p>Historic land use, particularly agriculture has infringed on the river's edge and there are many places both outside and inside the FME boundaries where riparian zones do not exist. Some of</p>

	<p>established in FMO to protect wildlife.</p> <ul style="list-style-type: none"> Some forestlands were occupied by agriculture. According to the Grain-to-Green policy, some agriculture land should be converted to forestland. 	<p>these the FME has restored and moved the agriculture activities further up the slope but much remain to be done. (See CAR 11/08)</p>
P7: Management Plan	<ul style="list-style-type: none"> Stakeholders indicate while they are informed in advance of many management activities they had no opportunity to participate in forest management planning. The summary of the Management Planning is publicly available although very few stakeholders both inside and outside could express management objectives. 	<p>FME needs to develop and implement a process to solicit and obtain stakeholder input into management planning for the forest and demonstrate how that is used for informing their management planning decisions. (See CAR 03/08)</p> <p>While there is a public summary available of the forest management plan, it has not been well socialized among lower level staff and/or the community (See OBS 04/08)</p>
P8: Monitoring & Assessment	<ul style="list-style-type: none"> No comments received 	
P9: Maintenance of High Conservation Value Forest	<ul style="list-style-type: none"> At the support of WWF, FMO has identified their HCVF. And HCVFs were addressed in the updated Forest Management Planning. 	Good evaluation done of HCVF
P10 - Plantations	NA	NA

3.2. Main strengths and weaknesses

Principle	Strengths	Weaknesses
P1: FSC Commitment and Legal Compliance	<ul style="list-style-type: none"> FME complies with all laws, regulations and international agreements, which China participates in. FME identified conflicts between FSC P&C and laws/regulations. 	<p>FME has not cooperated with FSC China and upper authorities to resolve conflicts between laws/regulations and FSC Principles or Criteria. (See CAR 01/08)</p>
P2: Tenure & Use Rights & Responsibilities	<ul style="list-style-type: none"> The land ownership is clear. FME has a mechanism to resolve the conflict with local communities and local authority. 	<ul style="list-style-type: none"> FME could not provide documented evidence to show legal or customary tenure or use rights to the forest resource to local communities. (See CAR 02/08) In FME's forest management planning process, there is no evidence to show local community's participation. (See CAR 03/08)
P3 – Indigenous Peoples' Rights	NA	NA
P4: Community Relations & Workers' Rights	<ul style="list-style-type: none"> FMO provides multiple benefits to local communities, including job opportunities to local people, local welfare improvement and 	<ul style="list-style-type: none"> In Laodaogou nursery, auditors only found one set of safety equipment. The responsible person told auditors that 2 workers

	labor safety.	<p>use chemical at the same time normally. (See CAR 04/08)</p> <ul style="list-style-type: none"> FME could not provide a document to assess the risk associated with all tasks and equipment and prescribed safety procedures, emergency procedures, provides the use of personal protective equipment (PPE) in a safe and serviceable condition. (See CAR 05/08 and OBS 01/08) FME could not provide records of a socio-economic impact evaluation and communications with stakeholders. (See CAR 03/08 and 6/08)
P5: Benefits from the Forest	<ul style="list-style-type: none"> FME works to improve the timber use efficiency and their economy benefit. During NTFP exploitation, environment and NTFP resource protection are considered. 	<ul style="list-style-type: none"> The road maintenance in protected area could not satisfy the FME's internal requirements nor meet the standard due to budget constraints. (See CAR 07/08) The team was concerned that the annual harvest levels are set significantly lower than annual growth rates. (See OBS 02/08)
P6: Environmental Impact	<ul style="list-style-type: none"> FME has carried out environmental impact evaluation against forest management scale and intensity; the result was reflected in forest management planning. In FME's operation scope, soil and water resource, ecosystem and wildlife resources are well protected. FME has established a policy to decrease chemical use. 	<ul style="list-style-type: none"> Environmental assessments were not made prior to site disturbing activities. (See CAR 08/08) Some sites had significant waste remaining in the forest after activities (plastic bags, discarded clothing, etc.) (See CAR 09/08) According to the field survey, standing and fallen dead wood habitats are not retained in Muling Forestry Bureau. (See CAR 10/08) Concerns were expressed by stakeholder's regarding water quality and many instances were observed in the field both inside and outside the FME where agriculture activities occur right to the edge of the river. (See CAR 11/08) Detailed lists and use records of pesticides in the nurseries were lacking. (See CAR 12/08)
P7: Management Plan	<ul style="list-style-type: none"> FME drafted an integrated and feasible Forest Management Planning Training about Forest Management Planning has been carried out. 	<ul style="list-style-type: none"> In FME'S forest management plan, the risks of forest management are considered, but no such documented reports are kept. (See OBS 03/08) FME should strive to do a better job

	<ul style="list-style-type: none"> The summary of the Forest Management Planning is publicly available. 	of acquainting local communities and staff with the main objectives of forest management and how those will be achieved. (See OBS 04/08)
P8: Monitoring & Assessment	<ul style="list-style-type: none"> FME has developed a monitoring system on forest situation, timber production, management activities, and social and environmental impacts. Monitoring result were concerned in forest management planning. The monitoring results were public available. 	<ul style="list-style-type: none"> FME has not a documented procedure to ensure FSC certificate code and certified description of products are included in sales and shipping documentations. (See CAR 13/08) At the time of the assessment there were logs in the yard that would not be certified although in time this will no longer be an issue. If any remain after the 2007 harvest season a system of marking or segregating certified from non-certified needs to be in place. (See OBS 05/08)
P9: Maintenance of High Conservation Value Forest	<ul style="list-style-type: none"> HCVF evaluation and layout are reasonable. HCVFs have been well protected 	<ul style="list-style-type: none"> Muling Forestry Bureau has not documented records about stakeholder consultation and actions taken in response. (See CAR 03/08)
P10 - Plantations	NA	NA
Chain of custody	<ul style="list-style-type: none"> FME has a detailed log transport and selling procedure. 	<ul style="list-style-type: none"> FME does not have a documented procedure to ensure FSC certificate code and certified description of products are included in sales and shipping documentation. (See CAR 13/08) At the time of the assessment FME did not indicate a desire to use FSC trademarks but will need to develop procedures to do so in the future if they want to use the logo and make public statements. (See OBS 06/08)

3.3. Identified non-conformances and corrective actions

A non-conformance is a discrepancy or gap identified during the assessment between some aspect of the FME's management system and one or more of the requirements of the forest stewardship standard. Depending on the severity of the non-conformance the assessment team differentiates between major and minor non conformances.

- Major non-conformance** results where there is a fundamental failure to achieve the objective of the relevant FSC criterion. A number of minor non-conformances against one requirement may be considered to have a cumulative effect, and therefore be considered a major nonconformance.

- **Minor non-conformance** is a temporary, unusual or non-systematic non-conformance, for which the effects are limited.

Major non conformances must be corrected **before** the certificate can be issued. While minor non-conformances do not prohibit issuing the certificate, they must be addressed within the given timeframe to maintain the certificate.

Each non-conformance is addressed by the audit team by issuing a corrective action request (CAR) CARs are requirements that candidate operations must agree to, and which must be addressed, within the given timeframe of a maximum of one year period.

CAR 01/08		Reference Standard & Criteria: 1.4.2 and 6.3.5
Nonconformance		During on-site assessment, the overall responsible person introduced some conflicts between laws/regulations and FSC Principles or Criteria. For example, FME has cooperated with WWF and some research agencies to identify the HCVFs which are not required according to Chinese law and regulation. But there are some other conflicts which FME has not identified. For example the FME has identified the conflict of dead tree protection between local regulation and FSC Principle.
Major <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>	
Corrective Action Request: FME shall identify areas of conflict between the FSC Principles and Criteria and Chinese laws/regulations. They will then develop and begin to implement a strategy for working with FSC China and other parties to resolve such conflicts.		
Timeline for conformance:		Prior to next annual audit
Evidence to close CAR:		Pending
CAR Status:		OPEN
Follow-up Actions (if app.):		

CAR 02/08		Reference Standard & Criteria: 2.2.1
Nonconformance		FME is a state owned forestry enterprises that has been established since 1947. In history, there have been some conflicts with local communities. In order to resolve these conflicts, some of the state owned forests are distributed to local communities. Now, local communities have no legal right to the forest resource, but some customary use rights remain. For example, local communities can collect mushrooms in the forest. FME does not have documentation to show local community's legal or customary tenure or use rights to the forest resource, neither does it have a clear map showing entry to the forest.
Major <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>	
Corrective Action Request: All legal or customary tenure or use rights to the forest resource of all local communities shall be clearly documented and mapped by the forest managers and regulations concerning special circumstances for entry to the forest should be clearly defined and announced to the public.		
Timeline for conformance:		Prior to next annual audit
Evidence to close CAR:		Pending
CAR Status:		OPEN
Follow-up Actions (if app.):		

CAR 03/08		Reference Standard & Criteria: 2.2.3, 4.4.2 and 9.2.2
Nonconformance		According to interviews with forest managers and staff, local communities and parties were not asked to participate in planning process.
Major <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>	
Corrective Action Request: FME planning processes shall include participation of local communities or parties with legal or customary tenure or use rights and other interested stakeholders.		
Timeline for conformance:		Prior to next annual audit
Evidence to close CAR:		Pending
CAR Status:		OPEN
Follow-up Actions (if app.):		

CAR 04/08		Reference Standard & Criteria: 4.2.4
Nonconformance		During on-site surveys of a nursery, the responsible person stated that normally two people work using chemical at the same time, but there was only one set of equipment for the chemical users.
Major <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>	
Corrective Action Request: Workers shall be provided with appropriate safety equipment. For example, if two staff uses chemicals at the same time, each of them should have a set of safety equipment.		
Timeline for conformance:		Prior to next annual audit
Evidence to close CAR:		Pending
CAR Status:		OPEN
Follow-up Actions (if app.):		

CAR 05/08		Reference Standard & Criteria: 4.2.8
Nonconformance		FME can not provide documented evidence to show that they have carried out a systematic assessment of the risk associated with all tasks and equipment and determined prescribed safety procedures.
Major <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>	
Corrective Action Request: FME shall provide documented evidence to show that they have carried out a systematic assessment of the risk associated with all tasks and equipment and prescribed safety procedures.		
Timeline for conformance:		Prior to next annual audit
Evidence to close CAR:		Pending
CAR Status:		OPEN
Follow-up Actions (if app.):		

CAR 06/08		Reference Standard & Criteria: 4.4.4
Nonconformance		FME has not provided records of socio-economic impact evaluations and communications with stakeholders. While this might be considered a major issue in some operations, due to the large amount of employment and financial return the FME provides to the community, the audit team felt this was only a minor CAR.
Major <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>	
Corrective Action Request: As a large scale operation, FME shall have carried out a socio-economic impact evaluation and communications with stakeholders, and shall keep records about the evaluations and communications.		
Timeline for conformance:		Prior to next annual audit
Evidence to close CAR:		Pending

CAR Status:	OPEN
Follow-up Actions (if app.):	

CAR 07/08	Reference Standard & Criteria: 5.1.1 and 6.5.6	
Nonconformance	FME does not appear to have a reasonable budget to maintain the roads in protected area against FME's road maintenance requirements. Thus the condition of the road would not meet the FSC standards.	
Major <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>	
Corrective Action Request: FME shall work with government officials to determine a reasonable budget to maintain the road in protected area against FME's road maintenance requirements and provide evidence of efforts to ensure that budget is achieved.		
Timeline for conformance:	Prior to next annual audit	
Evidence to close CAR:	Pending	
CAR Status:	OPEN	
Follow-up Actions (if app.):		

CAR 08/08	Reference Standard & Criteria: 5.5.1 and 6.5.8	
Nonconformance	Agriculture activities within the forest were found on both sides of river right to the waters edge with little to no riparian zones, but the Muling Forestry Bureau has not established the buffer zone.	
Major <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>	
Corrective Action Request: FME shall reduce negative impact on quality and quantity of water resources, control soil erosion and avoid severe damage to water collecting area of the forest. A strategy for restoration of riparian buffers on both sides of the riverbanks to conserve water and soil shall be developed and implemented.		
Timeline for conformance:	Prior to next annual audit	
Evidence to close CAR:	Pending	
CAR Status:	OPEN	
Follow-up Actions (if app.):		

CAR 09/08	Reference Standard & Criteria: 6.1.2	
Nonconformance	FME's environmental assessments were not made prior to site disturbing activities.	
Major <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>	
Corrective Action Request: FME shall develop and implement a system for conducting environmental assessments prior to site disturbing activities.		
Timeline for conformance:	Prior to next annual audit	
Evidence to close CAR:	Pending	
CAR Status:	OPEN	
Follow-up Actions (if app.):		

CAR 10/08	Reference Standard & Criteria: 6.1.3	
Nonconformance	On site surveys found some production wastes (such as plastic bags used to culture agaric) and other wastes (clothing) were found discarded within the forest.	
Major <input type="checkbox"/>	Minor <input checked="" type="checkbox"/>	
Corrective Action Request: FME shall control negative environmental impacts of on-site processing facilities, such as: untreated plastic bags used to culture agaric and other wastes in the forest.		

Timeline for conformance:	Prior to next annual audit
Evidence to close CAR:	Pending
CAR Status:	OPEN
Follow-up Actions (if app.):	

CAR 11/08	Reference Standard & Criteria: 6.3.5	
Nonconformance	According to the field survey, standing and fallen dead wood habitats are not retained in Muling Forestry Bureau. FME does not have related guidelines for retention of standing and fallen dead wood habitats.	
Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>		
Corrective Action Request: Based on local best management practice or documented research, FME shall develop a guideline to retain some standing and fallen dead wood habitats within harvest units and demonstrate implementation and compliance with those standards in the field.		
Timeline for conformance:	Prior to next annual audit	
Evidence to close CAR:	Pending	
CAR Status:	OPEN	
Follow-up Actions (if app.):		

CAR 12/08	Reference Standard & Criteria: 6.6.2	
Nonconformance	In one nursery, there are no chemical use records, and there is no evidence to show that the chemical use staff has been trained.	
Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>		
Corrective Action Request: FME shall keep a list of all chemicals used by the FME including name of the product, location and method of application (using proper equipment), total quantity of chemical used and dates of application. The relative staff contractors shall receive training in handling, application and storage procedures.		
Timeline for conformance:	Prior to next annual audit	
Evidence to close CAR:	Pending	
CAR Status:	OPEN	
Follow-up Actions (if app.):		

CAR 13/08	Reference Standard & Criteria: 8.3.2 and CoC 4	
Nonconformance	FME has not developed procedures for including FME's FSC certificate code and certified description of products on sales and shipping documentation.	
Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>		
Corrective Action Request: FME shall have written procedures for including the FME FSC certificate code and certified description of products on sales and shipping documentation.		
Timeline for conformance:	Prior to next annual audit	
Evidence to close CAR:	Pending	
CAR Status:	OPEN	
Follow-up Actions (if app.):		

3.4. Observations

Observations are very minor problems or the early stages of a problem which does not of itself constitute a nonconformance, but which the auditor considers may lead to a future nonconformance if not addressed by the client. An observation may be a warning signal on a particular issue that, if not addressed, could turn into a CAR in the future (or a pre-condition or condition during a 5 year re-assessment).

OBS 01/08	Reference Standard & Requirement: 4.2.4
During on-site survey to a FMU, the responsible person showed brand new safety equipments for the chainsaw manipulator. For this FME, harvesting season is in winter. Auditors do not know if the safety equipments are really used by harvest workers.	
<p>Observation: FME should provide more detailed information to show that the safety equipment has been used by available workers.</p>	

OBS 02/08	Reference Standard & Requirement: 5.6.3
According to interviews with relevant staff, FME's annual harvest is only about one third of the annual growth in recent years.	
<p>Observation: FME should evaluate and document the economic and silvicultural impacts of such a reduced harvest rate to the health of the forest and the local economy to be used with appropriate officials to manage the forest from a more balanced approach.</p>	

OBS 03/08	Reference Standard & Requirement: 7.1.1
FME's forest management plan has all the contents except k) the risks of forest management. According to interviews with relevant managers, they clearly understand the risk of forest management.	
The forest management plan is submitted to upper forest authority for review and approval before use. FME should determine if upper forest authority can approve the plan with the provisions of k) included.	
<p>Observation: FME should add the risk analysis of forest management in the forest management plan or in a supplementary document if it cannot be added to the formal plan. FME should also provide evidence to show that the forest management plan was reviewed and approved by upper forest authority.</p>	

OBS 04/08	Reference Standard & Requirement: 7.4.1
Interviews with some stakeholders and staff indicate a very rudimentary or no understanding of the objectives of the management plan.	
<p>Observation: FME should develop a system to ensure the management plan is better socialized among staff and the community so there is a greater understanding of the objectives of forest management and how the intention is to achieve those objectives.</p>	

OBS 05/08	Reference Standard & Requirement: 8.3.3 and CoC 2
On-site survey of yard found that some non-certified timber still has not been sold.	
Observation: FME should ensure to sell all non-certified material before certified timber storage. Otherwise, there should be clear identifiers to separate or distinguish certified timber from non-certified.	

OBS 06/08	Reference Standard & Requirement: CoC 7
Until now, FME has not been certified, and FME still has not submitted FSC/SW trademarks and public information related to certification to SmartWood for review and approval.	
Observation: If FME get certified, FME should show that FME has submitted FSC/SW trademarks and public information related to certification to SmartWood for review and approval prior to use it.	

3.5. Certification Recommendation

Based on a thorough review of FME performance in the field, consultation with stakeholders, analysis of management documentation or other audit evidence the SmartWood assessment team recommends the following:

Certification requirements met, certificate should be issued	<input checked="" type="checkbox"/>
Certification requirements not met, major CARs must be met prior to certificate issuance.	<input type="checkbox"/>
FME has demonstrated that their described system of management is being implemented consistently over the whole forest areas covered by the scope of the evaluation	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Comments: Muling Forestry Bureau has very good systems in place for management of their forests and demonstrated consistent implementation in the field.	
FME's management system, if implemented as described, is capable of ensuring that all the requirements of the certification standards are met across the scope of the certificate	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Comments: With the forest use designation currently in place and the consistent implementation of the forest management system, the requirements of the certification standards can continue to be met.	
Issues identified as controversial or hard to evaluate.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Comments: None	
Certificate type recommended:	<input checked="" type="checkbox"/> Forest management and Chain of custody <input type="checkbox"/> Forest management only (no CoC)

In order to maintain certification, the FME will be audited annually on-site and required to remain in conformance with the FSC principles and criteria as further defined by regional guidelines developed by SmartWood or the FSC. The FME will also be required to fulfill the corrective actions as described below. Experts from SmartWood will review continued forest management performance and conformance with the corrective action requests described in this report, annually during scheduled and/or random audits

4. CLIENT SPECIFIC BACKGROUND INFORMATION

4.1. Ownership and land tenure description

Muling Forestry Bureau was established in 1947. This FME is a state owned forestry enterprise located in Northeast China. The FMO connects with Suifenhe city in east, Mudanjiang city in West and Jilin province in south.

The FMO got a concession license from the government in 1991. In the license, it is specified that all the forests in the area of 267,530.0 ha is state owned, and Muling Forestry Bureau is authorized to manage the forest resource. There is no time limitation for the license.

4.2. Legislative and government regulatory context

Muling Forestry Bureau is a state owned FME, which was established in 1947. Muling is a species-rich, commercially valuable and environmentally important area. During the past six decades, intensive timber extraction has been conducted there. At present, most of the forest resources in Muling Forestry Bureau are immature mixed hardwood forests with some mixed conifer-hardwood stands and a few areas that were planted with the purpose of plantation that are now managed under longer rotations and less intensively. Muling River originates from within the forests Muling Forestry Bureau. Chinese Yew is a native tree species in Muling Forestry Bureau, and a protected area is designated to protect this tree species. Upper forestry authorities directly lead Muling Forestry Bureau.

In August 1998, following a summer of devastating floods, the Chinese government announced immediate logging bans in natural forest in 17 provinces and accelerated its formulation of a nationwide Natural Forest Protection Program (NFPP). State-owned logging companies have been shut down permanently or moved toward adoption of sustainable forest management. As a state owned FME, Muling Forestry Bureau also belongs to NFPP area. At the same time, central government provided some subsidy to those FMEs.

The other big forest project is Grain-to-Green, which aims to restore hillside agricultural lands into forest by giving grain subsidies to local communities in exchange for planting trees. Some agriculture land in Muling Forestry Bureau had been converted to forestland.

Muling Forestry Bureau also has government authority function. The FME has public security agency, court, school, hospital and so on.

4.3. Environmental Context

The NFPP, which was carried out in 1998, affects most importantly the environmental impact of Muling Forestry Bureau. The annual harvest is about 240, 000 cubic meters in 1997. At present, it is about 130,000 cubic meters. The decrease is about 55%. However, the estimated annual growth for the production areas of the forest is 845,000 cubic meters, so the AAC is roughly 15% of growth.

Through forest classification, forest management and protection were strengthened. According to the classification, forests are classified as three kinds. The first is commercial forest on which commercial harvest can occur and occupies 30 percent of forest resource. The second is normal public benefit forest occupying 40 percent of the forest resource where only selection harvesting is permitted. And the third is key important public benefit forest which occupies 30 percent of the forest resource and any kind of harvest is forbidden there. Additionally there are 7077 ha classified as wetland. One Chinese Yew protection area and a Liufeng national forest park were established in Muling Forestry Bureau.

Agriculture development and settlement in the forest are the most important challenge to Muling Forestry Bureau's landscape, wetland, rivulet, soil and water quality. The settlement and agriculture land are mainly located on both sides of rivers; and causes very serious negative impacts to the rivers.

Muling Forestry Bureau is located in low hill area belong to Changbai mountain. The highest apex is Laoyeling with altitude of 1111 meter. The most important river is Muling River, Muling Forestry Bureau is the origin of this river. The climate here is belong to temperate monsoon zone, and the annual rainfall is 500-600 mm. The soil is dark brown forest soil.

The vegetations here include conifer forest, broadleaf forest and mixed forest. the main tree species are Korea Pine (*Pinus koraiensis*), Faber Fir (*Abies fabri*), Dahurian Larch (*Larix gnelini*), Chinese Spruce (*Picea asperata*), Mongolian Pine (*Pinus sylvstris var. mongolica*), Asian White Birch (*Betula platyphylla*), David Poplar (*Populus davidiana*), Mono Maple (*Acer mono*), Siberian Elm (*Ulmus pumila*), Mongolian Oak (*Quercus dentata*) and Chinese Yew (*Taxus chinensis*). Chinese Yew is a protected tree species in China. In some cases, local forester found Siberia tiger, a protected animal, in this area.

4.4. Socioeconomic Context

Muling Forestry Bureau is located in the Southeast of Heilongjiang Province. According to the administrative regionalism, the FME contacts with Mudanjiang city in the west, Suifenhe city in east and Jilin province in south. It is about 150 km from the FME to the boundary between China and Russia. Suifenhe is one of the biggest timber import custom areas in China.

As a state owned FME, Muling Forestry Bureau was established in 1947. At present, there are about 18,000 staffs in the FME. And there are four towns with 56 villages with about 40,000 people who live in the FME.

In recent years, because of the logging restrictions and timber resource reduction, local people's income decreased distinctly. Muling Forestry Bureau has tried to attract investment from south of China to improve local economic development and create employment. Now several factories are being established in Muling.

Muling Forestry Bureau also has government authority function. The FME has public security agency, court, school, hospital and so on.

APPENDIX I: Public summary of the management plan

(NOTE: To be prepared by the client prior to assessment, Information verified by assessment team)

<p>Main objectives of the forest management are: Primary priority: to realize sustainable forest management Secondary priority: to increase the forest resource, restore and improve forest's environmental function Other priorities: income from harvesting and sales of roundwood; recreation and outdoor activities; Collection of mushrooms and berries</p>	
<p>Forest composition: Mixed broad-leafed forest 37.1%, mixed conifer and broad leafed forest 29.5%, conifer forest 14.6%, oak forest 5%, Korea pine forest 2.5%, birch forest 0.9%, poplar forest 0.8%, fir forest 0.6%.</p>	
<p>Description of Silvicultural system(s) used:</p> <p>Planting seedlings to wasteland open stand, thinning to high density immature forest, changing low productive forest to high productive forest, monitoring the forest resource especially for forest fire and forest disease.</p>	
<p>Silvicultural system</p>	<p>% of forest under this management</p>
<p>Even aged management</p>	<p>44328 ha</p>
<p> Clearfelling (clearcut size range)</p>	<p>26596 ha</p>
<p> Shelterwood</p>	<p>17732 ha</p>
<p>Uneven aged management</p>	<p>186077 ha</p>
<p> Individual tree selection</p>	<p>186077 ha</p>
<p> Group selection (group harvested of less than 1 ha in size)</p>	<p>0 ha</p>
<p>Other types of management (explain)</p>	<p>0 ha</p>
<p>Harvest methods and equipment used:</p> <p>Chain saw logging, chain saw log making, manpower limbing, livestock extraction, machine loading and unloading, truck transporting.</p>	
<p>Estimate of maximum sustainable yield for main commercial species: 844,920 m³</p>	
<p>Explanation of the assumptions (e.g. silvicultural) upon which estimates are based and reference to the source of data (e.g. inventory data, permanent sample plots, yield tables) upon which estimates are based upon.</p> <p>Based on the resource file, Muling Forestry Bureau will select the plot samples, and investigate those plots. Then, harvest species and volume will be determined according to relevant regulations and harvest methods. Generally, the main basis are forest harvesting regulation and silviculture regulations.</p>	
<p>FME organizational structure and management responsibilities from senior management to operational level (how is management organized, who controls and takes decisions etc.)</p>	

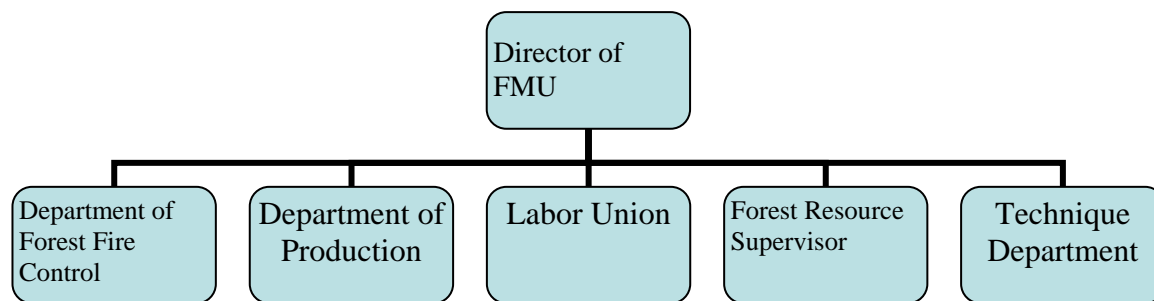
The main procedure of forest management is:

1. Center government makes known harvest limitation to lower levels;
2. FME's forest investigation and designing agency carry out field survey and make an harvest planning;
3. Harvest planning should be submitted to Mudanjiang Forest Administration Bureau, Forest Industry General Bureau of Heilongjiang and State Forestry Administration of China for review and approval;
4. When the harvest planning is proved, FME will offer harvest operation license to FMUs;
5. FMUs will carry out harvest operation on site according the harvest planning;
6. When harvest is finished, the forest resource supervisor will check it.

Structure of forest management units (division of forest area into manageable units etc.)

Altogether, the FME has 20 FMUs, including Modaoshi, Daimagou, Xibeicha, Laodaogou, Lianhe, Huashuhe, Sanxinshan, Mulingsuo, Hongyan, Tongzigou, uanyanhe, Shiziqiao, Dongxing, Yangmuqiao, Niuxinshan, Gonghe, Toudaogou, Shuangning, Longzhaogou, Heping. The forest area for each FMU can be found in Appendix II .

The structure for each FMU is similar to the following chart.



Monitoring procedures (including yield of all forest products harvested, growth rates, regeneration, and forest condition, composition/changes in flora and fauna, environmental and social impacts of forest management, costs, productivity and efficiency of forest management)

Three kinds of monitoring methods are used in Muling Forestry Bureau.

The first one is through field plot and on-site monitoring. In Muling Forestry Bureau, there are some fixed plot in province level and bureau level, and some fixed plots in HCVF. The shape of a plot can be rectangle circular, and the area of a plot is 600 m². Altogether, there are 317 fixed plot in province level and 317 in bureau level. Some plots are monitored regularly, and some irregularly. Muling Forestry Bureau's forest resource data and forest management results can be obtained by monitoring those plots.

The second is the combination of dynamic monitoring, remote sensing and on-site monitoring, to monitor forest resource, including investigation and designing of harvest areas, reforestation and thinning, forest harvest, afforestation supervision and inspection, forest fire control, forest aerography and hydrology, forest area, forest disease and pest monitoring.

The third is information monitoring, by using telephone, television, internet and satellite. Through establishing a multi-regional, multi-forest area and multi-industrial forest ecological and environmental monitoring system, to inspect the change trend of forest ecology and

environment, and forecast some risks.

Environmental protection measures, e.g. buffer zones for streams, riparian areas, etc., protection measures for Rare Threatened and Endangered Species and habitat

Five measures are being used in the FME for environmental protection.

The first is to strengthen forest resource management and improve eco-friendly construction. In Muling Forestry Bureau, non-timber forest product development is advocated in order to decrease the dependence to forest resource. In order to decrease harvest's negative impact, selection harvest is accepted, and harvest regulations are being implemented. Environmental evaluations have been carried out, and forest management planning includes such requirements. In order to improve forest management level, some typical plots were selected as monitoring samples, such as natural forest, wetland, key important public benefit forest and watershed areas.

The second is to protect threatened and endangered species and their habitat. According to the distribution of threatened and endangered species, some monitoring samples have been established, and FME carries out regular monitoring of those samples. For some key important areas, protection areas have been established.

The third is to strictly control exotic species and genetically modified tree species. All seedlings from outside will be strictly checked to ensure they could not cause distinctly negative impacts to environment and biodiversity.

The fourth is to improve the environmental situation. Some environmental protection activities have been carried out in Muling, including pollution control, waste treatment, collection and treatment. FME also has a procedure to use chemical as less as possible.

The last measure is strengthen administration and monitoring to local factories. All forestry industrial factories were asked to invest in environmental protection, and polluted water emission is strictly prohibited. FME also has increased some garbage bins and waster treatment facilities.

