



Sustainable Agriculture  
Network info@san.ag



Rainforest Alliance

Asia Pacific Regional Office  
Tantular Barat 88, Dangin Puri Klod  
Denpasar, Indonesia 80114

racert.asiapacific@ra.org  
(62361) 472-3499

IOAS Contract Number 85

## **Rainforest Alliance Certified™**

### Audit Report for Farms

#### *Annual Audit 1*

## **Yunnan Dianhong Group Co., Ltd**

Farm crop(s): Tea

**Date of report submission:** 03/01/2017

**Audit start date:** 19/12/2016

**Audit end date:** 21/12/2016

**Name(s) of the auditor(s):** Ma Xiaoti  
Xiaochen Liu

**Reviewer:** Benedictus

(lead auditor)

## 1. Audit summary

### 1.1. Summary of scores

Results			
Audit Result		Certification	Annual 1
Non-Conformities	Minor	0	11
	Major	0	3
	Critical	0	0
	Total	0	0
	X	< Enter "x" if they are applicable criteria of the Chain of Custody standard	
	Major NC indicate the criteria	Minor NC indicate the criteria	
Score	Principles with percent less than 50%		0
	General		91%

### 1.2. Conclusion of the audit team

The audit team concluded that the farm Yunnan Dianhong Group Co., Ltd COMPLIES with the current version of the normative documents of the Sustainable Agriculture Network (see Section 3). The certification decision is responsibility of the contracted certification body.

## 2. Farm description

### 2.1. Description, strengths or changes since the previous audit

#### Certification experience

##### Certification

Yunnan Dianhong Group Co., Ltd (hereafter refers to Dianhong) was founded in March 1939. Dianhong has previously been certified by Rainforest Alliance. This time audit is the certification audit. At present, Dianhong hold 2 047 hectares tea farm, 1 333 hectares of that has passed IMO certification since 2003.

Last year, Dianhong has got 90.27% of SAN certification. During this year, Dianhong has conducted a series of corrective measures to remove NC. The traceability system contribution is the main achievement of Dianhong.

##### Annual 1

This is the annual 1 audit of Yunnan Dianhong Group Co., Ltd (hereafter refers to Dianhong) after a 3-year certification period. Dianhong was established in 1937, owns more than 22.7ha of factory area and 4 lines of processing lines, which can process CTC, black tea and green tea. In the following years, Dianhong is planning to apply for China organic certification program.

#### Social and environmental management system

##### Certification

Dianhong has established social and environmental management system (SEMS) and develop environmental management manual. This year, Dianhong has integrated all relevant system documents like wild life protection, water conservation and ecosystem conservation into SEMS. Defining and integrating simple long term, medium-term and short term goal in line with SEMS

The Fengqing Farm owned by Dianhong has the total areas of 800 hectares, which is divided into two parts. One is called Xiaoqingshu farm including 477.33 hectares, the other is called Zhengyi farm including 322.67 hectares.

##### Annual 1

Social and environmental management system was established by Dianhong to implement SAN standard, which includes policies, programs and plans for environmental protection in compliance with SAN standard. In 2016, Dianhong has already implemented several training courses covering all aspects which SAN standard requires.

#### Ecosystem and biodiversity conservation

##### Certification

This year, Dianhong has conducted corrective measures. Some buffer zones with non-spray and hedgerow have established, which is enough to prevent agrochemical drifting. Dianhong has listed wild animal inventory identifying level of endangered. The natural terrestrial and aquatic ecosystems are identified in the farm maps. Main native plants are Pinus yunnanensis, German Oak, Vertebral schima superba, alder, Pinus armandi, Pinus khasys.

##### Annual 1

Dianhong is located in mountains with high altitude with more than 1700m. Biodiversity and ecosystem are well conserved. However during the audit, it was found that at the border of the tea farm with public road and forest, the buffer zone and no-spraying areas are not sufficient. With its geography characteristic, many valuable and wild animals treat this place as their habitat. The farm has already developed concrete program to protect animals, and the list of wild animals is maintained.

#### Social and working conditions

##### Certification

This year, the factory situation is the same as previous year. Observation in the factory showed that working condition was clean and tidy. There is no visible waste and waste water around the factory. Workers in factory have signed agreement with Dianhong. As for workers of factory, daily working is 8 hours. Average wages is approximately 1500 yuan (231.56USD) per month, higher than local minimum wage of 955 yuan (147.43USD) regulated by government for workers of farm. The average wage is higher then minimum 9 yuan (1.39USD) per hour.

For the temporary workers.] for temporary wotkers. Above situation is the same as last year. The labor union of Dianhong has established since 1951, which is led by federation labor union of Fengqing county. Labor union provides various benefits for all employees such as carrying out entertainment and sports activities, giving holiday gifts on Mid-Autumn day and spring festival, giving bonus for needy employees. However, Dianhong does not provide annually free medical checkup for spraying team member.

##### Annual 1

Dianhong has already set up social policy indicated all rights and responsibilities workers and farmers. During harvest season, temporary short-time workers will also be hired. The farmers usually work with their own farm, and live in the villages with very good condition. All workers hired by the farm can get wages of at least 1500 yuan/month (equivalent to 223 USD), which is much higher than the minimum salary of Fengqing with 955 yuan (equivalent to 142 USD). The average wage for temporary workers is higher then minimum 9 yuan (1.34USD) per hour. No children labors can be permitted to work on the farm. Farmers are living in the village with good condition. Drinking water can be accessible at the farm. At the factory, the processing machines are with relevant cover, but there is no yellow line around the machine.

#### Crop management

##### Certification

Dianhong has established integrated crop management which includes early warning mechanism during infestation period. There are four times potential high-risk infestation within one year. In order to use agrochemical in reasonable way, Mr. Gaowen, as plant protector check pest and disease damage in each period. Agrochemicals used are purchased by Dianhong in unified way. The spraying team members were conducted trainings for agrochemical knowledge and correct use of PPE. Every year, the team manager of each farm will conduct on-site training for sprayers each time. Storage house for agrochemicals and PPE were built in the farm, in which chemical and PPE were stored separately.

##### Annual 1

Dianhong has established integrated crop management, which includes early warning mechanism during infestation period. As Dianhong is planning to apply for China Organic Certification, this year, agrochemicals were strictly restricted on the farm, only biochemical and bio fertilizers can be used on the farm. The spraying team members were conducted trainings for agrochemical knowledge and correct use of PPE. Every year, the team manager of each farm will conduct on-site training for sprayers each time. Storage house for agrochemicals and PPE were built in the farm, in which chemical and PPE were stored separately.

## **Infrastructure, processing and packing**

### **Certification**

There is no newly-built infrastructure in farm. Two processing workshops produce certified tea. One is primary processing, the other is final product processing. Fresh leaves picked and transported from Fengqing farm to collection area located in primary processing workshop. After gathered and weighed, leaves transferred to processing line. They have established separation system from fresh leaves collection to the product. They are planning to set up primary processing workshop for producing certified tea specialized in the next step. The storage house located inside final product processing, where special area has been divided for certified products. The farm has water tank to collect rainwater. Each section of Fengqing farm has one zone, around the area of this zone has storage area for keeping agrochemical, fertilizer temporary and PPE permanent. Also, the main function of this zone is for collection of fresh leaves temporary. Workers gather harvested fresh leaves here, and then deliver to factory for processing.

### **Annual 1**

Dianhong has one is primary processing workshop and one final product processing workshop. Fresh leaves picked and transported from Fengqing farm to collection area located in primary processing workshop. After gathered and weighed, leaves transferred to final product processing workshop. Dianhong has established separation system from fresh leaves collection to the final product with clear physical separation. [Please see the photo No. 1] The storage house located inside final product processing workshop.

## 2.2. Production to be certified

### 2.2.1. Crops

Crop Name	Scientific Name	Harvest Period (year months)	Crop Production Area	Total production	Total production	Unit	Yield (Kg/ha)
			year 1 (actual)	year 2	year 1		
Tea	Camellia sinensis	March- November	800	86820	160000	Kg	108,53
TOTAL			800				

## 3. Audit

### 3.1. Standards and Policies Used

The audit was conducted based on the following normative documents of the Sustainable Agriculture Network:

- x Certification Policy for Farm and Group administrator, July 2015.
- x Sustainable Agriculture Standard, July 2010 (version 4).
- x List of prohibited pesticides, November 2011.
- X SAN/Rainforest Alliance Chain of Custody Policy, July 2015.
- X SAN/Rainforest Alliance Chain of Custody Standard, July 2015.
- Standard for Sustainable Cattle Production Systems, July 2010.

### 3.2. Scope

This audit covered the evaluation of the social and environmental performance of the farm(s) with respect to the applicable criteria of the SAN's normative documents indicated in the previous sub-section. This audit also covered the evaluation of relevant criteria of the Chain of Custody standard, in case the farm handles product from certified and non-certified farms. The areas and crops covered by the scope of the certification are shown below (please verify and confirm if the information in the application form under farm area is the same, if different indicate them):

<b>Scope of property and land use (ha)</b>	
<b>Environmental</b>	
Conservation Area	0,00
Preservation Area	0,00
Restoration Area	0,00
<b>sub total</b>	<b>0,00</b>
<b>Certified Crops</b>	
Tea	800,00
<b>sub total</b>	<b>800,00</b>
<b>Other Areas</b>	
Infrastructure	22,67
<b>sub total</b>	<b>22,67</b>
<b>Total Scope</b>	<b>822,67</b>

### 3.3. Audit Team

Xiaoti Ma	Lead auditor. Director of International Department, China Standard Conformity Assessment Co., Ltd. Junior Inspector registered in CNCA, China. B.S. China Agriculture University; Major: Environmental Engineering. 10-years experiences in the field of energy efficiency, energy conservation and product certification. Received 2 RA Training Workshops for Auditors in May and July in 2012, China. Attending more than 15 SAN audits in China.
Xiaochen Liu	Support auditor. Junior Inspector registered in CNCA, China. Dalian Industry University, Major Environmental Engineering. 6 years experiences in the field of product certification audit. Received 2 Training workshops for auditors in May and July in 2012. Attending more than 5 SAN audit in China.

### 3.4. Confidentiality Agreement

The audit team that prepared this document is committed to confidentiality with the farm audited, the management and use of information of the properties acquired during the course of the audit. The certification body contracted keeps copies of the confidentiality declarations signed by the auditor team and staff.

### 3.5. Public Summary

The general description of the farm, audit (scope and audit team) as well as the non-compliances identified during this audit will be available to the public on the electronic portal of the contracted certification body.

### 3.6. Summary of audit results

Principle	Number of non-conformities		Critical criteria	Compliance
	Minor	Major		
1. Social and Environmental Management System	2	0	0	90,9%
2. Ecosystem Conservation	1	1	0	83,3%
3. Wildlife Protection	0	0	0	100,0%
4. Water Conservation	1	0	0	94,4%
5. Fair Treatment and Good Working Conditions for Workers	0	0	0	100,0%
6. Occupational Health and Safety	5	1	0	82,5%
7. Community Relations	0	0	0	100,0%
8. Integrated Crop Management	1	0	0	93,8%
9. Soil Management and Conservation	1	1	0	62,5%
10. Integrated Waste Management	0	0	0	100,0%
<b>Total</b>	<b>11</b>	<b>3</b>	<b>0</b>	
Overall compliance percentage				91%
Chain of Custody Standard (when applicable)	-	-		

#### 4. Description of non-conformities

Criterion	Previous Audit	Current Audit	Description	Evidence
1,2	Minor NC	Minor NC	<p>Certification audit on 2015: Dianhong haven't carried out some of the development planning of farm, such as the program of transferring sloping land to Cultivated Land [See photograph N.6].</p> <p>Annual Audit 2016: Dianhong did not establish short-term plan with clear objectives and goals. Only detailed activities like planting more trees, and planting more grass are existing, however, there are no responsible persons, time lines, and not indicated on the map.</p>	
1,3	Complies	Complies	The farm's upper management has made commitment to certification and to complying with the requirements in the standard and by law. Moreover, the farm also spare relevant budget to support relevant activities and programs.	
1,7	Complies	Minor NC	The farm did not establish a process for follow up, measurement and analysis. Non compliance that re-occurring from the certification audit were not signed and no continual improvement program is established.	
1.10	Complies	Complies	The farm has already established a system for avoiding the mixing of certified products with non-certified products in its facilities, including harvesting, handling, processing and packaging. All data and records are kept well, and original records can also be found.	
2,1	Complies	Complies	The farm has already identified its natural ecosystems, which include forest, water system, etc. Moreover the farm has established relevant environment protection plan to protect its own ecosystem surrounding tea plantation.	
2,2	Complies	Complies	There are no activities on destroying any natural ecosystem.	
2,4	Minor NC	Major NC	<p>Certification audit on 2015: During the audit, firewood coming from the intermediate cuttings were still found in the Xiaoqingshu farm and the farm couldn't provide the felling license.</p> <p>Annual Audit 2016: Same observation as previous audit. Firewood coming from the intermediate cuttings were still found in the Xiaoqingshu farm and the farm couldn't provide the felling license. [Please see the photo No.2]</p>	
2,7	Minor NC	Minor NC	<p>Certification audit on 2015: In this year, Dianhong reduced the amount of Agricultural chemicals usage and the impact of drifting was reducing concomitantly. Nevertheless, the buffer zone along some sections for public roads should be planted.</p> <p>Annual Audit 2016: This year, Dianhong has already increased the vegetation along the road, however during the on-site audit, it was still found that the buffer zone along the public roads was not enough. [Please see the photo No.3]</p>	
3,3	Complies	Complies	There is no hunting, capturing, extracting and trafficking wild animals found on the farm.	
4,5	Complies	Complies	The farm has already established its own treatment system for wastewater. During the audit, there is no wastewater discharged to the natural water bodies directly.	
4,6	Complies	Minor NC	The farm and the factory discharges wastewater to disposal tank with activated carbon to deal with wastewater from factory and domestic use. The farm did not establish water-quality monitoring and analysis program that takes into account potential contaminants for wastewater that discharged from the shower rooms, specific PPE washing tanks and agrochemical mixing tank.	
4,7	Complies	Complies	During the audit, no organic or inorganic solids were found in the natural water bodies.	



5,2	Complies	Complies	The farm has already established relevant policies and procedures on prohibition of discriminate in its labor and hiring related to race, color, gender, age, religion, social class, political tendencies, nationality, union membership, sexual, etc.	
5,5	Complies	Complies	The farm has already set up social policy indicated all rights and responsibilities of the administration and workers. There are 434 long-term workers and 140 seasonal workers in total. All workers hired by the farm can get wages of at least 1500 yuan/month (equivalent to 223 USD), which is much higher than the minimum salary of Fengqing with 955 yuan (equivalent to 142 USD). The average wage for temporary workers is higher than minimum 9 yuan (1.34USD) per hour.	
5,8	Complies	Complies	The farm has already set up established relevant policies and procedures on prohibition of child labor under 18 year old.	
5,9	Complies	Complies	Same observation as 5.8. GA has already set up established relevant policies and procedures on prohibition of child labor under 18 year old.	
5.10	Complies	Complies	During the audit, there is no forced labor happened, including working under the regimen of imprisonment. Salaries and welfares are paid regularly.	
5,12	Complies	Complies	Workers Union has been established. All workers can freely join and quit the union. Relevant policies have been made to maintain workers' rights.	
5,14	Complies	Complies	Farmers live at their own house in the village near the plantation with very good condition. As for the workers in the factory, the farm has provided them with dormitory with very clean and comfortable condition.	
5,15	Complies	Complies	The farm has already conducted 3rd party testing on drinking water. Testing report can be found and observed meet with the requirement of drinking water.	
5.20	Complies	Complies	The farm has already established complaints or grievance mechanisms to protect workers' rights which are implemented.	
6,2	Minor NC	Minor NC	Certification audit on 2015: Both the farms of Dianhong have carried out the training for Occupational health and safety and Agricultural machinery safety, which showed the non performance found last time was improved. The training records were lacked of sign-in information; and some lacked of the training specific content, etc.  Annual Audit 2016: The farm has already established training program on how to carry out their work correctly and safely and held 5 times training courses. However some training courses are lack of the signature of participants.	
6,3	Complies	Complies	In 2016, the farm has conducted series of training courses for all workers that apply, handle, transport or come into contact with agrochemicals or other chemical substances, whose topics cover general occupational health, correct use of personal protective clothing and equipment, etc. During the interview with workers, they are familiar with relevant requirements.	During the interview with workers, it was found that most workers go to village hospital for health check as there is no cost needed.
6,4	Complies	Minor NC	The farm has already required all persons applying heavy loads, harvesting manually have to conduct health check each year. During the interview with all workers, they all mentioned that village hospitals can provide health check without any charge. However, some of them will not ask for regular health check, except they feel unhealthy.	interview with all workers and farmers

6.5	Major NC	Minor NC	<p>Certification audit on 2015: This year, the part time workers engaged in spraying Pesticides haven't conducted the Physical examination. The auditors found some women sign-in information in the Pest control records and couldn't confirm whether they have engaged in the spraying.</p> <p>Annual Audit 2016: The farm has already required all persons applying agrochemicals (herbicides) have to conduct health specific check each year. During the interview with all herbicides applying persons, they all mentioned that village hospitals can provide health check without any charge. However, some of them will not receive regular health check, except they feel unhealthy. It was not found that women used to spray or contact with agrochemicals during 2016.</p>	interview with all herbicides applying persons
6.6	Minor NC	Minor NC	<p>Certification audit on 2015: During the audit, the conditions of wire bare were found both in CTC processing plant and tea purchase station. [see photograph No.8]</p> <p>Annual Audit 2016: During the audit, the electricity wires are well covered. The farm has set up a series of safety rules in factory. The workers in the processing tea factory were wearing the personal protection equipment and conveyors are well covered. However, yellow line has not been established yet around machineries with danger risk. [Please see the photo No.4]</p>	
6.8	Minor NC	Complies	<p>Certification audit on 2015: During this audit, the remaining chemical fertilizers from last year was found in Xiaoqingshu Farm and which was stacked lean to the wall, no labeling [see photograph N.2].</p> <p>Annual Audit 2016: This year, no fertilizers were found at the farm, however at the storage area, it was found that the shelf where fertilizers will be stored was erected with more than 30cm space next to the wall.</p>	
6.10	Major NC	Major NC	<p>Certification audit on 2015: Dianhong have prepared the MSDS for Commonly used products, but lacked of the MSDS for the pesticides which stored in warehouse.</p> <p>Annual Audit 2016: There is no MSDS pasted in the agrochemical-storing house.</p>	

6,13	Complies	Complies	The farm has already set up relevant policies that all workers contacting with agrochemicals have to use PPEs. All PPEs are stored at the specific house. During the interview with sprayers, they have accepted training courses held by the farm during 2016 and are familiar with relevant requirements.	interview with sprayers
6,16	Complies	Complies	Relevant policies and procedures that require that all workers that apply agrochemicals shower and change their clothes immediately after finishing the application and before leaving the farm has been developed. The farm has established 2 shower rooms on Zhengyi Farm and Xiaoqingshu Farm, with changing rooms for all persons that apply or come in contact with agrochemicals. The sprayer team is composed by 4 workers, however, as Dianhong is planning to apply for China Organic Certification, this year, agrochemicals were strictly restricted on the farm, only biochemical and bio fertilizers can be used on the farm. Washing area is separated from the shower room with very clear sign.	
6,19	Minor NC	Minor NC	Certification audit on 2015: This year, auditors found that Dianhong haven't set the eyes cleaning site in the district of chemicals using and configuring.  Annual Audit 2016: First aid box is available. However there is no eyewash facility in the areas where agrochemicals are mixed and distributed. [Please see the photo No.5]	
7,2	Complies	Complies	The farm has been kept a good relationship with community nearby. In 2016, the farm has provided some budget on the road building activities. Moreover, the farm also provides bonus for those who can successfully go to universities.	
8,1	Complies	Minor NC	The farm has developed an integrated pest-management program and conducted relevant training courses. The farm has conducted monitoring targeting at pesticides populations before agrochemical spraying activities, however, the effect of the pest and damage caused, estimated costs of damage and control were not monitored and evaluated. Moreover Inside house, the inventory with the detailed information on the quantity of storage, persons' name quantity, date of the application, etc. can be found on the record.	
8,4	Complies	Complies	During the audit, it is found that there are no prohibited agrochemicals used on the tea plantations.	
8,6	Complies	Complies	The farm has regulated that all transgenic materials are prohibited on tea plantation.	
9,1	Complies	Major NC	During the onsite audit, it is still found landslide beside the boundary of the tea plantation and also along the public road. [Please see the photo No.6]	
9,3	Minor NC	Minor NC	Certification audit on 2015: Same situation from previous audit. However, gradually promoting plan for restoring vegetation cover is implementing step by step.  Annual Audit 2016: The farm planed to expand its vegetative to reduce erosion and improve soil fertility. However there is no timeframe for these activities.	
10,3	Major NC	Complies	Certification audit on 2015: The garbage was transferred from farm to Garbage disposal, however relevant record was still not available.  Annual Audit 2016: The garbage was transferred from the farm to the garbage disposal station governed by the government, the quantity of the garbage was estimated and the records were kept well.	

#### 4.2. Description of non-conformities (Chain of Custody)

Criterion	Previous Audit	Current Audit	Description	Evidence

### 5. Annexes

#### 5.1. Interviews

##### 5.1.1. Internal interviews

During the audit, 5 workers were interviewed who include the workers working in the processing factory and also the workers on the farm. During the interview it was found that all workers are familiar with the requirements set by the company, salaries can be disseminated on time, complaints can be reflected freely, etc.

##### 5.1.2. External interviews

The head of the village around the tea plantation was interviewed. During the interview, it was found that the relationship between the company and nearby village was maintained very well. All activities which will influence the inhabitant nearby will be informed in advance.

#### 5.2. Workers

		Men	Women
Local workers	Full time	279	155
	Part time	20	120
	Temporal		
Foreign workers	Full time		
	Part time		
	Temporal		
Total workers			574

### 5.3. Photographs



Photograph 1° Dianhong has established separation system from fresh leaves collection to the final product with clear physical separation.



Photograph 2° Firewood coming from the intermediate cuttings were still found in the Xiaoqingshu farm and the farm couldn't provide the felling license.



Photograph 3° it was still found that the buffer zone along the public roads was not enough.



Photograph 4° yellow line has not been established yet around machineries with danger risk.



Photograph 5° There is no eyewash facility in the areas where agrochemicals are mixed and distributed.



Photograph 6° During the onsite audit, it is still found landslide beside the boundary of the tea plantation and also along the public road.

#### 5.4. Observations

Criterion	Observation description

#### 5.5. List of tea garden marks included in the scope

Fill out this annex out for audits on tea farms for all garden marks that are included in the scope of the audit, where applicable.

Name of garden mark	Area (ha)	Total volume
Yunnan Dianhong Group Co., Ltd	800	86820(made tea)