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SmartWood
Practical conservation through certified forestry

Forest Management **2006 Annual audit** Report for:

Hancock Victorian Plantation
Pty.Ltd.
in
Victoria, Australia

Certificate Code: SW-FM/CoC-1128

Audit Dates: March 13-22, 2006

Report Finalized: August 22, 2006

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1. AUDIT PROCESS

1.1. Auditors and qualifications

- Bill Incoll – Professional forester. Bill has an MSc in forestry and approximately 40 years of experience as a forester with site specific, applied forest management experience throughout Victoria, elsewhere in Australia and internationally. He is an experienced forest auditor in Australia using the framework developed by private companies and local government (shires). He was a member of the assessment team in 2002, the monitoring audit team in 2004 and the annual audit team in 2005. Australian national.
- Keith Moore – Registered professional forester. Keith has an MA in Geography with forestland management and environmental assessment experience in Canada and other countries since 1976. Since 2000, he has been team member or team leader on seventeen other SmartWood assessments, annual audits and pre-condition audits in Canada and in Russia. He coordinated or participated in the field-testing of four FSC regional standards and is presently assisting with the development of two national FSC standards. He led the annual audit team in 2005. Canadian national.

1.2. Audit schedule

Date	Location /main sites	Main activities
Sunday, March 12	Melbourne	KM and BI – Auditor meeting.
Monday March 13	Melbourne and Gippsland	KM and BI – Meeting with HVP and GRP staff. Meeting with members of Strzelecki Forests Community Group.
Tuesday March 14	Gippsland	KM and BI – Meeting with GRP staff. KM – Field trip – Jeeralang West Road, Downie Road and Flynn plantation. BI – Meeting with shire representatives in Latrobe City.
Wednesday, March 15	Gippsland	KM and BI – Field day visiting numerous sites in Strzeleckis and Mt. Worth area with Friends of Gippsland Bush and GRP staff.
Thursday, March 16	Goughs Bay, Blue Range, Warrenbayne	KM and BI – Field day visiting numerous sites in the vicinity of Goughs Bay, Blue Range and Warrenbayne with HVP staff. Meeting with local residents in three locations.
Friday, March 17	Benalla, Melbourne	Travel from Benalla to Melbourne. Meeting with rainforest specialist. Phone interviews and work in HVP office.
Monday, March 20	Melbourne	Telephone interviews. Meetings with HVP staff.

Tuesday, March 21	Melbourne	Meetings with HVP staff. Exit meeting with HVP and Loy Jones, SmartWood Asia-Pacific Office.
Wednesday, March 22 to April 7, 2006	Auditors offices	Telephone interviews, e-mail enquiries and writing first draft of report.
Total number of person days used for the audit: 25 person-days		

1.3. Sampling methodology:

FMU or Site audited	Rationale for selection
Jeeralang West Road, near House block, Strzeleckis	Project with Jeeralang West Landcare group to plant native trees to create corridor linking two patches of native vegetation through plantation.
Traralgon South coupe off Downie Road, Strzeleckis	Planting of native trees in riparian zone.
Red Gum biolink project, Friends block, Flynn plantation.	Project to plant native trees in association with residual red gum trees to create 10 kilometre corridor of native vegetation through pine plantation.
Rosedale Willung Road, Flynn plantation	Removal of pine wildings in native vegetation road corridor.
College Creek Catchment, corner of Lawless Road, Strzeleckis	Incursion into Core and Links area, 2004.
Coupe JEE 048, Budgeree Road, Strzeleckis	Width of buffers and filters along streams and rainforest.
Several sites along Budgeree Road, Strzeleckis	Clearing of tracks into native vegetation, allegedly without permits, to facilitate heavy equipment movement.
Coupes ALB-003 and 009, Minotti Track, Ryton Junction, Strzeleckis	Width of buffers and filters along streams and rainforest.
Coupe LIV 024, Siggins Road	Steep cable block in <i>E. regnans</i> plantation, soil disturbance, protection of gullies, buffers on streams.
Coupe LIV 029, Dowler Road	Steep cable block in <i>E. regnans</i> plantation, soil disturbance, protection of gullies, buffers on streams.
Allen's block, Mt Worth	9 month old plantation of <i>E. nitens</i> , conversion from pine, conventional harvesting of <i>P. radiata</i> , buffers along temporary stream and dam.
Alstergrens thinning block, Mt Worth	Commercial thinning in 20 year old <i>E. nitens</i> plantation. Discussion of stand variables, thinning techniques, damage to residual trees.
Jones Road Shortcut on Grand Ridge Road	Road constructed to take logging truck traffic off public road and reduce potential conflicts.
Delatite plantation,	Cable logging in <i>P. radiata</i> coupe very close to township of

Goughs Bay	Gough Bay. Concerns for viewscape, traffic, noise, dust. Sediment and drainage issues. Wilding control.
Blue Range plantation	Sensitive stream definition and treatments. Habitat corridors.
Groves quarry, Spring Creek plantation	Evaluation requirements for proposed quarry site for aboriginal values.
Stony Creek catchment, Warrenbayne plantation	Corridor of native vegetation along length of Stony Creek, and connected to native forest at top of catchment. Treatment of sensitive streams.
Bishop Green historical site, historical cork tree	Protection of old fireplace and sequoia tree at 1890-1910 home. Also heritage protection for old cork tree at an historic school site.

1.4. Stakeholder consultation process

Stakeholder type (NGO, government, local inhabitant etc.)	Number of stakeholders informed by mail	Number of stakeholders interviewed
NGO and community groups	24	7
Government, regulatory and referral agencies	33	6
Industry/contractor/consultant	18	1
Academic/education	11	3
Private individuals	15	9
TOTAL	101	26

In addition to the above stakeholders who were interviewed, the team also received input from 18 questionnaires. Some of these individuals were also interviewed. Following the actual audit, the SmartWood management team also consulted with numerous stakeholders regarding additional information provided after the field audit and draft report was submitted for HVP review.

The team interviewed or met with 19 members of HVP staff.

1.5. Changes to Standards

The *SmartWood Interim Standards for FSC Certification in Australia (Second Draft September 5, 2002)* were used for the assessment of HVP in 2002. There are no new standards and this Interim Standard is still in place at the time of this 2006 annual audit.

2. AUDIT FINDINGS AND RESULTS

2.1. Changes in the forest management of the FMO

Note to Reader: Throughout this section and following sections, we have used HVP to include all management activities and operations under certification, including those of Grand Ridge Plantations (GRP), a wholly owned subsidiary of HVP.

In addition to the changes in management described in Section 3.2 to respond to the Conditions and Corrective Action Requests, there are four significant changes or issues that the audit team believes will have bearing on on-going HVP certification. Each is described in detail as follows:

- a) Proposals from HVP to begin harvesting within the Cores and Links area of the Strzelecki Ranges;
- b) A change in company practice that avoids the need to apply for planning permits related to removal of native vegetation;
- c) Assertions of non-compliance with legislation by the South Gippsland Shire;
- d) Continuing issues of communication.

a) Proposal to Harvest within the Cores and Links Area of Strzelecki Ranges

The Cores and Links are an area of approximately 8400 ha of Wet and Damp Forest including pockets of Cool Temperate Rainforest within the Strzelecki Ranges. The area is a mix of native forest (about 6000 ha) and plantations (about 2400 ha), and was identified in the Strzelecki Ranges Biodiversity Study (2001) as an area of high conservation value. The SmartWood Monitoring Audit Report (2004) referenced this area as key to meeting the requirements of Principle 9.

HVP acknowledged the importance and sensitivity of the Cores and Links area and imposed a voluntary moratorium on harvesting any plantation within the Cores and Links in 2001 to allow time to better explore the management options (native forest within the Cores and Links was already protected by HVP's voluntary commitment not to harvest such forest in its "Custodial Lands" across the whole HVP estate). Since that time, it has worked with a committee, the Strzelecki Working Group which includes representatives from state and local government and community groups, to provide input to this planning for the Cores and Links.

In recognition of the importance of the Cores and Links in meeting Principle 9 and the significance of the area to many stakeholders, the SmartWood monitoring audit report (2004) imposed CAR 2-2004 as follows:

"CAR 2-2004: GRP shall postpone plantation harvesting operations from the proposed Cores and Links identified in the Biodiversity Study until the process required under Condition 9.1.1 is complete, and/or there is broad stakeholder input on the specific precautions/strategies that should be put in place so that any harvesting which occurs in the proposed Cores and Links will maintain high conservation values".

The 2004 report notes "there is strong support from multiple stakeholders for strict protection of the Cores and Links" and there was "an extremely high degree of concern within stakeholder groups" about a proposal to harvest 77 ha within the Links. One stakeholder group was actively promoting a National Park.

At the time of the 2005 audit, the HVP moratorium was still in place and HVP had signed an MOU with Trust for Nature (TFN) and The Nature Conservancy (TNC) to explore opportunities to secure permanent protection for at least the Core areas. However, HVP also advised the audit team that the moratorium was never intended to be permanent and it could only extend it to October 2005. In October, HVP agreed to extend the moratorium for a further six months. HVP has also pointed out that the Biodiversity study indicated the need to retire some of the plantations in order to maintain the ecological function of these areas but did not recommend that all harvesting needed to be excluded from the Link (plantation) areas. HVP also points out that it maintains its voluntary commitment not to harvest approximately 35,000 hectares of native forest – the “custodial lands” – within the Strzelecki ranges. This is approximately 50% of its holdings in the area.

During the 2006 annual audit, HVP explained to the audit team that it has identified a serious shortfall in its predicted wood supply and it appears to be unable to meet its contractual obligations to supply approximately 300,000 tonnes per year to the Australian Paper pulp mill at Maryvale until 2027 unless it harvests plantations within the Cores and Links area. Thus, HVP has announced its intentions to begin planning harvesting operations in approximately 2200 of the 2400 ha of plantations in the Link areas, and may begin cutting as early as July 2006. The actual area proposed to be cut within the 2200 ha of plantation will be approximately 1800 ha, and thus HVP is proposing to retire about 600 ha of the total area of 2200 ha. The present proposal for the Cores and Links includes:

- Approximately 6600 ha immediately available to be set aside as a conservation area (6000 ha of native forest (custodial land) and 600 ha of plantation);
- A once-only harvest of 1800 ha of plantation (within a gross area of 2200 ha);
- Replanting of the harvested area to indigenous species (*E. regnans*);
- A compensation package to be agreed in exchange for protection of Core areas.

At the time of the audit, HVP was supporting an independent consultant retained by TFN to evaluate all aspects of the situation and the proposal. HVP has also begun to make presentations to various regulatory bodies, interest groups and organizations and has met several times with the Strzelecki Working Group to outline its proposal and the basis of its need to commence operations within the Cores and Links. However, it was not clear to the audit team how much opportunity there was for groups to negotiate alternatives to the HVP proposal. HVP indicated there was room for discussion and consideration of alternatives, but this did not appear to have begun with any of the groups.

At the time of the audit, it was unclear what the response to HVP plans in the Cores and Links will be from stakeholders and the public in the area, but the team expects that, at least from some groups, it will be very negative and possibly confrontative. Some groups have already indicated their strong opposition. HVP

has received letters and e-mails from a number of members of the public. In December, 2005 the community members of the Strzelecki Working Group wrote a letter expressing their “extreme disappointment” with the proposal. An NGO, Environment Victoria, gave the audit team a copy of its letter to the Victoria Minister of Environment expressing its concern for the HVP plan to harvest within the Links and urged State Government to assist Latrobe, South Gippsland and Wellington councils to protect the area. The status of discussions with TTN and TFN under the MOU was also unclear.

Finally, it is unclear how HVP will propose to meet Principle 9 and the need to maintain high conservation values if it does proceed with harvesting plans. From an auditing perspective, CAR 2-2004 was closed in the 2005 annual audit, so is no longer applicable. At that time, the auditors concluded that HVP had postponed harvesting in the Cores and Links (although there were disagreements about whether several coupes crossed the boundary and a new CAR was imposed). HVP had set up a process and an advisory group through the MOU with TFN and TNC and said they would seek a successful outcome from that process before beginning any harvesting within the Cores and Links. This met the CAR at that time.

Following the audit, HVP provided additional information on the direction they are proceeding with the Cores and Links issue. In particular, they are currently negotiating the possible sale of the most sensitive areas to the government to provide for strict protection and part of that arrangement would allow for harvest of some areas of the natural forest in custodial lands. The Trust for Nature and members of the Strzelecki Working Group are involved with those negotiations.

b) Protection of Native Vegetation

Legislation in Victoria requires that native vegetation be protected. However, depending on the purpose and the value of the vegetation involved, a planning permit can be obtained to remove native vegetation. Permit conditions involve the provision of an ‘offset’ of an area of vegetation at least equivalent in value to the area removed, so that there is over the long term, a net gain in native vegetation cover. In the past, HVP has been applying for permits for any works that involve removal of native vegetation. In recent months, however, HVP has argued that an exemption under Section 52.17 of the Victorian Planning Provisions for “rural activities” is provided for activities such as clearing tracks and moving equipment through native vegetation. The audit team was taken to see locations where native vegetation had been damaged or removed without permit under this exemption. A number of coupes are involved and are described on a website. The important issue relating to the use of 52.17 is that it allows HVP to avoid the requirement to provide an offset for the native vegetation removed. This would be a significant degradation to HVP’s commitment as a good environmental manager.

At the time of the audit, this issue was the subject of a proceeding at the Victoria Civil and Administrative Tribunal (VCAT). Protection of native vegetation is a highly charged issue in Victoria, and the outcome of this tribunal hearing

involving one coupe will be significant and likely precedent setting for HVP activities in the Strzeleckis. The audit team recommends that the clearing of native vegetation and the permitting process be reviewed in the 2007 annual audit (Note 1 for 2007 annual audit).

c) Assertions of Non-compliance with Planning Provisions by the South Gippsland Shire

The annual audit team did not evaluate compliance with Principle 1 during this audit. Stakeholders brought up the issue related to clearing of native vegetation without a permit in a number of coupes as described above. In addition, stakeholders provided information about a variety of alleged non-compliances with Local Government planning provisions in the operations in the Strzeleckis. However, reports from HVP audits and regular shire audits indicate good levels of compliance in the coupes audited and the team was not able to do any detailed review of compliance.

Immediately following the audit, the audit team became aware that the South Gippsland shire was concerned about possible breaches of the Planning and Environment Act, Road Management Regulations, Roadside Vegetation Removal Requirements and the Code of Forest Practices. These alleged breaches involve activities without permit, public safety hazards, damage to native vegetation, failure to provide coupe plans, and using roads with inadequate drainage in a number of locations. The audit team did not review these compliance issues in 2006. HVP has indicated that it has a right to question the accuracy and validity of the allegations of breaches and expects to do so and the audit team agrees.

d) On-going Communication Issues with Stakeholders

The audit team observed that HVP maintains very positive and constructive communications with neighbours and interest groups in most parts of its operations. In this audit, the team was impressed with the company interaction with individuals in the Goughs Bay, Spring Creek and Warrenbayne areas. The company appears to have a very good rapport, based on pro-active and responsive communication with neighbours in those areas. HVP also provided evidence that it does respond in writing to letters and e-mails that it receives. This was in the form of responses from the GRP general manager to 18 letters and e-mails regarding the Cores and Links proposal in the period from October, 2005 to March, 2006.

In some other areas, the team observed that the pattern of acrimonious relationships, including a lack of response to letters and complaints from neighbours and interest groups, and a lack of openness with regard to documents, continues. This is similar to the situation that was described in the 2004 and 2005 audit reports. For example:

- In June 2005 the HVP Board and senior HVP staff received a letter from the chair of the Strzelecki Forest Community Group. This letter was “to draw your urgent attention to matters of serious concern and distress to the community concerning reservation of key biodiversity areas and current harvesting practices in the Strzelecki Ranges in Victoria” and outlines a

number of concerns and requests. To date, there has been no written response to this letter.

- There was also no written response to a letter written by the community members of the Strzelecki Working Group to the Manager of GRP in December 2005, although there was a response by phone from the Manager to the chair of the group.
- There is still no response to the request for information about herbicide use in January 2005, as described in the 2005 annual audit.
- One private landowner told the audit team it took 8 months to get a response to his complaint about damage to his fences from a GRP operation.
- The letter from the South Gippsland shire (March 28, 2006) refers to “a lack of transparency in relation to timber harvesting i.e referring to the companies Best Management Practices (BMPs) in submitted Timber Harvesting Plans (statutory documents) but failing to provide copies of the BMPs to Council”.
- The letter from the South Gippsland Shire also refers to concerns of two property owners about operations and requests a discussion about “measures GRP can put in place to ensure an effective and harmonious working relationship with adjacent land owners”.
- The June 2005 letter from the Strzelecki Forest Community Group requested that the group receive Timber Harvesting Plans for individual coupes for operations within the Strzeleckis. To date, HVP has agreed to provide an annual Harvest Plan but has not agreed to provide plans for individual coupes to the group. Members of the Group have also been refused access to BMP documents.
- HVP has written policy clarifying that documents are available to the public upon request and it has posted its FMP on the company website. However, the company has made no particular effort to provide ready access to important documents such as BMPs.

The team recognizes that HVP has positive relationships with community groups and interested members of the public in most of its operations and clearly does respond to many letters and e-mails that it receives. The team also recognized that HVP has implemented some measures to identify documents that are available to the public upon request, and to make them available, since the last audit. However, HVP’s relationships with some stakeholders, particularly in the GRP area, and its reluctance to make documents readily available, remain as issues and remain inconsistent with the FSC premise that a certified operation has a positive and proactive interaction with stakeholders. This is further discussed under CAR 1-2005 in Section 3.2 and leads to MAJOR CAR 1-2006.

In subsequent discussions with stakeholders following the field audit, this strain in relationships with stakeholders around the issue of forest management in the Strzelecki area was reinforced, with many expressing the perception that HVP did not do stakeholder consultation as much as they did stakeholder presentations

while placing little value on input received from stakeholders. Unfortunately this sentiment was also expressed by a broad range of stakeholders including environmental groups, individuals and government staff. There has been a new CEO hired by HVP so there is hope that she will work with HVP staff to change these perceptions so they are more positive.

2.2. Stakeholder issues

In order to survey stakeholder relationships with HVP, a survey form was distributed to 101 stakeholders. A copy of the blank survey form is available on request from SmartWood. There were a total of 18 returns received. The respondents were categorised as follows:

Description	Number sent	Number returned
Private person	15	9
Consultant	2	0
Logging contractor	1	0
Community group	3	2
Responsible authority (Shire)	12	2
Referral authority (DSE)	5	0
Govt or Semi-govt authority	16	1
Education, academic	11	1
Non government organisation	21	2
Industry interest	15	1
Total	101	18

The number of questionnaires returned was significantly less than in the 2005 audit (18 vs 44). The reasons for this are unknown. The only interest groups where more than 50% of the questionnaires sent were returned were private persons and community groups. If there is any conclusion that can be drawn, it is that these groups continue to be interested in the process and that their impressions of HVP are largely critical.

For the 18 questionnaires returned, eight (44%) thought HVP forest management was poor, four (22%) thought it was fair, three (17%) thought it good, two (11%) didn't know and one (6%) thought it excellent. Of the 42 issues raised, (some respondents raised more than one issue) the most frequent were the proposals to harvest in the Cores and Links (17%), water quality (12%), log truck nuisance (10%) and failure to respond to letters or other contact (10%).

2.3. Compliance with applicable corrective actions

This section presents audit findings and a description of the current status of conformance with each one of a total of 27 Conditions and Corrective Action Requests (CARs) as follows:

- Five Conditions to be met “Throughout the life of the certificate”;

- Nine Conditions to be met “By the end of Year 2 of Certification” – February, 2006;
- One Condition with a Year 5 timeline for completion, but also having requirements to be met by the end of Year 2; and
- Twelve CARs issued in the 2005 annual audit to be met “By the 2006 annual audit” or earlier. Six of these CARs were MAJOR CARs that must be met by the 2006 annual audit, or sooner.

The 15 Conditions were issued at the date of certification on February 1, 2004 and are set out in the Final SmartWood Certification Assessment Report (Forest Management Public Summary, January 2004) posted on the SmartWood website. The 12 CARs were issued in the 2005 annual audit (Forest Management Annual Audit Report 2005) which is also posted on the SmartWood website.

The following classification, required by FSC and SmartWood, was used to indicate the status of each Condition from the original assessment reviewed in this audit:

CAR Status Categories	Explanation
Closed	Certified operation has successfully met the Condition or CAR and addressed the underlying nonconformance.
Open	Certified operation has <u>not met</u> the Condition or CAR; underlying non-conformance is still present. The Condition or CAR normally becomes a Major CAR with a 3 month deadline for conformance. Longer timelines may be given in exceptional circumstances.

New CARs are also issued during annual audits to address any other situations of non-conformance with the Standard.

Due to the extensive effort required to address the 27 Conditions and CARs required to be met by this annual audit or to be met throughout the life of the certificate, the audit team did not evaluate performance to meet Year 3 Conditions. The audit team was unable to undertake Criterion level evaluation of conformance with FSC Principles within the limited time available. Some brief notes and comments are provided in Appendix III. The team recommends that more time be devoted to this in the 2007 annual audit. (Note 1 for 2007 annual audit). A Chain of Custody evaluation is provided in Appendix IV.

Of the 15 “throughout the life” and Year 2 conditions audited, 10 were CLOSED. 3 conditions were not met and remain OPEN as MAJOR CARs. Two Conditions that were multi-year or “throughout the life conditions” remain OPEN.

Of the 12 CARs audited, 8 were fully met and CLOSED. Four CARS were not met as follows:

- 1 MAJOR CAR was not met and should lead to suspension of the certificate
- 1 MAJOR CAR was only partially met and should lead to suspension of the certificate.
- 2 CARS were not met. Both are related to communication and interaction with stakeholders and become a single MAJOR CAR.

A total of 4 MAJOR Corrective Action Requests are issued in this audit report - three MAJOR CARs that must be met within 6 months of the finalization of the audit report and one MAJOR CAR that must be met by the next audit. All four of these are listed in Section 2.4.

Following the field audit, HVP provided additional evidence and information that resulted in a determination that the 2 Major CARs which had not been met were fully met and closed. However, in that process, there was an additional MAJOR CAR added and it was agreed that a field audit would occur the first week in February to close out all MAJOR CARs and any CARs due for 2007 since the audit will also serve as the 2007 annual audit. It has been made very clear to HVP that failure to complete the MAJOR CARs within the time allotted will result in suspension of the certificate.

Three Observations and five Notes for the 2007 Annual Audit are recorded in Sections 2.5 and 2.6.

Corrective Actions from the 2005 annual audit

CAR #: 1-2005	Reference Standard #: 2.3, 4.4
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	Applicable finding from 2005 Annual Audit Report: HVP does not exemplify a “proactive and positive” working relationship with some key stakeholders. Lack of “consultation with affected stakeholders and adjoining landowners before, during and after forest management planning”
Corrective Action Request: By the next annual audit in 2006, HVP shall have: <ol style="list-style-type: none"> 1. developed a corporate policy and established a communication process that provides for more constructive engagement and consultation, and regular interaction, with the public and interest groups who have demonstrated an interest in HVP operations; 2. demonstrated improved communications responsiveness to stakeholder inquiries and concerns; and, 3. developed a corporate policy that confirms public access to management plans, policies and operating procedures (BMPs) and provided these documents to interested parties upon request and in accordance with the policy. 	
Timeline for Compliance: 2006 annual audit	

Audit findings:
The Company ‘Communication Strategy and Program’ (originally dated Dec 2002) has been updated in 2006. This Strategy identifies some “major issues” and deals comprehensively with issues, messages, communication principles and key stakeholders. The 30-page document sets out communication strategies aimed at a range of sectors and stakeholder groups outside the Company. The audit team

concluded that this revised strategy met the first requirement of the CAR

However, there is no discussion in the Strategy about how the Company will assess whether their communication strategy is successful in improving communications and relationships with key stakeholders and what measures should be employed to deal with shortcomings. Based on our interviews with key stakeholders and review of the written responses to questionnaires, the team does not believe there has been improved communications responsiveness to stakeholder inquiries and concerns in those areas where it has previously been weak. In this regard, the team concluded that the Company has not taken any action that will demonstrate improved communications as required by the second requirement of the CAR. We acknowledge there has not been an objective evaluation, either by the auditors or HVP, of how effective the Company has been recently in dealing with stakeholder inquiries and concerns.

During discussion with HVP about how some action might be taken, it appears that detailed information is collected in regional offices about contacts with stakeholders and that the contacts are categorized, for example, 'routine', 'compliment', 'complaint' etc. One way to monitor the effectiveness of communication could be to use this information to develop a profile over time of the number and type of contacts made in association with the techniques used at the time for communication. This action would then be in line with Company policy on many other matters, as embodied in the Monitoring and Reporting Register. Thus, the team recommends that HVP should develop monitoring techniques for its communications with stakeholders and incorporate these into the Monitoring and Reporting Register.

To meet the CAR requirement to demonstrate an improvement in communications, the team believes that HVP needs an independent and objective evaluation of the effectiveness of its communications and needs to respond to the findings of that evaluation. MAJOR CAR 1-2006 is imposed.

To address the third part of the CAR, HVP has developed a 'Policy for Public Access to Company Management Plans and BMPs'. This discusses stakeholder communications generally and lists the policy and procedure documents that are publicly available. It confirms that all documents that are not identified as "Commercial in Confidence" or "Draft" are available upon request. This policy generally meets the third requirement of the CAR.

Access to these documents depends on a written request from the public. HVP told the auditors that it has not had any written requests so no documents have yet been provided under this policy. The auditors are unsure how well it will work. The document is dated February 2006. During the audit, one shire told the audit team that, in early March, it had been refused access to a BMP document listed as available. Even if the document was under review (and it was not in the list of such documents), there should be no reason to refuse access to the current version. This is not consistent with the policy and the company's credibility is at risk if it allows such situations to continue in future. The audit team has recorded Observation 3-2006 in response to CAR 12-2005 in this regard.

The Forest Management Plan is now available on the Company website.

Additional evidence was provided to SmartWood following the field audit and submission of the draft report to HVP which results in the determination that MAJOR CAR 1-2005 has been met, however, there is still a very strong need to deal with the issues relating to communication and relationships with stakeholders. As a result, MAJOR CAR 1-2006 remains as it and MAJOR CAR 1-2005 has been closed.

Status: Met and closed, however MAJOR CAR 1-2006 remains to address continued concerns with these standards.

Follow-up Action:

MAJOR CAR 1-2006. Within five months of the finalization of this annual audit, HVP shall:

- i. Conduct an independent evaluation of the effectiveness of its communication and its relationship with interest groups, organizations, regulatory authorities as identified in its Communications Strategy, at all levels of the organization, including an analysis of any root causes of poor relationships and recommendations for improvement; and,
- ii. Provide an action plan for implementing the results of the evaluation.

See also Observation 3-2006.

CAR #: 2-2005	Reference Standard #: 1.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Applicable finding from 2005 Annual Audit Report: Detailed information on specific catchments has been made available in the Legal Register. However, there is no specific mention of water catchment consideration in the <i>Policy for The Planning and Conduct of Timber Harvesting Operations on Company Land</i> .
Corrective Action Request: By the next annual audit in 2006, HVP shall modify the <i>Policy for the Planning and Conduct of Timber Harvesting on Company Land</i> to clearly include consideration of Special Water Supply Catchment Areas and Special Area Plans.	
Timeline for Compliance: 2006 annual audit.	

Audit findings:

This CAR is met. HVP modified the Policy for the Planning and Conduct of Timber Harvesting on Company Land to refer to the Catchment and Land Protection Act. The policy states “Measures to protect water quality will take account of the requirements of Special Area Plans for the Declared Water Supply Catchment in which the harvest area may be located”.

Status: Met and closed

Follow-up Action: None.

CAR #: 3-2005	Reference Standard #: 4.1, 4.4, 7.3
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	A significant number of District Foresters have not yet been trained. This coverage so far is not yet satisfactory company wide.
Corrective Action Request: By the annual audit in 2006, HVP shall complete training of senior company management, district managers and foresters in community and stakeholder communication and liaison and shall complete a follow-up assessment to determine the level of stakeholder satisfaction.	
Timeline for Compliance: 2006 annual audit	

Audit findings:

A further 11 district staff have received either Risk Communication or Negotiation and Conflict Resolution training (or both). This has essentially met the first part of the CAR requirement to complete training for management and District staff. There will be a need to continue training in the future for new or re-assigned staff, particularly in the Risk Communication area for senior staff.

However, application of the training is the most important factor and this requires two things:

- (1), support by senior staff in the Company for the FSC requirement of ‘positive and proactive ... interaction with stakeholders on management planning and implementation’ (Principle 4.4); and
- (2), monitoring of community or stakeholder response in this area, so that corrective action can be taken if problems arise.

The Company has not carried out any “follow-up assessment to determine the level of stakeholder satisfaction”, as required in the second part of the CAR.

Guidance to auditors from SmartWood and FSC indicates that a CAR that is not met should become a MAJOR CAR with a short timeline for completion. In this case, MAJOR CAR 1-2006 is imposed in response to CAR 1-2005 above. It requires an independent evaluation of the effectiveness of its communication and its relationship with interest groups, organizations, and regulatory authorities. It addresses the non-conformance with this CAR

Status: Part of this CAR is not met. A Major CAR is issued.

Follow-up Action: See Major CAR 1-2006.

CAR #: 6-2005	Reference Standard #: 5.5
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	<p>The <i>Policy for the Planning and Conduct of Timber Harvesting Operations on Company Land</i>, (Revision 3, Feb 9, 2005) also refers to a maximum of 200 ha in 2 years as the benchmark for coupe size, but this document does not refer to the lower benchmark coupe size for cable operations in the Strzeleckis.</p> <p>The policy does state, “Site preparation and re-establishment on steep, and /or high erosion risk sites should follow as a priority to minimise impacts on soil movement and water quality”. However, the audit teams’ observations in the Strzeleckis indicate that there is not yet a priority given to prompt revegetation to prevent erosion on steep slopes.</p>
<p>Corrective Action Request: By the annual audit 2006, HVP shall review the provisions of the “Environmental Protection Standards for Timber Harvesting” relating to management of soils on steep cable sites (e.g. coupes greater than 25 degrees) and the results of the Code and BMP audit process for such sites; in order to develop and test techniques to minimise soil movement.</p>	
<p>Timeline for Compliance: 2006 annual audit.</p>	

Audit findings:

The Company has prepared a comprehensive report “Review of environmental assessment results for cable harvesting”. This document describes changes in cable extraction techniques such as increased suspension of logs above ground to minimise butt drag and increased care with buffer management, and examines coupe audits for six recent cable coupes across the Benalla-Ovens and GRP Districts for both pine and eucalypt. The changes in practice reflect increased compliance with the existing provisions of “*Environmental Protection Standards for Timber Harvesting*”. The need for rapid revegetation is reduced by two factors:

1. In eucalypt plantations, there is usually understory vegetation that protects the soil from butt drag.
2. In pine cable operations, the need for rapid re-vegetation is lessened by the reduction in butt drag resulting from logs being lifted higher.

Two cable coupes in eucalypt plantation were examined in the field and were found to embody good harvest practice.

Status: Met and closed

Follow-up Action: None.

CAR #: 7-2005	Reference Standard #: 6.2
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	Applicable finding from 2005 Annual Audit Report: In addition to not yet being finalised, the BMP does not appear to be put into practice, as required by the condition. Also, the BMP documents are all marked “Commercial in Confidence”. Thus, they are not available to the public or interest groups and there is no way that HVP can be held accountable to follow the BMP.
Corrective Action Request: Within 6 months, HVP shall finalize the Policy and Procedures documents for Threatened Species and Communities, make all company staff aware of the requirements of these documents, make a summary of the prescriptions publicly available, and demonstrate that the procedures are implemented in coupe layout and planning.	
Timeline for Compliance: Six months (March 15, 2006)	

<p>Audit findings:</p> <p>This MAJOR CAR had four requirements</p> <ul style="list-style-type: none"> - to finalize the policy and procedures - to make all company staff aware of requirements of the documents - to make a summary publicly available - to demonstrate that they are implemented in coupe planning. <p>HVP has made major revisions to the Policy, Procedure and Operating Standards for Threatened Taxa that together comprise the Threatened Species BMP, since the last annual audit in 2005. These revisions continued following the audit and a final version of the Policy and Procedure, along with Operating Standards, was given to the team by e-mail on March 28, 2006.</p> <p>The revised Policy and Procedure is a much shorter and clearer policy than given to the audit team in 2005. The Policy and Procedure includes a Table that lists 14 “Threatened Taxa” that are known to occur on the HVP lands or for which specific actions have been implemented. These documents set out the company policy of advising and working with DSE to implement protection measures whenever a threatened species is encountered. If the species has not been previously encountered on company land, the Policy is to work with DSE to develop protection measures. If the species has been previously encountered, the company Operating Standard or previous site plans provide the basis for protection measures. HVP provided the team with five Operating standards for the following species that have been previously encountered:</p> <ul style="list-style-type: none"> - spot-tailed quoll - 4 species of large owls - powerful, barking, masked and sooty - south-eastern red-tailed black cockatoo - slender tree fern - burrowing and spiny crayfish. <p>Thus, 9 of the 14 taxa listed in the Table as occurring on company land are covered by measures set out in Operating Standards. The Operating Standards for each of these species include clear and concise information about their conservation status, distribution on company land, habitat requirements and life history, threats, and specific management actions to protect them. The management actions have been developed by company staff in collaboration with DSE and are intended to be consistent with Action Statements prepared under the Flora and Fauna Guarantee Act. The remaining 5 species – broilga, concave pomaderis, variegated pygmy perch, buxton gum and snow berry – have protection measures identified in site plans developed for areas where the species was encountered previously. The audit team did not seek a professional opinion about whether the Table of Threatened Taxa is a complete list of the threatened species encountered in or adjacent to the HVP lands. We recommend that the 2007 audit team review this. (Note 3 for the 2007 annual audit).</p>

HVP told the team that, although “threatened” plant communities are not listed in the Table, they are recognized by HVP and are effectively protected under the provisions of the Native Vegetation Policy and Procedures and the Rainforest BMP. As noted below in MAJOR CAR 9-2005, the rainforest BMP is still under discussion and a Draft Action Statement released by DSE is still in public review. The team also notes that native vegetation can only be effectively protected under the Framework if any clearing proposals go through the permit process. At present HVP is trying to avoid this process through an interpretation of the Rural Activities regulation. As noted in Section 2.1, this was controversial at the time of the audit. The team recommends that the 2007 audit team should review the clearing of native vegetation and the status of the permitting process at that time. (Note 1 for the 2007 annual audit).

The team considers these revisions and additions to be significant improvements to the BMP and to meet the requirements of the MAJOR CAR related to “finalizing” the policy and procedure documents.

HVP told the audit team that the Policy, procedure, operating standards and site plan documents are stored in the company Forest Stewardship Management System with other BMPs and are available to district staff through their district servers. Company staff interviewed by the team was generally aware of these provisions. They pointed out that they rarely encounter threatened species in plantations and so were not fully familiar with specific provisions but knew where to look for them.

The footer for these documents states “Controlled Document. Authorised: Manager of Environmental Services”. The HVP “Policy for Public Access to Company Management Plans and BMPs” indicates that these standards can be distributed to members of the public on request along with the Policy and Procedure. The team accepts that they are therefore publicly available.

The team was unable to verify that these measures are implemented in coupe planning, but accepts company statements that they are.

Based on this review, the team concludes that the four requirements of this MAJOR CAR are met and it is closed.

The audit team notes, however, that the original assessment report (2004) and actions since then by HVP have focussed on “threatened” and endangered species and the Threatened Species BMP. However the FSC Criterion 6.2 and the SmartWood indicators for 6.2 all refer to “rare” species as well as threatened and endangered species”. It is not clear that “rare” species are listed or addressed anywhere in HVP documents which are explicitly directed to species listed as “threatened”, and which do not appear to include “rare” species. The audit team recommends that the 2007 audit team should also determine if there are “rare” species that should also be addressed by the Policy, Procedure and Operating Standards as required by Criterion 6.2. (Note 3 for the 2007 annual audit).

After review of the draft report Hancock feels their interpretation of the requirements are accurate, however the audit team does not totally agree and feel there is a concern that the company is not doing all they can on the requirements even though the CAR has been met, thus there is a need for future monitoring of their efforts.

Status: Met and closed

Follow-up Action:

Note 1 for the 2007 annual audit: The 2007 audit team should review the status of the clearing of native vegetation and the permitting process.

Note 3 for the 2007 annual audit: The 2007 audit team should determine whether the Table of Threatened Taxa is a complete list of threatened species found on or adjacent to HVP lands and

whether there are “rare” species that should also be included to comply with Criterion 6.2.

CAR #: 8-2005	Reference Standard #: 6.5
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Applicable finding from 2005 Annual Audit Report: Limited progress to meet the listed elements of the condition was not satisfactory.
Corrective Action Request: By the annual audit in 2006, HVP shall complete a practical definition of sensitive waterways and shall complete a pilot project that applies the definition to one District to test the application of the definition; (a) using existing resource data and (b) with new data if existing data is inadequate. Input from interested stakeholders shall be sought for these activities.	
Timeline for Compliance: 2006 annual audit	

Audit findings:

The Company has developed a ‘Strategy for the Protection of Sensitive Waterways on Company Land’ which defines a sensitive waterway as follows:

“A waterway which currently has plantation trees planted to its edge and:

- which carries a substantial permanent stream in years of average rainfall or
- which carries significant flows in the winter/spring months and where there is evidence of erosion impacts from previous clearing or
- where anticipated impacts on water quality will be deleterious to domestic water consumers or
- where there are threatened aquatic species.”

The definition specifically excludes waterways that require wider buffers or filters as provided under Section 3.2.3 of the Code of Forest Practices for Timber Production. The Strategy also lists waterways that have been selected to meet the definition, in which treatment is proceeding, and waterways that have been selected for future treatment. The pilot project on Stony Ck in the Warrenbayne Plantation was viewed in the field and is progressing satisfactorily.

The Strategy and the definition meet the requirements of the CAR. However, the team recommends (Observation 1-2006) that HVP should redraft the text to increase clarity in:

- describing the treatments to be applied to sensitive streams;
- distinguishing between the two groups of waterways listed, those currently under treatment as sensitive streams and those nominated for future treatment; and,
- recognizing the fact that more streams may be nominated as sensitive streams in the future.

Status: Met and closed

Follow-up Action:

Observation 1-2006: The team recommends that the text of the ‘Strategy for the Protection of Sensitive Waterways on Company Land’ should be re-drafted to increase clarity in:

- describing the treatments to be applied to sensitive streams;
- distinguishing between the two groups of waterways listed, those currently under treatment as sensitive streams and those nominated for future treatment; and,
- recognizing the fact that more streams may be nominated as sensitive streams in the future.

CAR #: 9-2005	Reference Standard #: 6.1, 9.1
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	Applicable finding from 2005 Annual Audit Report: For three reasons: 1) an unfinished RF BMP and external peer and public review process, 2) the discontinuation of stakeholder participation in boundary marking, and 3) current boundaries that are much less than 40 metres - the team concludes that HVP has not met the requirements of this CAR.
Corrective Action Request: By the end of 2005, HVP shall complete the Rainforest BMP with peer review and external public review, including review of proposed buffer zone widths, and begin to implement the BMP.	
Timeline for Compliance: 2006 annual audit	

Audit findings:
Following the 2005 annual audit, HVP selected and engaged two experts to review the companies’ draft Rainforest BMP, including the proposed width of buffers. The review was completed and was submitted to the Company in October 2005. It is a lengthy and very detailed review that addresses many considerations and issues related to the management of cool and warm temperate rainforest in HVP holdings. The audit team recognizes that HVP undertook this review in a very significant way and sought out two respected experts in this field. It is clearly an expert review, rather than a peer review. HVP provided substantial resources and assistance for the reviewers and they received a very thorough, well-documented and well-reasoned 32-page report in return. The fundamental conclusion of the two experts is that the buffers in the draft BMP for both cool and warm temperate rainforest are “inadequate”, particularly where, as in FSC Principle 9, a precautionary approach is required.

HVP responded to the review report in early November 2005 by sending the reviewers an annotated version of the report containing a substantial number of points where HVP disagreed with the report. At the time of the audit in March 2006, HVP provided the audit team with an expanded list of points, but these additional points had not been sent to the two expert reviewers. Since the HVP response in November, there has been no other communication between HVP and the experts and the draft BMP has not been completed or revised.

The audit team reviewed the experts’ report and the HVP response and interviewed both experts and the HVP staff who are directly involved. The two experts told the team that they consider their report to stand on its merits. They acknowledge some of the points raised by HVP but dispute others, and do not feel that any of the points change the fundamental conclusion of the report regarding the width of the rainforest buffers. HVP told the team that they would like the expert report to be revised to address their disagreements but acknowledge they have not pursued this request since November. The team concluded that while there are disagreements over some points of detail in the review, HVP has not disputed the major conclusion of the review that the existing BMP is inadequate to meet the requirements of Principle 9 of the FSC Standard.

Despite the conclusions of the expert review, HVP has taken no action to revise and complete the BMP. They provided the audit team with a 5-page outline of the company response to the expert review, but it does not appear that any of these proposed responses have been undertaken and the responses do not include revisions to the buffer widths or acknowledge the conclusion that they are “inadequate”. HVP has also not sought any outside public review of the draft BMP, as required by the MAJOR CAR, and has not made the report of the expert reviewers, or HVP’s proposed response, available to anyone outside the company. No external public review has been initiated or completed at the time of the audit.

The team notes that HVP has also not taken any actions to contact the two experts to follow up on their initial response in November 2005. The rainforest BMP remains in the same draft form it was at the

time of the 2005 annual audit.

Finally, HVP is continuing to apply the same, or in some cases narrower, buffer widths as in 2002 and 2004 when the original SmartWood assessment report and the monitoring audit described those buffers as “inadequate” and imposed CAR 1-2004 to establish a process to determine adequate buffer widths. That CAR was not met in 2005 and led to MAJOR CAR 9-2005 being imposed then.

The team concludes that for the three reasons above – failure to complete the BMP, failure to engage in external public review, and failure to implement revised buffer widths for rainforest when the expert review describes the current widths as “inadequate” – HVP has not met the requirement of the MAJOR CAR. Essentially, from an auditing point of view, this is where the matter finishes. Guidance to auditors from FSC and SmartWood states that a MAJOR CAR must be closed out or the certificate will be suspended. In this case, the team concludes that the MAJOR CAR is not closed and the failure to meet it is significant. The team does not accept that there are major extenuating circumstances that contributed to the delay in responding to the expert review which was completed in October 2005. Those delays, since October 2005, were internal within HVP. SmartWood and FSC policy therefore requires that, until the BMP meets the requirements of Principle 9, the Company’s continuing certification should be suspended.

The Company makes the case that this CAR cannot be considered in isolation. Application of the BMP has serious implications to the Company’s resource availability in the Strzelecki area of its operations because many of its plantation stands are contiguous with cool temperate rainforest. For example, part of the Company’s resource (the ‘Cores and Links’) has been under a voluntary moratorium on harvesting because of these associated values. Recent modelling of woodflows from the whole GRP resource has shown that future contracted commitments cannot be met without harvesting of plantation stands within the Cores and Links. While the audit team accepts this connection, the presentation on resource availability made to the audit team did not demonstrate that buffer width on rainforest was a ‘go’ or ‘no go’ variable in meeting commitments. In fact the modelling demonstrated that the Company would have to implement **both** the existing (inadequate) BMP and harvest almost all the plantation in the Cores and Links to meet its contracted commitments. Thus, the shortfall and Cores and Links situation does not give the Company any reasonable excuse to avoid its commitment to deal with the expert review of the BMP. The only way out of the resource impasse would be to find alternative sources for woodflows so that the resource can meet commitments when the BMP is modified to meet the requirements of the expert review.

In addition, the company is concerned that a Draft Action Statement on Temperate Rainforest is under public review and it does not want to take action in advance of the finalization of that Action Statement. The audit team does not accept that this is reason to delay implementation of provisions to meet FSC requirements in Principle 9.

Following the field audit, further information and evidence was provided to SmartWood that resulted in a determination that this MAJOR CAR had technically been met, however due to the poor wording of the CAR the intent has not been met. Thus, this CAR is closed out and a new MAJOR CAR 2-2006 has been added that will be audited in February 2006 for completion. HVP has been advised that failure to meet the MAJOR CAR within that time frame will result in suspension of their certificate based on requirements of FSC.

Status: Closed

Follow-up Action:

MAJOR CAR 2-2006. Within five months, HVP shall demonstrate the following:

- **A technically rigorous and thorough revision of the current Rainforest BMP has been completed; this revision should incorporate the specific recommendations of the peer**

review and other technically sound inputs gathered through public review, and, where applicable, a clear rationale as to why specific recommendations proposed by peer review or other inputs have not been accepted by HVP;

- A revised BMP is provided to all HVP staff and contractors involved in their implementation;
- Full implementation of the revised BMP has formally started; and,
- A specific monitoring programme related to the Rainforest BMP is in place that will be able to provide systematic information on HVP performance in attaining Rainforest BMP conformance.

Observation 2-2006: The team recommends that HVP do either or both of:

- finding alternative sources for wood flows or alternative treatment regimes so that the resource can meet commitments when the BMP is modified to meet the requirements of the expert review; or
- approaching the company needing the supply from the Strzelecki area to determine if there is any possibility of restructuring the current supply agreement based on results of current models.

CAR #: 10-2005	Reference Standard #: 6.6
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	Applicable finding from 2005 Annual Audit Report: HVP was not willing to disclose information about the full extent of chemicals used in their operations, particularly in situations where they are unsure of the purpose of a request for information, or are suspicious of the potential uses the information might be put to.
Corrective Action Request: Within 3 months, HVP shall develop a policy and a format for providing summary information on chemical use to interested parties upon request and shall promptly respond to written requests by providing the requested summary information.	
Timeline for Compliance: 3 months (December 15, 2005)	

Audit findings:

Since the 2005 audit, HVP has developed a policy and a format for providing summary information about chemical use as required by this MAJOR CAR. The policy is set out in a document “Public Disclosure on Chemical Use Within Company Land”. This 5-page document describes HVP’s policy on chemical use and describes, in general terms, the application of chemicals within the certified forest area. It describes the reasons for use; the procedures and considerations for chemical selection and application; the requirements for operator accreditation, environmental protection and water sampling; storage and disposal of containers; and consultation and notification to neighbours and regulatory authorities.

A one-page “Company Chemical Use Summary 2004/2005” is attached to the policy. This form was developed to provide a short summary of chemical use that could be publicly distributed in response to requests. It describes the chemical name of the chemicals (all herbicides) used, the districts each chemical is used in, the target species and the crop trees, the application method, and the maximum application rate of active ingredient in kg/ha as provided on the label. It does not include trade names of the herbicides, the amount of each chemical used, or the total amount of chemical used in the year. In response to a request, HVP provided a more detailed annual summary of pesticide use to SmartWood at the time of the annual audit, as required by the current FSC Pesticides Policy.

In addition to the Public Disclosure Policy, HVP also has “Procedures for Application of Herbicides to

Radiata Pine and Eucalypt Plantations”. This document provides more detail on best management practices for the application of herbicides, including minimum buffer widths along various features, measures to prevent spray drift, safe handling procedures etc.

Both the Public Disclosure policy and the Procedures for Application are indicated in the footer as “Controlled document. Authorized by: Manager Commercial Operations”. According to the HVP “Policy for Public Access to Company Management Plans and BMPs”, this footer indicates that these documents can be made available in printed form to interested parties upon request.

Thus, both the “Procedures for Application” and the “Public Disclosure policy” are publicly available upon request and together they meet the requirement of the MAJOR CAR to “develop a policy and a format for providing summary information on chemical use to interested parties upon request”.

The second part of the MAJOR CAR required HVP to “promptly respond to written requests by providing the requested summary information”. There do not appear to have been any written requests for this type of information about chemical use since the 2005 annual audit. Thus, there have been no requests to respond to, and no requirement to provide the information. HVP believes that this indicates how little overall interest or general concern there is about this issue.

This issue of responding to requests for information was originally addressed as a Condition in the 2004 assessment report (Condition 6.6.2) and raised to a MAJOR CAR in the 2005 audit report when it was not met. In the 2005 audit report, explicit reference was made to two written requests for summary information about chemical use that HVP had received but not responded to. As noted in the 2005 audit report “Given the requirements of Criterion 6.6 in the FSC Standard and the extensive nature of chemical use as a basic management tool across HVP operations, the audit team believes that a request for information about the extent of chemical use and the type of chemicals used is legitimate and should be responded to. The amount of detail that must be disclosed and the format for providing summary information are at the discretion of the company, but basic summary information must be provided to meet this CAR, and to be consistent with indicators in the SW generic standard for Australia.”

HVP has done very little to communicate that the information about pesticide use would be available, if requested, and the information provided is not detailed. Neither document is available on the company website. This reflects the company’s view that few people are interested in this information and those that are have specific agendas which conflict with HVP’s certification efforts. Staff in the district offices told the audit team that they would refer any requests for information to head office. They seemed unwilling to respond on their own to any requests for summary information about chemical use, or were unsure what could be provided without authorization.

The team notes that HVP does provide notice about planned chemical treatments to regulatory authorities, local government, water management bodies, neighbouring property owners, anyone diverting water from streams and to other parties it thinks might be interested in a specific location. Notice is provided by mail and HVP staff responds promptly to any concerns raised. In some situations and districts, HVP staff makes personal visits to concerned neighbours in advance of treatment. If concerns are raised, planned aerial operations are replaced by ground application or small areas are treated by hand. The audit team is not aware of any complaints that this type of treatment-specific notice is not provided, or that HVP is unresponsive to any concerns raised. In fact, HVP staff seems very diligent in addressing concerns specific to individual treatment areas.

The team concludes that summary information about herbicide use on the certified land area is not readily available to the interested groups or members of the public, but HVP does now have a policy and a summary document that will be provided upon written request. This meets the first part of the

MAJOR CAR. However there are still two letters requesting information that HVP has not responded to. Technically, HVP has not met the requirement of the MAJOR CAR to “promptly respond to written requests by providing the requested summary information”. The most prominent of these letters is a January 2005 letter from Friends of the Earth that was described in the 2005 annual audit. The author of that request confirmed that he has had no response from HVP and is unwilling to make any further requests until the first request is addressed.

Guidance to auditors from FSC and SmartWood states that a MAJOR CAR must be closed out or the certificate will be suspended. In this case, the failure is related to a lack of response to two letters and is related to only a part of the MAJOR CAR. It is essentially a reflection of the conflicts between HVP and the authors of the letters.

After review of the draft report, HVP responded to the two letters that had not been answered which results in the completion of this CAR.

Status: Closed

Follow-up Action: Auditors during next audit need to ensure that stakeholder requests are being responded to promptly.

CAR #: 11-2005	Reference Standard #: 6.6
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	Applicable finding from 2005 Annual Audit Report: HVP procedures to include ephemeral streams in water sampling following aerial spraying had not been implemented.
Corrective Action Request: Within three months, HVP shall demonstrate that it has implemented procedures to sample ephemeral streams following aerial application of herbicides.	
Timeline for Compliance: 3 months (December 15, 2005)	

Audit findings:

The audit team reviewed the program of water sampling following herbicide use in GRP, Northern and South-west Districts and reviewed water sampling reports. In the three districts there is a well-defined program to sample water from all streams where there is a definable flow of water in all blocks being treated aerially with herbicides. The program follows the procedures defined in the HVP “Water Sampling Procedures for Chemical Residues”. Samples are taken 3 times for each stream – prior to treatment, immediately following treatment, and during the first rain event following treatment. The first two samples are stored; the third sample is sent to the lab for analysis. Based on the analysis results reported by the lab, HVP silviculturalists determine the need for any follow-up action based on criteria established in the Procedures. The follow-up actions for any streams where samples that show detectable levels of chemical depend on whether or not the level is above 10% of the limit set in the Australian Drinking Water Standards (called the “b” value). In these cases, water users are notified and further testing of samples is conducted and a review of the program is conducted. The team reviewed results from 53 streams sampled in the three districts during the April-May and October-November 2005 herbicide treatments. None of them exceeded, or came close to exceeding the “b” threshold and most were below the level of detection.

The team interviewed GRP and HVP staff responsible for this program and concluded that the procedures to sample ephemeral streams are implemented. They told the team that the water sampling program is fully implemented across all districts. The MAJOR CAR is met and closed.

Status: Met and closed

Follow-up Action: None

CAR #: 12-2005	Reference Standard #: 6.10, 8.1
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	Applicable finding from 2005 Annual Audit Report: Although the basic audit data on native vegetation management is collected, the audit tool does not currently assess it quantitatively and there are not targets and indicators in the Monitoring and Reporting Register related to compliance with the Native Vegetation BMP.
Corrective Action Request: Within three months, HVP shall include targets and indicators in the Monitoring and Reporting Register and shall modify the audit tool so that it assesses compliance for native vegetation requirements. HVP shall also include an indicator to monitor action taken to rehabilitate or otherwise deal with breaches relating to native vegetation detected in coupe audits.	
Timeline for Compliance: 3 months (December 15, 2005)	

Audit findings:	
The Company has incorporated targets and indicators into the Monitoring and Reporting Register to assess compliance with Native Vegetation Requirements, viz:	
Targets	
2.6.1	Overall Level of Compliance with Native Vegetation BMP to exceed 90% for timber harvest and site preparation coupes assessed.
2.6.2.	Ensure that all cases of excessive damage to Native Vegetation have been authorised under a planning scheme permit or permit exemption where required.
2.6.3.	Ensure that mitigation works required by planning scheme permits authorising damage to Native Vegetation have been implemented.
Appropriate indicators have been nominated for these targets. The audit tool has been modified to provide information for the indicators and the CAR is met. The audit team notes that the audit tool is under further modification and will improve on the accessibility of this information in the future.	
Status: Met and closed	
Follow-up Action: None.	

CAR #: 13-2005	Reference Standard #: 7.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Applicable finding from 2005 Annual Audit Report: Discussion with HVP staff indicated that the revised FMP would be available for viewing at Company offices. However, two stakeholders who went to the GRP office during the annual audit told the audit team that the document was not provided to them on request.
Corrective Action Request: Within three months, HVP shall make the Forest Management Plan available to the public on the Company website and in hard copy at Company offices and shall make a public announcement of the availability of the plan.	
Timeline for Compliance: 3 months (December 15, 2005)	

Audit findings: The Forest Management Plan is available on the Company website at http://www.hancockvicplantations.com.au/HVP%20plans2004/HVP%20Forest%20Management%20Plan%20Sept04.htm	
The availability of the Plan has been advertised to the Strzelecki Working Group, the main stakeholder forum in the region, but has not been announced more widely as available to the public.	
The audit team concludes that these actions, although limited, meet the requirements of the CAR and	

FSC Principle 7. However, we recommend (Observation 2-2006) that HVP should continue to work to improve public access to, and awareness of, its forest management plan, and should include the publicly available BMPs (Policies, Procedures, and Operating Standards), Management Strategies and relevant maps on its website. These are important aspects of public understanding and support of HVP's certification, and of HVP's interaction with interested stakeholders.

Status: Met and closed.

Follow-up Action:

Observation 3-2006: HVP should continue to work to improve public access to, and awareness of, its forest management plan, and should include the publicly available BMPs (Policies and Procedures), Management Strategies and relevant maps on its website.

CAR #: 14-2005	Reference Standard #: 9.1
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	Applicable finding from 2005 Annual Audit Report: Some parties firmly believe that HVP has recently harvested within the proposed Cores and Links and is planning additional coupes. Additionally, the Cores and Links report was desk based and the boundaries were never accurately fixed on a map. Until the map showing boundaries of core and link areas is completed, there will continue to be uncertainty.
Corrective Action Request: Within six months, HVP shall have implemented ground-truthing and mapping of Cores and Links boundaries prior to operations in coupes in the Strzeleckis.	
Timeline for Compliance: Six months (March 15, 2006)	

Audit findings:

At the time of the 2005 annual audit, there were disagreements about whether HVP had, or had not, harvested within the Cores and Links boundaries. This appeared to be at least partly a misunderstanding about where the boundaries were. This CAR was imposed to ensure that boundaries were clearly identified and that harvesting was excluded from the Cores and Links while the Company's moratorium on harvesting continued.

HVP now admits that it did harvest areas of plantation within the Cores and Links boundary, but the reasons that occurred are still unclear to the audit team. The boundary for the Cores and Links, as interpreted from 'Strzelecki Ranges Biodiversity Study' by Biosis Research 2001, has been incorporated into the Company GIS where it is used by staff to plan harvesting coupes. Biosis Research told the team that boundaries were chosen as much as possible to follow topographic features, such as ridges, that are permanently locatable in the field. However, some boundaries follow other features, such as property boundaries, derived from cadastral maps and there is often difficulty in accurately placing such boundaries on the topographic maps used for coupe planning.

In response to this CAR, the Company, instead of carrying out ground-truthing of the entire boundary of the Cores and Links, has instituted a process whereby stakeholders are periodically taken on field visits to all planned coupes in the vicinity of the Cores and Links to demonstrate that the coupes are outside the Cores and Links. Boundaries are shown on company maps. Provided that this is done to the satisfaction of stakeholders and stakeholders agree that coupes are outside the boundary, this process will meet the intent of the CAR. The team notes that not all stakeholders are fully convinced about this process, but it does address the CAR.

One possible exception is where cadastral boundaries are nearby. In these cases topographic features may not be reliable indicators of the Cores and Links boundary. If a coupe is near a cadastral boundary, extra measures are necessary for the Company, as well as stakeholders to be confident that its coupe

boundaries are properly outside the boundary in question.
Status: Met and closed.
Follow-up Action: None.

Conditions from 2004 Assessment Report

CAR #: Condition 1.1.1:	Reference Standard #: 1.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Applicable finding from Assessment Report (2004): “HVP Register of Legal Obligations and Company Policies of Environmental Management does not include a definitive list of water catchments where special precautions have been specified (i.e. Special Area Plans or LUDs) throughout the HVP estate.”
Corrective Action Request: Condition 1.1.1: Throughout the period of certification, HVP is to ensure that special precautions for water catchment management are systematically incorporated into the HVP Register of Legal Obligations and Company Policies of Environmental Management and mapping/planning for all forest management operations throughout the HVP forest estate.	
Timeline for Compliance: Throughout the period of certification.	

Audit findings: The Register of Legal Obligations incorporates the necessary changes related to Water Catchment Areas, as do the Policy and the Procedure for Operational Planning and Management.
Status: Met and closed.
Follow-up Action: None.

CAR #: Condition 1.5.1	Reference Standard #: 5.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	While HVP has a policy, a Public Access BMP covering forest access, and a permit system for a range of uses of the forest, it does not have a consistently effective control system on the ground. For example, the company does not employ forest rangers/security contractors nor does it appear to have a system of security inspections.
Corrective Action Request: Condition 1.5.1: HVP is to review the security arrangements for its forests and, in consultation with shire councils, law enforcement officials, and relevant stakeholders, develop a strategic, estate-wide approach for controlling unauthorised activities in its forests. Activities that require action include on and off-road motorcycling and recreational four wheel driving, and shooting. Measures that might be considered include: a targeted public information campaign advising of HVP’s policies and rules regarding use of the forest, direct consultation with relevant user groups (where they can be identified), increased signage at forest entry points, greater use of gates, and targeted patrols.	
Timeline for Compliance: By the end of Year 2.	

Audit findings: A series of documents now exist to control different aspects of security on Company land: <ul style="list-style-type: none"> • ‘Visitors Procedure’ covers procedures for visits to Offices and Depots, Harvesting Sites, by Accompanied Field Visitors, and Unaccompanied Field Visitors; • ‘Public Access Policy to Company Property’ aims to allow controlled access for non-profit community groups and members of the public for passive recreation, education and research Specific activities that carry ‘undue risk’ such as 4WD use and shooting are not allowed. Access
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<p>will be controlled by mechanisms such as gates, fences or signage.</p> <ul style="list-style-type: none"> • ‘Procedure for Managing Non-approved Activities on Company Land’ outlines existing security issues on Company land in an estate-wide context and the controls currently in use. <p>These three documents provide an adequate review of security problems as well as access for allowable uses. Because of the wide range of potential issues, information provided on current issues and their control is useful in applying controls for new issues in a particular locality. The measures adopted include those proposed in the CAR. The team noted that HVP staff were active in addressing security issues in the field.</p>
Status: Met and closed.
Follow-up Action: None.

CAR #: Condition 2.1.1	Reference Standard #: 2.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Applicable finding from Assessment Report (2004): “Though small in number, some land divestitures by HVP have been a matter of public concern among stakeholder groups in Gippsland. An area of freehold plantation estate, subject to the “Eight Point Agreement”, was subdivided for residential development and put on the open market in 2001. Other blocks (of “custodial land”) have also been put up for sale without prior arrangement to ensure sound long-term stewardship of the forest on these blocks.”
Corrective Action Request: Throughout the certification period, prior to any sale or exchange of freehold plantation or custodial land, as part of a land rationalisation program, HVP is to conduct an environmental assessment using existing information including EVC mapping, on the land in question. In cases where environmental values equal to or greater than bio-regional conservation significance are encountered, HVP shall seek to protect key environmental values by providing the purchaser and relevant local government authorities with the conservation data it has available on the land. If any lands subject to the 8 Point Agreement with the Friends of the Gippsland Bush are to be sold, HVP will seek to have key environmental values protected by arranging a covenant or a similar environmental protection measure on the relevant land.	
Timeline for Compliance: Throughout the period of certification.	

<p>Audit findings:</p> <p>Since the last audit, some land has been compulsorily acquired by Bass Link for powerlines. Offsets for damage to native vegetation on this land are the responsibility of Bass Link. Three other transfers have taken place as follows:</p> <ul style="list-style-type: none"> • Wrights Block, Willung Sth to a private person, (27 ha) • land on the Old Melbourne Rd, Maryvale to a neighbor, (11 ha) and • land on Derhams Rd, Maryvale West, to a neighbor (40 ha). <p>The land involved in the first of these carried biota significant at a regional level and a fauna and flora survey was carried out. The information was provided to the new owner and to the Wellington Shire as the relevant Responsible Authority. The other blocks were not considered to carry significant ecological values and surveys were not carried out.</p> <p>The team is satisfied that HVP has procedures in place to address this Condition. SmartWood guidance to auditors is that “throughout the life of the certificate” conditions should be closed when the underlying non-conformance that led to the Condition is addressed. Thus, this Condition is closed. HVP is required to continue to undertake to undertake environmental assessments prior to any sale or</p>

exchange of freehold plantation of custodial land.
Status: Met and closed.
Follow-up Action: None.

CAR #: Condition 3.3.1	Reference Standard #: 3.3
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	<p>Applicable finding from Assessment Report (2004): “There is no explicit integration of site identification and protection in timber harvest and other operations planning procedures, or planning documents and forms (which become prescriptions for contractors undertaking the operations). As such, the timber harvest and operations planning process does not connect with the company’s documented policy and management procedure for aboriginal heritage....” (page 50)</p> <p>In summary, HVP’s efforts are insufficient in terms of the practical identification of sites or communication with local community aboriginal representatives about planned potential site-disturbing activities. It was not clear during the assessment fieldwork whether the company had contacted relevant communities and authorities regarding the sites that it had identified through its own efforts. Consultation with indigenous people appears to be lacking.” (page 51)</p>
<p>Corrective Action Request: Condition 3.3.1: By the end of Year 2, with regard to the protection of sites of cultural, ecological, economic or religious significance to Aboriginal people, HVP will:</p> <p>a) Provide approved training in sites identification to field staff; and,</p> <p>b) Modify the HVP operations planning process and related documents to ensure that prior to operations that might disturb the land or its resources, HVP staff inspect the operational area for the presence of aboriginal cultural heritage sites; and,</p> <p>c) Ensure that HVP staff and contractors consistently protect such sites.</p>	
Timeline for Compliance: By the end of Year 2.	

<p>Audit findings:</p> <p>This Condition includes four requirements as follows:</p> <ul style="list-style-type: none"> - Training in field site identification for field staff; - Modification of operations planning procedures; - Inspection of operational areas for the presence of sites; and, - Protection of sites. <p>Since the assessment report in 2004, HVP has taken actions to address each of these requirements.</p> <p>A very successful training session was held in October 2005 for a number of HVP staff and field personnel. This training was given by an Indigenous Cultural Heritage Officer from DSE. Based on team interviews with some of the participants and the cultural heritage officer and a review of the materials provided, this training was very well received by HVP staff and provided a very good foundation for identification of sites of significance to Aboriginal people. All staff interviewed were very positive about the training and the materials. However the cultural heritage officer said that, while the training was a positive step for HVP, it was just one part of building awareness and one part of an on-going relationship that is needed between HVP and cultural heritage staff in order to ensure sites are protected. He said he has had no further interaction with HVP since the training, although he anticipated a more regular interaction. The training also did not include field staff from all the districts. Based on the positive response from staff, this training program should be repeated and based on comments from</p>

the cultural heritage officer, a more regular and on-going interaction with HVP staff is necessary to meet requirements of FSC Principle 3.

HVP has also modified operational planning procedures since the assessment in 2004. These modifications include some minor changes to the Aboriginal Heritage Cultural Heritage Policy, and changes to the following documents to include reference to Aboriginal Cultural Heritage values:

- Operational Planning and Management Policy;
- Procedure for Construction and Maintenance of Roads on Company land;
- Policy for Preparation of Sites for Establishment of Radiata Pine and Eucalyptus Plantations;
- Procedure for Site Preparation of Radiata Pine and Eucalypt Plantations; and,
- Policy for the Planning and Conduct of Timber Harvesting Operations on Company Land

The Procedure for Operational Planning and Management was revised to include reference to the Aboriginal Cultural Heritage Management BMP, and to the identification of aboriginal interests and protection of sites of cultural significance while planning and carrying out operations.

Based on interviews with field staff during the audit, HVP staff is aware of the legal and FSC requirements to identify and protect sites of cultural, ecological, economic or religious significance to Aboriginal people. Field staff is aware of these requirements during planning and layout of field operations and where necessary, formal inspections are arranged. During the audit, the team visited a potential rock quarry site that had been subject of an assessment for Aboriginal values by DSE cultural heritage staff. HVP also told the team that a sand dune had been identified at the site of the Gelliondale nursery, and protected in co-operation with the local indigenous community. We are not aware of any potential conflicts or non-compliances with legal requirements involving the protection of Aboriginal cultural heritage sites.

Thus, although actions have been limited, the team concludes that the four requirements of Condition 3.3.1 – training, modification of planning procedures, inspection and protection of sites – are met. The team notes that Condition 3.2.1, also imposed in the 2004 assessment report, requires HVP “to finalize its system for liaison and consultation with relevant Native Title claimant groups and Aboriginal communities in order to: a) enable the company to more consistently identify any aboriginal customary or traditional rights over resources on its estate; and, b) enable such groups and communities to consistently give input to the company’s management and operations plans.” This condition will be audited in the next annual audit and addresses the concerns raised by the DSE Cultural Heritage Officer. In that recognition, the team has closed Condition 3.3.1.

The team recommends that the 2007 audit team include an aboriginal specialist so that conformance with Condition 3.2.1, and more general compliance with Principle 3, can be addressed. (Note 4 for 2007 annual audit).

Status: Met and Closed.

Follow-up Action:

Note 4 for 2007 annual audit: The 2007 audit team should include an aboriginal specialist and ecologist to assess compliance with Condition 3.2.1 and more general compliance with Principle 3.

CAR #: Condition 4.2.1	Reference Standard #: 4.2
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Applicable finding from Assessment Report (2004): “The situation with HVP’s contractors is not so clear. Generally they are non-unionised, and workers are employed on individual contracts (but apparently not always in writing). Consultations with contractors and workers revealed a range of pay rates and conditions. HVP does not appear to concern itself directly with the conditions of employment for contractors’ workers, other than having the necessary technical competence and health and safety policies and procedures.” (page 55) Injury statistics for the previous four months were provided for GRP, indicating no staff injuries but regular contractor injuries. This substantiates the claim by some stakeholders that contractors often “have nice OH&S policies and paperwork but this is not reflected in performance in the field”. (page 56)
Corrective Action Request: Condition 4.2.1: By the end of Year 2, HVP is to: a. Undertake a review of its operations planning procedures and contract conditions to ensure occupational health and safety policies for each type of operation are made explicit in all contracts (or attachments thereof), and, b. Review its OH&S inspection and reporting procedures for contractors and institute a system of incentives for compliance with OHS requirements and disincentives for non-compliance.	
Timeline for Compliance: By the end of Year 2.	

Audit findings:
This Condition has two separate requirements.

a. Review operational planning procedures and contract conditions to ensure OH&S policies are explicit in contracts

HVP provided the team with a written statement that it had reviewed its operational planning and contract conditions and that occupational health and safety policies are made explicit in all contracts.

Prior to engagement with HVP, a prospective contractor is required to furnish HVP with written evidence that he has an effective OH&S system that covers all aspects of OH&S management in place. Prior to the commencement of contract operations involving harvesting, HVP prepares a Timber Harvesting Plan and a Coupe Delivery Plan, and in the case of silvicultural and road construction operations, a Site Operations Plan. A Site Hazard, Risk and Control Assessment prepared by the District Forester to cover all operational safety issues is integral to these plans. It is discussed and modified on-site as required in consultation with the contractor or his representative prior to the commencement of works. Specific hazards with high risks are identified, located and inspected to determine if additional controls are required. This assessment is signed-off by the contractor and is attached to the operation plan (THP, CDP or SOP). Specific hazards are located on the operation map provided.

In addition to the site hazards, the contractor must also attest that other OH&S contract conditions (including having accredited operators, appropriate and adequately maintained equipment) are met.

Each contract covering harvesting, delivery, silvicultural and road construction operations contains OH&S requirements that the contractor is obliged to meet. Each contract has an OH&S schedule that provides a HVP policy statement and specifies a set of general OH&S requirements. These are detailed in relation to legislative responsibilities, OH&S plans and system, training and equipment, hazard ID and risk assessments, reporting and issue resolution. Additional requirements specific to the tasks being

performed are listed under operational requirements in the body of the contract or in the works specification schedule.

Both HVP and GRP have Health and Safety policies that apply to “contractors” and “contractors employees”, although both of these documents date back to 2001 and 2002, prior to the original assessment.

b. Review OH&S inspection and reporting procedures for contractors and institute a system of incentives

HVP provided the audit team with a written description of the numerous ways in which it inspects, monitors and reports about compliance with OH&S requirements by its contractors.

HVP District Foresters and Forest Technicians directly supervise operations and visit them frequently, usually each day or every second day. Part of their responsibility is to ensure compliance with OH&S requirements and to review operational safety. Safety determinations, directives and non-compliances of a minor nature are recorded in the site diary. More significant safety issues or repeats of previous safety breaches are written up in a Conformance Incident Notice (CIN) that provides the contractor with a written notification of the issue. The CIN requires a written response – an explanation and proposed corrective action. The CIN may take the form of a warning or a formal notice of breach and may lead to immediate suspension of operations by the DF. Contractors have access to OH&S assessments and notes generated through these routine inspections through the entries made in the site diary for each operation and through the CINs.

Formal safety inspections are conducted using a checklist of safety aspects that is used to assess the current state of compliance during “Safety Walks”. These checks cover mechanical plant, personal protective equipment, site conditions, signage, first aid and emergency procedures. The number of safety walks is a recorded activity that is reported regularly to HVP management.

Worksafe Victoria, the agency responsible for OH&S compliance and inspection, also inspects contractors engaged by HVP and planning staff receive copies of any field inspections carried out on the contractors. An annual audit of OH&S systems is conducted by HVP on most harvesting and delivery contractors where they are engaged on contracts with terms longer than 2 years. Contractor safety plans also require their own audit program. Shorter-term contracts are covered by the pre-engagement review of OH&S systems.

Performance Standards for contractors have been developed and incorporated into harvesting and delivery contracts to define quantitative measures of various aspects of contractor performance, including OH&S. An assessment of each contractor’s OH&S performance and compliance is provided to the contractor each quarter.

HVP’s Manager - Risk Management and Safety collates safety statistics each month, including accident and incident frequencies, numbers of inspections and hazard and risk assessments done and safety meetings conducted. This information is provided to HVP management and the HVP Board.

As an incentive to meet OH&S standards and legal requirements, each contract provides for termination or suspension of works where non-compliance with the OH&S requirements is not immediately rectified or where there are recurring breaches of the requirements.

Performance to meet this Condition was not audited in the field, but based on HVP’s explanation of its review of operational planning procedures, contract conditions, inspection and reporting procedures, the

team concluded that HVP meets the requirements of this Condition.
Status: Met and closed.
Follow-up Action: None

CAR #: Condition 4.4.1	Reference Standard #: 4.4
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	<p>Applicable finding from Assessment Report (2004): “According to HVP policy, all site-specific operations must consider on- and off-site social impacts. However, it is not clear how the potential impacts on neighbours, forest users, and other stakeholders are identified, assessed, and managed in the field. Little methodological guidance appears to be provided to District Managers and planners on how to conduct social impact assessments/evaluations, other than to liaise/communicate with those potentially affected. In practise it seems that the identification of social impacts and their mitigation is essentially intelligent guesswork by the harvest/operations planner and relevant district staff. For log haulage, consideration of social impacts appears inconsistent. HVP staff indicates they believe the main issue is training. Shire Councils, as regulatory authorities, are informed as required, but are not always consulted over potential impacts of operations, except perhaps over aerial spraying and selection of haulage routes. And there is no wider public or stakeholder notification to enable input to planning.” (page 59)</p> <p>At present there appears to be little systematic consideration of the socio-economic impacts of strategic plans and management decisions on stakeholders, such as contractors and their workers, staff, and neighbouring communities.” (page 59)</p> <p>“... At the moment, other stakeholders, such as environmental groups, recreation users, and aboriginal community representatives are not directly informed or consulted over planned harvests and other operations” (page 60).</p>
<p>Corrective Action Request: Condition 4.4.1: By the end of Year 2, HVP is to revise planning and management procedures to improve communication with stakeholders regarding operational changes that will have social impacts on contractors, communities and other directly affected stakeholders. This might include:</p> <ul style="list-style-type: none"> - An improved system for assessing social impacts (including contractor performance, local road use), using stakeholder consultation during planning; - A more effective system for advising communities and key stakeholders of planning activities and upcoming forest operations; and, - Stakeholder consultation as part of the HVP internal coupe compliance auditing system. 	
Timeline for Compliance: By the end of Year 2.	

<p>Audit findings:</p> <p>The Company has continued to interact with communities over the difficult issues of log delivery, sometimes over narrow roads not designed for log truck traffic, and the other off-site impacts of logging operations. One example, that involved the harvest and cartage of material from the Goughs Bay plantation in the Benalla-Ovens District and potential for noise and disruption in the community from logging on the nearby hillside, was concluded very satisfactorily. The audit team interviewed some members of the Goughs Bay community who were open in congratulating the Company on the successful completion of the operation. It was recognized that there were some community members who had some complaints at some stage of the process but most were very satisfied at the end. The important elements of success for this operation were seen to be that the Company initiated contact with</p>

the community well before the operation and put significant effort into negotiating appropriate routes for removal of logs and minimizing dust, runoff, noise and light nuisance problems.

GRP has continued to apply effort in the same areas, but the problems in the Strzeleckis are greater because log traffic is long term and continuous along some extraction routes. The same techniques of early initiation by the Company of communication are effective, but complaints from community members still continue, for example, about log trucks very early in the morning, 'fast' speeds and leaving insufficient room on the road for other users. The audit team received 5 responses to its questionnaires from individuals who continued to have concerns with logging trucks. During the fieldwork the team visited the site of a new road constructed by HVP to eliminate truck traffic on a public road. We also observed examples of viewing mirrors on corners, signs etc.

Another example of Company communication processes was the presentation given to a range of stakeholders on the Cores and Links process. While it is welcome that the Company is now talking publicly about this process, some participants felt that the presentation was more a description of 'this is what we are going to do' rather than the beginning of a process that will consider potential options and alternatives.

HVP undertakes notice of neighbours and any interested public about its herbicide programs. This is described in more detail under CAR 10-2005, and involves direct personal contact in some situations.

The Company has also updated its 'Communication Strategy and Program' (see discussion under CAR 1-2005), but this document does not include procedures for monitoring of consultation processes. Stakeholder consultation about the audits of harvesting coupes is not carried out to any great extent. The Company is prepared to discuss problems that stakeholders have relating to harvesting of coupes, but this is restricted to case-by-case situations. Some results are satisfactory; others are not. The updated Communication Strategy and Program includes a clause suggesting that independent coupe audits should be available for public scrutiny (2.2.4, Demonstrating Corporate Environmental Leadership). This would be a significant step forward and would provide to stakeholders information about the Company's broad performance rather than problems on individual coupes. Overall, the team concluded this Condition is met. Observation 3-2006 is recorded.

The audit team has also imposed MAJOR CAR 1 – 2006 in relation to CAR 1-2005. This MAJOR CAR requires an independent evaluation of evaluation of the effectiveness of HVP's communication and its relationship with interest groups, organizations and regulatory authorities. This will address any remaining issues associated with this Condition.

Status: Met and closed.

Follow-up Action:

See Major CAR 1-2006

Observation 4-2006. HVP should put a process in place to make available results of independent audits on harvest coupes and site preparation areas.

CAR #: Condition 5.6.1	Reference Standard #: 5.6
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	<p>Applicable finding from Assessment Report (2004): “... the audit team is concerned that current predicted outturn from coupes is consistently greater than actual harvest. ... There is a concern that the growth models in use require updating, in particular, to reflect the growth of the improved genetic material currently in use, although this is more likely to result in actual growths exceeding predicted, rather than the opposite case noted above. Some adjustments have been made to allow for these changes, but it is recognised that the models themselves need to be revised.</p> <p>Currently, however, there is no consensus about which factors are responsible for the observed discrepancies between actual and predicted outturn. In the interests of reliable long term yield regulation, it is clearly necessary to conduct a thorough review of possible factors affecting the accuracy of growth (how fast the trees are growing), yield (the volume of wood in the trees) and outturn (what products come from the volume available) modelling.” (page 70)</p>
<p>Corrective Action Request: Condition 5.6.1: HVP is to review the factors influencing accuracy of the long-term yield prediction process and provide a program to more definitively quantify and correct factors affecting it. Continual improvement of yield predictions should continue so that total volume production from coupes, when averaged on a District basis, should be consistently unbiased and within $\pm 10\%$ of actual product out-turn.</p>	
Timeline for Compliance: By the end of Year 2.	

<p>Audit findings:</p> <p>In 2003, following the FSC assessment in 2002, HVP commissioned a report “A strategy for improving the business planning model for Hancock Victoria plantations (Jerry Leech, Forestry Systems, Draft Report, November 2003). This 62-page report described a wide-ranging review of various components that are part of prediction of long-term yields. The review included the factors that impinge on the reconciliation of the predicted and harvested yields from plantations in each of the HVP regions. It concentrated on permanent growth plots and growth modeling and highlighted a number of issues where it identified “serious problems” relating to the ability to reconcile the predicted harvest volumes with the actual harvested yields. The report developed a strategy for improvement in growth and yield models, permanent growth plots and systems to forecast future yields through a series of immediate, short-term, medium-term, and longer-term actions.</p> <p>HVP also retained international consultants, Jaako Poyry, to analyse yield modeling systems and yield tables. As a result of this analysis, HVP applied a discount to yield tables for its northeast and south west districts.</p> <p>These reports and analyses meet the requirement to “review the factors influencing accuracy of the long-term yield prediction process”.</p> <p>HVP has undertaken actions in each of the short-term, medium-term and long-term areas identified in the Leech report. These include new growth models for the GRP operation, new taper and volume functions in other districts, revised factors for conversion from cubic metres to tonnes and improved residue assessment. Introduction of a new coupe-based planning system allowed the development of yield predictions for each coupe based on individual stand attributes rather than from broad scale yield tables. In 2005, a progress report reviewed this work and additional work is on-going in 2006.</p> <p>HVP provided the audit team with a detailed analysis comparing the predicted yield from the 2005</p>

business model with the actual yields from clearfelling and thinning operations for the business year ending June 30, 2005 in each of 5 Districts – Ballarat, Central, Grand Ridge Plantations, Northern and South-west – and also comparisons within the Northern district (Benalla, Shelly and Ovens). The reconciliation accounted for more than 90% of the HVP harvest in 2005. The amount of difference between predicted and actual varies district by district and from clearfell to thinning, but overall, the reconciliation found that the Business Model over-predicted yield by 4.7% for clearfell and 4.9% for thinning. These results from 2005 are an improvement on 2004 and 2003 in most districts. Overall, the 4.7% variation between predicted clearfell volumes and actual volumes is an improvement on the 10% and 15% over-predictions in 2004 and 2003 for the clearfell areas. The 4.9% variation between predicted and actual thinning volume is more than in 2004 (a 4.3% over-prediction) but an improvement on 2003 (7.9% over-prediction). **(This paragraph confidential and not to be included in public summary.)**

The extensive set of actions implemented as a result of the Leech Report and the reconciliation reports indicate that HVP has met the requirements of Condition 5.6.1. The variation between predicted and actual within the last two years has been reduced to less than 10% as required by the Condition. In 2005 it was less than 5%.

During the audit, the team was advised that the GRP operation faces a serious short fall in future volumes available to harvest associated with a significant underperformance in E. globulus (blue gum) plantations, and changes in the regulatory environment that will reduce the volumes available. The manager responsible for this yield assessment and reconciliation program told the team that both of these factors have already been factored into the long-term yield predictions.

Based on the work reviewed, the Condition is met and is closed. The team notes that the report of the 2005 reconciliation results indicates that there are still remaining issues with the yield models and there is still an over-prediction of both total yield and the sawlog component of the yield. The report includes recommendations for ongoing and future work in this area.

Status: Met and Closed.

Follow-up Action: None.

CAR #: Condition 6.1.1	Reference Standard #: 6.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Applicable finding from Assessment Report (2004): “HVP initiated evaluations of the distribution and extent of different vegetation types (Ecological Vegetation Classes or EVCs) but have not completed this work.”
Corrective Action Request: Throughout the certification period, the process of inventory and mapping the ecological resources within the HVP estate should continue at the proposed rate (i.e. covering 20% of the estate per annum). This process should be complemented with inventory surveys over a range of seasons, with a program for surveys to be defined for all custodial lands and initiated in at least one district.	
Timeline for Compliance: Throughout the certification period.	

Audit findings:

The Company has continued work on mapping EVCs, using new airphotos with improved resolution that provide a better result. Because of these improved tools, refinement of work already carried out to the same standards has been included in the program. Most recent work in the EVC mapping program has been in the Jeeralang block, some 3585 ha having been completed. This brings the total area covered in the program to 22,509 ha, a proportion of 45% of the 49,912 ha of Custodial Land (area

statement, FSC/SmartWood Certification Assessment Report for HVP, Jan 2004), which is ahead of the 40% required for year 2. GRP also recently received National Estate funding to continue this work.

In addition to the EVC mapping program, the fauna survey program is continuing, with Livingston and Turton Blocks assessed in early 2006. The Koala Habitat Atlas work being carried out in association with the Australian Koala Foundation is awaiting information from the EVC mapping work.

Planning is in progress to extend the EVC mapping program to the HVP estate outside GRP. This Condition was also reviewed in the 2005 annual audit and progress to meet the Condition is satisfactory. SmartWood guidance to auditors is that “throughout the life of the certificate conditions” should be closed when the underlying non-conformance that led to the Condition is addressed. Thus, this Condition is closed. HVP is expected to continue to undertake this mapping work.

Status: Met and closed.

Follow-up Action: None.

<p>CAR #: Condition 6.3.1</p>	<p>Reference Standard #: 6.3</p>
<p>Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/></p>	<p>Applicable finding from Assessment Report (2004): Where fuel reduction burning is not performed, the invasion of pine wildings can become a significant threatening process that is inconsistently managed across the estate and generally poorly funded. Insufficient management addressing this issue, both before and during HVP management, has resulted in significant infestations of pine wildings in some areas of native vegetation (i.e. some areas within the Ballarat region, remnant native vegetation on the Gippsland Plains). The invasion of pine wildings is an indication that ecosystem function within some areas of the custodial lands is outside the natural cycles of these forests. Other significant environmental weeds also occur within custodial lands and along plantation roads although their distribution is not uniform. Little control of these weeds occurs outside formal revegetation programs and control works within a few metres of roadsides. The Ovens-Benalla district was noted to have a more formal interaction with NRE (now DSE) to identify and control environmental weeds such as Paterson’s Curse (<i>Echium plantagineum</i>) and Blackberry (<i>Rubus fruticosus</i> spp. Agg). HVP staff noted that districts had a budget for “good neighbour” weed control works and that they also had regular interaction and cooperative interactions with local Landcare groups. This could provide a useful model for the remainder of the estate.</p>
<p>Corrective Action Request: Condition 6.3.1: By the end of Year 5, HVP is to identify the distribution and extent of environmental weed species throughout its estate, on both production and custodial lands, and as part of a regionally based plant management strategy. Work to eliminate environmental weed species (including wildings) is to commence in Year 1 in the HVP forest district selected by HVP as having the greatest weed problem and highest conservation priority (i.e. linked with the EVC mapping project). All of the 7 forest districts to be completed by the end of Year 5. Implementation of a program for better control of environmental weeds is to commence immediately.</p>	
<p>Timeline for Compliance: Throughout the certification period.</p>	

Audit findings:

As noted in the 2005 annual audit, work occurs annually to control environmental weed species and to remove pine wildings in each of the HVP districts. This work is directed and managed by each of the districts within budgets that they assign. Weed control occurs in response to priorities identified by field

staff, or in response to complaints from neighbours, and sometimes in association with landcare groups or catchment authorities. Weed control and wildling removal often occupies time between planting, silvicultural treatments and fire control.

In 2005, HVP undertook a study of weeds in its 9500 ha pine plantation near Rennick in Southwest Victoria (“Study of identified Noxious Weed Species in Pine Plantations”). This report provides a thorough description of weeds found in the plantation and does provide an inventory of the weeds found at over 200 locations in the plantation. However, although HVP suggested it provides a “template for a district control strategy” it does not provide a strategy for controlling weeds in southwest or identify a means of scoring or prioritizing the problems in any given location where the weeds are found or prioritize the need for treatment.

To date, HVP has not developed a “regionally based plant management strategy” as required by Year 5 in the Condition, but it does carry on annual treatments throughout the estate on both weeds and pine wildlings. HVP points out that the requirement to “eliminate environmental weeds” such as blackberry is unrealistic. HVP strives for blackberry control, particularly along boundaries, but elimination will be impossible. It is participating in a program (by the Department of Primary Industry) looking at a new strain of blackberry rust as a biological control agent.

SmartWood guidance to auditors’ states that “multiple year” Conditions remain open with the timeline established and are audited each year. Weed management is also addressed in Condition 10.7.1 and MAJOR CAR 5-2006 is imposed there.

Status: Open. On-going.

Follow-up Action:

MAJOR CAR 5-2006: HVP is to undertake a strategic, estate-wide analysis (based on Integrated Weed Management principles) of weed management options. This analysis should, inter alia, take account of anticipated weed infestations, topography, and contractor availability, scale of operation, and watershed /environmental issues. The resulting strategic plan should identify priority regions where aerial application should be focused and an on-going commitment to exploring alternative techniques to aerial application and to stream water-monitoring program in areas subject to aerial application (particularly aerial spraying). (Note: The Pesticides Advisory Group organized for FSC should provide specific guidance on appropriate application methods including aerial application.)

CAR #: Condition 6.6.1	Reference Standard #: 6.6
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Applicable finding from Assessment Report (2004): “Company was using an FSC prohibited chemical for which a derogation was sought. However key terms of the derogation, principally, the formation of a pesticide advisory group (by independent experts, NGOs, and industry) was never completed by FSC, so the chemical is still not permitted for use.”
Corrective Action Request: Throughout the certification period, HVP is to abide by the requirements of the November 3, 2003 derogation from FSC on the use of Simazine.	
Timeline for Compliance: Throughout the certification period.	

Audit findings: HVP had ceased using simazine prior to the November 2003 FSC derogation that allows simazine to be used in Victoria for the control of grass and broadleaved weeds in eucalyptus plantation establishment until September 2006 provided 7 requirements are met. Thus HVP has never implemented the derogation, and still does not use simazine.

HVP advised the audit team that other companies in Australia are presently working with FSC to address issues related to the implementation of the derogation, including the formation of a Pesticide Advisory Committee, and its 2006 expiry date to allow for use of simazine. If those issues are resolved, and there is a more practical derogation, HVP may consider using simazine again in special situations. Simazine remains on the FSC list of “highly hazardous” pesticides and compliance with the existing derogation or a new derogation will be required if HVP plans to use this chemical.

The CAR applies throughout the life of the certificate but is being met at present because HVP has not been using simazine since the certificate was issued. However, the CAR remains Open through the certification period. The team suggests that the 2007 audit team should address whether the Condition needs to be revised or replaced when the present derogation expires in September 2006. (Note 5 for the 2007 annual audit)

Status: Open.

Follow-up Action:

Note 5 for 2007 Annual Audit: The audit team should review Condition 6.6.1 in the next annual audit since the conditions of the Nov 2, 2003 derogation may no longer be applicable, or may be met.

<p>CAR #: Condition 9.1.2</p>	<p>Reference Standard #: 9.1</p>
<p>Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/></p>	<p>Applicable finding from Assessment Report (2004): “The native vegetation of most of these bioregions has been significantly depleted and many remnants are likely to be of at least bioregional conservation value. Examples include Wet Forest (depleted in the Strzelecki Ranges) and Cool Temperate Rainforest (sites of national and state conservation value within the Strzelecki Ranges). There is no current monitoring of the impacts of harvesting on custodial lands. However, GRP has proposed a project to assess the distribution of Myrtle Wilt and monitor its impact on Cool Temperate Rainforest.”</p>
<p>Corrective Action Request: Throughout the certification period, HVP will join with State Government programs to monitor the incidence of myrtle wilt in cool temperate rainforest on HVP estate.</p>	
<p>Timeline for Compliance: Throughout the certification period.</p>	

Audit findings: Three study plots have now been established to monitor the progress of Myrtle Wilt, if any, from infected trees in the plots. These plots are intended to indicate the progress of the infection from tree to tree and have no role in assessing Myrtle Wilt incidence in the regional landscape. To obtain information about this, it is necessary to carry out extensive assessments across the cool temperate rainforest sites in the region. The accepted method of doing this to date has been aerial reconnaissance using helicopters to count and locate infected trees, which are readily visible when the tree’s foliage dies as a result of the infection. However, it is potentially possible to use GRP’s new airphotos to carry out the survey. Whatever the methodology, it is necessary to carry out a broad scale survey as soon as possible to meet the Condition and it is planned by GRP to carry out the work soon.

The Condition requires HVP to “monitor the incidence of myrtle wilt...on the HVP estate” throughout the life of the certificate. The work to date does not meet this requirement, useful though it is to monitor tree-to-tree infection, and after two years of certification this “throughout the life” Condition is not met. The SmartWood guidance to auditors is that “throughout the life” or “permanent” conditions that are not met should be raised to a MAJOR CAR with a short timeline for completion. In this case, the auditors believe that the development of an effective monitoring program with state government, and a field

survey will take some time to develop and implement. In these circumstances, an extended timeline of one year is appropriate.

Status: Not Met. OPEN and Becomes MAJOR CAR 3-2006

Follow-up Action:

Condition 9.1.2 becomes MAJOR CAR 3-2006. By the 2007 annual audit, HVP shall complete and report on an initial broad scale survey for Myrtle Wilt in the Strzelecki Ranges.

<p>CAR #: Condition 9.4.1</p>	<p>Reference Standard #: 9.4</p>
<p>Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/></p>	<p>Applicable finding from Assessment Report (2004): HCVF includes much of the remnant native vegetation (custodial land) within the HVP estate. The most extensive and sensitive areas are managed by GRP. The HVP mapping and assessment program (Section 8 of the HVP/GRP Forest Management Plan) indicates that this region will be the first to formally manage HCVF under the new BMP procedures.”</p> <p>“Specific regional indicator species or communities have not been selected. Programs are still being developed and could not be audited.” (pages 105-106)</p>
<p>Corrective Action Request: Condition 9.4.1: HVP is to have determined, with input from State Government and interested local community groups, a shortlist of species that can be realistically and practically monitored as an index of diversity and ecosystem health in HVP’s custodial lands in the Strzelecki Ranges and the Gippsland Plain. The results of HVP’s various biodiversity monitoring programs will be provided to SmartWood on an annual audit basis.</p>	
<p>Timeline for Compliance: By the end of Year 2.</p>	

Audit findings:

Since the assessment report in 2004, HVP has made little progress to meet this Condition. In a submission to the audit team, HVP suggested three species that they felt could serve as indicator species and that would partly meet this condition. These proposals were partly based on on-going or proposed work with these species. The species are:

- Koala, based on the developing HVP work with Australian Koala Foundation. This work includes mapping of vegetation and koala habitat and development of a management plan, largely in response to community concerns for genetic integrity and population diversity.
- Myrtle beech, based on plans to monitor myrtle wilt in rainforest and surrounding wet forest; and,
- Macro-invertebrates, based on previous work which could be repeated to provide an index for monitoring riparian ecosystem health and water quality.

HVP staff have proposed other species for monitoring – red gum and toothed leionema for example – for some forest types. But to date HVP has not developed “a short-list of species that can be monitored as an index of diversity and ecosystem health in both the Strzeleckis and the Gippsland Plain”, as required by the Condition.

In early March 2006, just prior to the audit, HVP began e-mail correspondence with staff at DSE, AKF, Monash University and others asking for advice about species and monitoring programs that would meet this Condition. The e-mail exchange continued up to the time of the audit and generated good discussion and ideas about work underway or planned, or work that could be initiated to address the requirements. Some agencies responded with offers of collaboration. Questions were raised about the objective of monitoring and about species that could be monitored practically to meet those objectives. This is the type of interaction with State Government and interested local community groups that is required by the Condition but it is at an early stage and has not reached a point where there has been a

level of interaction that meets the condition or that has resulted in a list of species for monitoring.

Thus, while some discussion has begun, HVP has not yet met this Condition. Guidance to auditors from SmartWood and FSC indicates that a Condition that is not met should become a MAJOR CAR with a short timeline for completion. Recognizing that collaboration with various other parties is required and takes time, the audit team suggests that the timeline for meeting this MAJOR CAR should be 5 months.

Results of monitoring are not being provided to SmartWood on an annual basis, although reports of faunal surveys done in the GRP area were available to the audit team.

Status: Not Met. Open. Becomes MAJOR CAR 4-2006

Follow-up Action:

Condition 9.4.1 becomes MAJOR CAR 4-2006: HVP is to determine, with input from State Government and interested local community groups, a shortlist of species that can be realistically and practically monitored as an index of diversity and ecosystem health in HVP's custodial lands in the Strzelecki Ranges and the Gippsland Plain. The results of HVP's various biodiversity monitoring programs will be provided to SmartWood on an annual audit basis.

<p>CAR #: Conditions 10.2.1</p>	<p>Reference Standard #: 10.2</p>
<p>Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/></p>	<p>Applicable finding from Assessment Report (2004): "Recent independent audits supplied by HVP/GRP conducted by Ecosystems Management Australia also noted poor compliance with respect to the COFP and BMPs in providing protection to exclusion areas and native vegetation in filters and buffers. This was noted to be the result of both poor planning and operational implementation.</p> <p>The need for wildlife corridors has been identified in areas of the Benalla-Ovens District and a number of areas are currently being re-vegetated and other drainage lines are assessed for potential re-vegetation on a coupe-by-coupe basis (see 6.10, 10.5).</p> <p>In general harvest regimes (cut block size, patterns and harvest timing) do not consider fragmentation effects, however with harvesting in expansive areas of pine this is unlikely to have an impact on significant species. HVP are, however, attempting to diversify the range of age classes within local areas to create greater landscape diversity in the future." (page 108)</p>
<p>Corrective Action Request: Condition 10.2.1: HVP is to develop a strategy to maintain and/or enhance habitat continuity within its estate and between its custodial lands and adjacent native vegetation.</p>	
<p>Timeline for Compliance: By the end of Year 2.</p>	

Audit findings:

HVP has developed a "Strategy for Maintenance of Habitat Continuity". The stated objective of the strategy is "To maintain and/or enhance habitat continuity within the estate and between custodial lands and adjacent native vegetation".

The document outlines the opportunities for connectivity corridors while establishing new softwood and eucalyptus plantations, and within existing softwood and hardwood plantations. Some general principles in the design of corridors are provided. The footer identifies the document as "Controlled Document. Authorised: Manager Environmental Services" indicating that it is publicly available upon

request.

The audit team was shown some recent work in developing corridors but HVP explains that corridors will only be developed where there is a high priority, and they can link up existing corridors and native vegetation. The strategy provides guidance for those circumstances. The measures described in the Strategy and discussed in the field with HVP are consistent with the indicators for Criterion 10.2.

This document meets the requirement of the Condition.

Status: Met and closed.

Follow-up Action: None.

CAR #: Condition 10.6.1	Reference Standard #: 10.6
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Applicable finding from Assessment Report (2004): Many of the activities by HVP have potential to impact seriously on water values (including native and introduced fish) if poorly executed; these activities include harvesting, site preparation, fertiliser and pesticide use and fire control operations. Adherence to the Victorian COFP will not always protect HVP from adverse water quality effects in particular.
Corrective Action Request: Condition 10.6.1: HVP is to complete a peer-reviewed analysis of its watershed management activities that presents a refined erosion hazard assessment procedure. This fine-tuning of the current system may lead to a regional assessment approach that takes account of local soil, rainfall, topography and other conditions.	
Timeline for Compliance: By the end of Year 2.	

Audit findings:

The system apparently referred to here has been documented by the Company as 'Procedure For Soil Erosion Hazard And Permeability Sampling'. This is a peer reviewed development of a technique developed by the Centre for Forest Tree Technology in 1999, and has been used successfully across the state by State Government agencies since. It is used where necessary by HVP/GRP.

Status: Met and closed.

Follow-up Action: None.

CAR #: Condition 10.7.1	Reference Standard #: 10.7
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	<p>Applicable finding from Assessment Report (2004): As discussed under criterion 6.6, there is widespread and seemingly increasing concern from a broad range of stakeholders on the aerial application of herbicides in particular and the reliance on chemicals in general. While it is broadly acknowledged that weed populations that threaten the commercial viability of plantations must be managed, this needs to be done within an Integrated Weed Management (IWM) framework. HVP is committed to this approach at a policy level, but the assessment team detected evidence of variable adherence to this policy across districts. The decision whether or not to use aerial application to control a given weed has significant economic, social and environmental implications. The decision-making process must therefore be in-depth, strategic and based on IWM principles.</p> <p>As discussed under Criterion 6.9, pine wildings are a problem in many custodial lands managed by HVP and in neighbouring native forest. Environmental weeds such as gorse appear to be an on-going problem. As discussed elsewhere in this report, more effort needs to be directed to these matters.” (page 118)</p>
<p>Corrective Action Request: Condition 10.7.1: HVP is to undertake a strategic, estate-wide analysis (based on Integrated Weed Management principles) of weed management options. This analysis should, inter alia, take account of anticipated weed infestations, topography, and contractor availability, scale of operation, and watershed /environmental issues. The resulting strategic plan should identify priority regions where aerial application should be focused and an on-going commitment to exploring alternative techniques to aerial application and to stream water-monitoring program in areas subject to aerial application (particularly aerial spraying). (Note: The Pesticides Advisory Group organized for FSC should provide specific guidance on appropriate application methods including aerial application.)</p>	
Timeline for Compliance: By the end of Year 2.	

Audit findings:

HVP has not prepared an estate-wide analysis of weed management options or developed a strategic plan, as required by the condition. As noted above for Condition 6.3.1, weed control and wildling removal work are on-going across the estate but these programs are developed and managed by each district in response to its needs, budgets and human resources, rather than as a result of a strategic estate-wide analysis and strategic plan. HVP did not provide any evidence to show that in the absence of a strategic plan, it was focusing on “prevention and biological control methods rather than chemical pesticides” as required by FSC Criterion 10.7.

HVP referred to a report on weeds in the 9500 ha Rennick Plantation in Southwest District as a possible template. This report does indicate the specific locations of infestations of a number of weed species, but does not provide a means of setting priorities even within that plantation and is not an estate-wide analysis.

HVP is taking some actions that are consistent with meeting this Condition. As noted in Condition 6.3.1, HVP is studying the potential use of blackberry rust as a biological control agent and as noted, in MAJOR CAR 11-2005, it has developed a program for water sampling in ephemeral streams.

Overall, the audit team concludes that this Condition is not met and remains open. Guidance to auditors from SmartWood and FSC indicates that a Condition that is not met should become a MAJOR CAR with a short timeline for completion. In this case the audit team notes that Condition 6.3.1 has a similar

requirement for an overall strategic plan for weed and wildling control but does not need to be met until Year 5. Thus, the team suggests a timeline of 6 months from the date of finalization of this report.

The audit team also notes that the Pesticide Advisory Group referred to in the Condition has not yet been established.

Status: Not Met. Open. Becomes MAJOR CAR 4-2006

Follow-up Action: Condition 10.7.1 becomes MAJOR CAR 4-2006 with a timeline of 6 months from the finalization of this report.

2.4. New corrective actions issued as a result of this audit

CAR #: MAJOR CAR 1-2006.	Reference Standard #: 2.3 and 4.4.
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	Description of non-compliance: HVP does not exemplify a “proactive and positive” working relationship with some key stakeholders as required by Indicators for Criterion 4.4, or demonstrate that conflicts with some of the other resource users are “resolved, or being addressed in a proactive, systematic manner” as required by indicators for Criterion 2.3. There is lack of effective “consultation with affected stakeholders and adjoining landowners before, during and after forest management planning” as required by Indicators for Criterion 4.4.
<p>Corrective Action Request: MAJOR CAR 1-2006: HVP shall:</p> <ul style="list-style-type: none"> • Engage an independent evaluation of the effectiveness of its communication and its relationship with interest groups, organizations, regulatory authorities as identified in its Communications Strategy, at all levels of the organization, including an analysis of any root causes of poor relationships and recommendations for improvement; and, • Provide an action plan for implementing the results of the evaluate on. 	
Timeline for Compliance: Within five months of the finalization of this annual audit.	
CAR #: MAJOR CAR 2-2006	Reference Standard #: 9.1
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	Description of non-compliance: AaWmjumjmj
<p>Corrective Action Request: MAJOR CAR 2-2006. Within 90 days, HVP shall demonstrate the following:</p> <ul style="list-style-type: none"> • A technically rigorous and thorough revision of the current Rainforest BMP has been completed; this revision should incorporate the specific recommendations of the peer review and other technically sound inputs gathered through public review, and, where applicable, a clear rationale as to why specific recommendations proposed by peer review or other inputs have not been accepted by HVP; • A revised BMP is provided to all HVP staff and contractors involved in their implementation; • Full implementation of the revised BMP has formally started; and, • d) A specific monitoring programme related to the Rainforest BMP is in place that will be able to provide systematic information on HVP performance in attaining Rainforest BMP conformance. 	
Timeline for Compliance: Within five months of the finalization of this annual audit.	

CAR #: MAJOR CAR 3-2006	Reference Standard #: 9.1
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	Description of non-compliance: Myrtle beech is an important attribute defining the cool temperate rainforest that is of high conservation value. Principle 9 requires that management measures in high conservation value forests shall maintain or enhance the attributes that define those forests, including myrtle beech. Monitoring of myrtle wilt is required to ensure that management measures are adequate to maintain and enhance the presence of myrtle beech in these high conservation value forests.
Corrective Action Request: MAJOR CAR 3-2006. HVP shall complete and report on an initial broad scale survey for Myrtle Wilt in the Strzelecki Ranges.	
Timeline for Compliance: Within five months of the finalization of this annual audit.	

CAR #: MAJOR CAR 4-2006	Reference Standard #: 9.4
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	Description of non-compliance: HVP does not have a monitoring program to assess the effectiveness of the measures it employs to maintain conservation attributes in the Strzelecki Ranges and Gippsland Plain. Criterion 9.4 requires this monitoring.
Corrective Action Request: MAJOR CAR 4-2006: HVP is to determine, with input from State Government and interested local community groups, a shortlist of species that can be realistically and practically monitored as an index of diversity and ecosystem health in HVP's custodial lands in the Strzelecki Ranges and the Gippsland Plain. The results of HVP's various biodiversity monitoring programs will be provided to SmartWood on an annual audit basis.	
Timeline for Compliance: Within five months of the finalization of this annual audit.	

CAR #: MAJOR CAR 5-2006	Reference Standard #: 10.7
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	Description of non-compliance: HVP has not undertaken a strategic estate wide analysis of weed management options and does not have a strategic plan that minimizes weed infestations and promotes biological controls as required by Criterion 10.7
Corrective Action Request: MAJOR CAR 5-2006: HVP is to undertake a strategic, estate-wide analysis (based on Integrated Weed Management principles) of weed management options. This analysis should, inter alia, take account of anticipated weed infestations, topography, and contractor availability, scale of operation, and watershed /environmental issues. The resulting strategic plan should identify priority regions where aerial application should be focused and an on-going commitment to exploring alternative techniques to aerial application and to stream water-monitoring program in areas subject to aerial application (particularly aerial spraying). (Note: The Pesticides Advisory Group organized for FSC should provide specific guidance on appropriate application methods including aerial application.)	
Timeline for Compliance: Within five months of the finalization of this annual audit.	

2.5. Audit observations

Observations are made with regard to items that do not of themselves constitute non-compliance, but which the auditor considers may lead to a future non-compliance if not addressed by the client.

Observation	Reference Std #
<p>Observation 1-2006: The team recommends that the text of the ‘Strategy for the Protection of Sensitive Waterways on Company Land’ should be re-drafted to increase clarity in:</p> <ul style="list-style-type: none"> • describing the treatments to be applied to sensitive streams; • distinguishing between the two groups of waterways listed, those currently under treatment as sensitive streams and those nominated for future treatment; and, • recognizing the fact that more streams may be nominated as sensitive streams in the future. 	6.5
<p>Observation 2-2006: The team recommends that HVP do either or both of:</p> <ul style="list-style-type: none"> • finding alternative sources for wood flows so that the resource can meet commitments when the BMP is modified to meet the requirements of the expert review; or • approaching the company needing the supply from the Strzelecki area to determine if there is any possibility of restructuring the current supply agreement based on results of current models. 	6.1 & 9.1
<p>Observation 3-2006: HVP should continue to work to improve public access to, and awareness of, its forest management plan, and should include the publicly available BMPs (Policies, Procedures, and Operating Standards), Management Strategies and relevant maps on its website.</p>	2.3 and 4.4
<p>Observation 4-2006. HVP should put a process in place to make available results of independent audits on harvest coupes and site preparation areas.</p>	4.4

2.6 Notes for the 2007 Annual Audit

Note 1: The 2007 audit team should review the status of the clearing of native vegetation and the permitting process. (re CAR 7-2005)

Note 2: The 2007 audit team should ensure that some time is included in the budget to allow a systematic criterion-level evaluation of several FSC principles.

Note 3: The 2007 audit team should determine whether the Table of Threatened Taxa is a complete list of threatened species found on or adjacent to HVP lands and whether there are “rare” species that should also be included to comply with Criterion 6.2. (re CAR 7-2005)

Note 4: The 2007 audit team should include an aboriginal specialist to assess compliance with Condition 3.2.1 and more general compliance with Principle 3. (re Condition 3.3.1)

Note 5: The 2007 audit team should review Condition 6.6.1 in the next annual audit since the conditions of the Nov 2, 2003 derogation may no longer be applicable, or may be met. (re Condition 6.6.1)

2.7 Audit decision

While there has been considerable progress made on most of the conditions and CARs that were audited for compliance, the audit team has found that HVP has barely maintained certifiable performance and has not adequately addressed Conditions and CARs as defined by SmartWood and FSC policy. A total of 27 conditions and CARs were audited. 18 were met and closed. 7 were not met or remain open as follows:

- All MAJOR CARs were met although resulting in an additional MAJOR CAR;
- 2 CARs were not met and become a single MAJOR CAR with a 5-month timeline for completion;
- 3 Conditions were not met and become MAJOR CARS – all with 5-month timelines; and,
- 2 Conditions remain open and are on-going through the life of the certificate;

The five additional MAJOR CARS are listed above in Section 2.4. All of these MAJOR CARs must be met within 5 months of the finalization of this audit report or by the agreed upon 2007 audit period of February.

FSC policy requires that if MAJOR CARS are not met, the certificate should be suspended until such time as they have been adequately addressed or until such time allowance as provided by FSC and SmartWood policy. Thus, it should be noted that failure to address the MAJOR CARS identified in this report during the 2007 audit will result in suspension of the certificate.