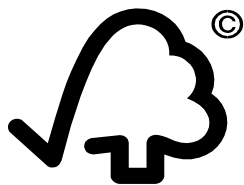


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FM-06 April 2007



**SmartWood**

*Practical conservation through certified forestry*

Forest Management  
**2008 Annual audit**  
Report for:

**Hancock Victorian  
Plantations Pty Ltd.**  
in  
Victoria, Australia

Certificate code:	<b>SW-FM/COC-1128</b>
Auditors:	<b>Christian Sloth Roy Teale</b>
Audit Dates:	<b>27 January – 1 February 2008</b>
Report Finalized:	<b>16 September 2008</b>
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# 1. INTRODUCTION

The purpose of this report is to document annual audit conformance of Hancock Victoria Plantations, hereafter referred to as HVP or the Forest Management Enterprise (FME). The report presents the findings of SmartWood auditors who have evaluated company systems and performance against FSC forest management standards and policies. Section 2 of this report provides the audit conclusions and any necessary follow-up actions by the company through corrective action requests.

SmartWood audit reports include information which will become public information. Sections 1-3 will be posted on SmartWood's website according to FSC requirements. All appendices will remain confidential.

Dispute resolution: If SmartWood clients encounter organizations or individuals having concerns or comments about Rainforest Alliance / SmartWood and our services, these parties are strongly encouraged to contact SmartWood regional or Headquarters offices directly (see contact information on report cover). Formal complaints or concerns should be sent in writing.

## 2. AUDIT FINDINGS AND RESULTS

### 2.1. Audit conclusion

<b>Based on Company's conformance with FSC and SmartWood requirements, the audit team makes the following recommendation:</b>	
<input checked="" type="checkbox"/>	<b>Certification requirements <u>met</u>, certificate maintenance recommended</b> Upon acceptance of CAR(s) issued below
<input type="checkbox"/>	<b>Certification requirements <u>not met</u>:</b> Conformance with Major CAR(s) required
Additional comments:	
Issues identified as controversial or hard to evaluate.	

### 2.2. Changes in the forest management of the FME

No Major changes has taken place since the previous annual audit

### 2.3. Stakeholder issues

Prior to conducting the annual audit field visit SmartWood distributed a stakeholder notification and survey to a broad range of stakeholders in Australia. The notification notified stakeholders of the intention of SmartWood to carry out the audit and the survey form asked stakeholders to provide input for the audit process.

The notification resulted in 6 people returning the survey with comments to the operations of HVP. In addition to the feedback received via the audit notification SmartWood also contacted selected stakeholders during the audit and arranged a meeting and field trip to HVP plantation sites in the Gippsland area together with four stakeholders.

A number of issues were raised by stakeholders in connection to the management of HVP's plantation areas. The comments all related to the management of plantation areas in the Strzelecki and Gippsland areas.

In the following section a short description will be given on specific issues raised by stakeholders related to the plantation management of HVP. Each comment is discussed individually and it has been sought to discuss all specific comments and address alleged non-conformance against the FSC standard and explain for the rationale for the auditor's evaluation of the situation as being a non-conformance or not.

Several of the comments that were raised during the 2008 audit mirrors the comments that were raised during the 2007 annual audit.

### **1. Inadequate buffers along cool temperate rainforest in the Strzeleckis**

Ongoing discussions are occurring with regards to the clauses of the Heads of Agreements (HoA) and there have been ongoing allegations from stakeholders that HVP has been breaching the agreement in two harvested coupes within the 'Harvest Area' within the "Cores and Links" as defined in the HoA. As the HoA is a voluntary agreement that HVP has entered to meet stakeholder concerns about the integrity of the "Cores and Links" areas as defined in the Biosis report it was found by the auditors that the status of this agreement does not directly affect the status of HVP's FSC certificate as long as the operation conforms to the FSC standards.

It should also be noted that the decision of HVP to follow the stipulations of the HoA whether or not the agreement is formalized is seen as a positive step by HVP to meet the concerns of stakeholders.

Some specific issues raised by stakeholders in regard to the harvesting practices relate to harvesting within Craig Court, Gossiper Track Coupe, Bluegum Track Coupe, College Creek and Bishops Coupe. The audit team visited all of these coupes to investigate the alleged problems and also interviewed HVP staff in regards to these matters.

The issues related to the harvest activities of HVP mainly revolves around agreement on the definition of what constitutes Cool Temperate Rainforest which is listed as a threatened community under the Flora and Fauna Guarantee Act 1988 as well as what is the appropriate width of buffers from harvest areas to CTR areas.

The audit team wishes to acknowledge that stakeholders remain dissatisfied with the Rainforest BMP developed by HVP and in particular in relation to the buffer width and identification/classification of rainforest patches. Furthermore, it was alleged that a rainforest ecologist is of a similar opinion. However, the audit team would note that contention and debate within the scientific community is not uncommon and that these debates are mirrored within the stakeholder community. The outcome of the debate within the scientific community (as it specifically relates to identifying and classifying rainforest communities) will be reflected in the Flora and Fauna Guarantee Action Statement once this is finalized. As HVP has been found to be proactive in seeking expert inputs and generally conform to the procedures and standards developed within the company in accordance with prevailing legal requirements as defined in the Action Statement for Rainforests of Victoria, the stakeholder complaint and the issues related to the definition of CTR and application of buffer width is not regarded as a non-

conformance against the FSC P&C. However it should be noted that SW expects HVP to remain active in their stakeholder communications and to keep abreast of the developments in the scientific and public definitions of forest types in VIC.

HVP aligns itself to the Action Statement for Rainforests of Victoria that covers all rainforest communities in Victoria and also deals with the threat posed by Myrtle Wilt. Its objective is to ensure the whole rainforest estate is protected.

#### The Action Statement

- Defines rainforest
- On public land - Provides management prescriptions to protect rainforest during forestry operations
- On private land – DSE is to *“Encourage private land managers to develop and implement land management procedures which are likely to achieve the relevant objectives of the Action Statement...”*

It was found that the HVP BMP actually exceeds the legal requirement in its management of vegetation containing Beech and/or Sassafras as the canopy species. Additional protection afforded to this non-listed vegetation type reinforces a precautionary approach and should facilitate over the very long-term, a net gain recovery of the cool temperate rainforest community.

In relation to the FSC P&C these comments relates mainly to Principle 6. In appendix II of this report a number of the Criteria of Principle 6 has been evaluated. In relation to the claims of stakeholders that HVP is not conforming to the required harvesting practices related to application of buffer zones on natural forest remnants it was found, as outlined above, that HVP conforms to prevailing national requirements and implements it's BMPs consistently throughout it's operations. Therefore it is not considered by the auditors that HVP is in non-conformance to the FSC standards.

See Observation 04/08

## **2. Allegations of substandard road and drainage construction**

During the audit, stakeholders raised concerns about road construction practices, soil erosion, and inadequate drainage in the Strzeleckis. A specific incidence was encountered during the audit where gravel was found in the crossing of Morwell River Road and Grand Ridge Road. The gravel had been dumped on the road to repair rutting in the dirt road and had not yet been leveled. This incidence would not be considered a non-conformance to the FSC standard because it was a very small area and was found to be a problem related to the repair of the road and of temporary nature.

Prior to the audit, in November 2007 Friends of the Earth (FoE) reported an alleged breach to the Code of Forest Practice on HVP land to the EPA Traralgon Office and Latrobe City. Breaches were cited to the Code sections:

- Section 4.2.1: mandatory actions – waterways
- Section 4.4.2: mandatory actions - road design
- Section 4.4.3: mandatory actions - road construction
- Section 4.4.4: mandatory actions - road maintenance.

The alleged breaches were inspected by HVP staff accompanied by EPA staff and representative from the Latrobe City Council. No further action was required by EPA or Latrobe City. During the 2008 annual audit Traralgon Creek (Bishops Coupe) was visited and the sites in question were overlooked from the main access road. The issue was also discussed with HVP staff as well as with the EPA and Latrobe City Council.

It was found that the incident that triggered the allegations by FoE was triggered by heavy rains during the late part of 2007 creating slumping in the harvested areas as well as in other parts of the area both inside and outside HVP plantations.

In general it is the audit teams' observation that road construction and road drainage is well implemented and the procedures for planning and monitoring road construction are appropriate even though problems can be found in some incidences and on specific locations.

It is the opinion of the audit team that HVP is generally in conformance with the FSC requirements related to road planning, construction, maintenance and monitoring even though localized problems may occur. Therefore the audit team did not identify non-compliance with FSC requirements related to road construction.

See Observation 05/08.

### **3. Concerns about HVP management of industrial vehicle traffic on public roads and response to public concerns.**

One of the most commonly encountered concerns from stakeholders received prior to and during the annual audit 2008 relates to log truck traffic and public safety on public roads. Given the amount of HVP's logging traffic that occurs on narrow public roads, it is understandable that this is a concern.

During this annual audit, the team conducted telephone interviews and met with concerned stakeholders to discuss the truck traffic issue (among other things). In general it was found that some inhabitants living in close proximity of the HVP plantations do not think the roads are suitable for heavy log-truck and that the log transportation constitutes a major safety issue as well as a problem with regards to destruction of the dirt roads.

There were also complaints related to dust and noise created by the log trucks and one local owner of a Bed and Breakfast complained that the log traffic ruins her business because of the noise created by the log trucks.

During the audit the auditors experienced the log truck traffic on the roads and it is conceded that the traffic constitutes a problem in terms of large trucks moving on relatively narrow and winding dirt roads.

However it was also found that HVP in general has taken a very proactive approach towards planning the log haulage in cooperation with local communities and is working closely with local communities before and during harvest activities to inform local inhabitants about the log truck traffic and to discuss possible solutions that could decrease the safety risk, the noise and general disturbance of the adjacent communities and inhabitants. Examples of this approach were documented through letters and

community meeting minutes outlining the discussions undertaken in different areas of the HVP operations. Additionally HVP includes identification of all affected local inhabitants on harvest plan maps and informs all these about harvest activities. All stakeholder comments received are noted in the Site Diary which HVP keeps for each coupe. Examples were reviewed with detailed information about stakeholder issues and actions taken to these issues.

It should be noted that there are still conflicts with some local inhabitants and the issues revolving around safety is a sensitive one that is very important to the local communities.

In relation to the FSC standards (particularly Criteria 4.4 and 4.5) it is required that HVP consults with people and groups directly affected by operations, seek to resolve grievances and disputes and take measures to avoid loss or damage. In the review of Principle 4 during the annual audit 2008 it was found that HVP has a very proactive approach to stakeholder consultation and have been very active in trying to address the concerns of stakeholders as briefly discussed above. It was therefore found that HVP does conform to the P&C in terms of the requirements for the company to engage in dialogue and cooperate with local communities even though not all stakeholders are in agreement with the operations. Therefore it was found that HVP does conform to the FSC P&C even though there is a conflict ongoing in the area. However the FSC standard does not require an operation to be totally free of disputes, but requires the operation to deal with any disputes in a proactive manner, which it was found that HVP does.

#### **4. Koala Bear Management Plan**

Another comment from stakeholders was related to the Koala population in the Strzelecki. In respect of the Koala population, they represent a distinct population and would possibly be recognized as a distinct Management Unit (i.e. a distinct phylogenetic lineage). However, in Victoria the Koala is not offered additional protection as a species let alone as distinct populations. As such HVP or any other forest manager for that matter is not required to establish specific management plans for this species. SmartWood however would like to suggest that in response to the stakeholders concerns HVP continue with the publication of the Koala Habitat Map. If the Koala population requires conserving then it is the State Government's responsibility to list the species accordingly and this has not yet occurred. As such there is no specific reason why HVP as a private land manager should be required to establish conservation measures for a species such as the Koala as long as it is not required by the state or federal Government.

#### **2.4. Conformance with applicable corrective action requests**

The section below describes the activities of the certificate holder to address each applicable corrective action issued during previous evaluations. For each CAR a finding is presented along with a description of its current status using the following categories. Failure to meet CARs will result in a nonconformance being upgraded from minor to major status with conformance required within 3 months with risk of suspension or termination of the SmartWood certificate if Major CARs are not met. The following classification is used to indicate the status of the CAR:

CAR Status Categories	Explanation
<b>Closed</b>	Certified operation has successfully met the CAR and addressed the underlying nonconformance.
<b>Open</b>	Certified operation has <u>not met</u> the CAR; underlying nonconformance is still present. CAR becomes a Major CAR with a 3 month deadline for conformance

<b>CAR 01/07</b>	Reference Standard #: 6.2.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: HVP does not presently have a complete listing of the rare or threatened (including vulnerable, endangered and critically endangered) species on the estate and therefore does not have safeguards in place to protect all of these species, as required to meet this criterion and its indicators.
Corrective Action Request: HVP shall: <ul style="list-style-type: none"> <li>Expand the list of rare and threatened species (considering all conservation categories) that are known to or likely to occur on its estate to include species from the DSE (2005) <i>Advisory list of rare or threatened plants in Victoria – 2005</i> and DSE (2003) <i>Advisory list of threatened vertebrate fauna in Victoria- 2003</i> and revise the Threatened Species BMP to expand its scope of species covered;</li> <li>Develop and begin implementing a plan to identify protection areas or protection measures for all of these species in a revised Threatened Species BMP; and</li> <li>Have the revised lists and revised BMP externally reviewed by experts in botany and zoology.</li> </ul>	
Timeline for Compliance: By the 2008 annual audit.	
<b>Evidence to close CAR:</b>	<p>The expansion of the list of RTE species has been undertaken and completed by an external consultant Richard Francis from Abzeco who also reviewed the lists and revised BMP. This report was finalized in January 2008.</p> <p>The audit team notes that HVP should be aware that the Advisory list is regularly updated and therefore HVP should endeavor to obtain current listings.</p> <p>Since the last annual audit HVP has developed and started to implement Operating Standards for rare and threatened Orchids and for Dwarf Kerrawang.</p>
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	OBS 02/08 OBS 03/08

<b>CAR 02/07</b>	Reference Standard #: 6.2.3
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: The current rainforest BMP does not measure buffer widths on horizontal distance and does not account for additional width on steep slopes Currently, HVP are proposing a minimum rainforest buffer width of 30 metres (20 metres on smaller remnants). The audit team concluded, as did previous audits and the expert review, that these buffer widths are inadequate and do not meet the requirement of Indicator 6.2.3 that they be based on “technically sound requirements”.
Corrective Action Request:	

HVP shall revise the Rainforest BMP to

- Provide that buffer width is based on horizontal measurement, not slope distance;
- Increase buffer width according to slope and average height of tallest stratum; and
- Increase buffer width according to the latest tiered approach to rainforest protection on public land.

The revised Rainforest BMP shall be provided to SW and endorsed by either two Councils (CEO) who administer GRP operations or DSE (Secretary).

Timeline for Compliance: By the 2008 annual audit.

**Evidence to close CAR:**

The revised Rainforest BMP includes a statement that the buffer widths will be measured on horizontal distance (see “Operating Standard for the Identification and Protection of Rainforest on Company Land”).

A Summary Letter supplied in the FSC Binder provided to the SW auditors prior to the audit does acknowledge that HVP will have additional discretion on the width of buffers and in particular note that buffer width may be increased for specific sites in consideration of steep topography.

A statement to this effect is also contained in the Operating Standard for the identification and protection of Rainforest on Company land Page 6, section 3.4.2 second paragraph:

*“Buffers may be applied in circumstances not covered under Attachment 6 or the minimum buffer widths may be increased for specific sites based on a risk analysis of the site characteristics of topography, rainforest canopy and plantation stand conditions to achieve the key outcomes for rainforest in the vicinity of plantations”*

In this statement HVP goes further than required in the CAR by including site factors in addition to steep slopes (which is one aspect of topography). The other factors are the nature of the rainforest canopy and the plantation stand conditions such as the size (total weight and height) and lean of the plantation trees that are being harvested. This makes it a more comprehensive consideration of risk compared to just considering steepness of slope and height of the tallest stratum.

HVP claims that the application of the latest tiered approach in relation to the relationship between the tallest stratum and slope is not appropriate for their plantation areas. Instead HVP contend that the minimum buffer provided is sufficient to protect the CTR from accidental tree fall and combined with current harvesting practices (eg directional tree felling) ensures that the CTR communities are protected.

HVP produced documentation to show that the Rainforest BMP had been endorsed by the DSE (Secretary) and the Wellington Shire Council. The Wellington Shire Council acknowledges that the BMP meets the requirements of the Code of Forest Practice for Timber Production – 2007. The DSE Secretary notes that the BMP is “consistent with relevant actions within the draft Flora and Fauna Guarantee Action Statement for listed rainforest communities and myrtle wilt disease”. At the time of the audit this Action Statement was still in draft form.

	Therefore HVP have met the requirements of this CAR and more specifically criteria 6.2.3. However, the audit team wishes to acknowledge that stakeholders remain dissatisfied with the Rainforest BMP and in particular in relation to the buffer width and identification/classification of rainforest patches. Furthermore, a key rainforest ecologist is of a similar opinion. However, the audit team would note that contention and debate within the scientific community is not uncommon and that these debates are mirrored within the stakeholder community. The outcome of the debate within the scientific community (as it specifically relates to identifying and classifying rainforest communities) will be reflected in the final Flora and Fauna Guarantee Action Statement. The audit team would therefore make the observation that HVP monitor this debate to the extent of reviewing the Action Plan when it is finalized and modifying the current BMP as required.
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	OBS 04/08

<b>CAR 03/07</b>	Reference Standard #: 6.6.3
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: HVP has not provided information in regard to its chemical use in nurseries and does not fully meet the requirement of Indicator 6.6.3.
Corrective Action Request: HVP shall provide SmartWood with a complete listing of all chemicals used in its nurseries and include the information set out in FSC Guidance Document 30-001 and cease using those chemicals on the FSC prohibited list until such time as derogation is obtained.	
Timeline for Compliance: Within six months of the finalization of this audit.	
<b>Evidence to close CAR:</b>	<p>A complete list of chemicals used in HVP nurseries was provided to the SW Auditors. The list includes a stocktaking of all the chemicals on storage and usage. The information provided by the company conforms to the requirements in FSC Guidance Document 30-001. HVP provided information from their nurseries in Gelliondale, Cowarr and Maryvale.</p> <p>A new List of highly hazardous chemical was officially implemented by the FSC in May 2007. The FSC-GUI-30-001 version 2-0 includes a revised list of chemicals regarded as highly hazardous by the FSC. This list has excluded some pesticides and included new ones.</p> <p>At the time of the audit HVP had not used any chemicals that are on the latest version of the Highly Hazardous List for which they do not have an approved derogation or derogation application.</p>
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	

<b>CAR 04/07</b>	Reference Standard #: 6.9.2
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: The "Strategic estate-wide analysis of weed management options" appears to be confined to the plantation lands within the HVP estate and does not specifically identify measures to address pine wildling escape into adjacent native vegetation or wildings on roadsides.
Corrective Action Request:	

HVP shall prepare a strategy for wildling control in remnant native vegetation and on roadsides across the estate, or revise the strategic analysis of weed management options.	
Timeline for Compliance: By the 2008 annual audit.	
<b>Evidence to close CAR:</b>	HVP have prepared a Wildling Control Plan for the South West region that identifies both a strategy and proposed control program for the period 2007 and 2010. HVP have a BMP for wildling control. Field excursions were undertaken to areas where wildling control had been implemented. Therefore HVP have met the requirements of this CAR.
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	

<b>CAR 05/07</b>	Reference Standard #: 8.3, COC 2, 4 and 5
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: GRP has been working under the assumption that all wood delivered by them to the mill is certified, when in fact, they also deliver logs from small farmers that are not included within the scope of the certificate.
Corrective Action Request: HVP shall review and revise their CoC procedures to address the need to ensure that all loads of logs sold as certified are physically identified as certified and such information is included on all documentation relating to sale and shipping of these logs.	
Timeline for Compliance: Within one month from the finalization of this report.	
<b>Evidence to close CAR:</b>	HVP has up dated their log delivery docket to include the HVP FSC certification code on the document for deliveries from properties included in the scope of the certificate and excludes it from deliveries from all other properties. The log docket follows the log truck from the harvest site to the mill.  All details required to complete the Log Delivery Docket can be found either on the GRP Cutting Instructions, Coupe Plan and Log Defect Specification Manual.
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	

<b>CAR 06/07</b>	Reference Standard #: 9.1.1, 9.1.2, 9.2
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: HVP's current approach to high conservation value forests does not address all four categories of HCV or provide a written assessment or propose strategies for their protection. HVP has not consulted with stakeholders in assessing the four categories of HCVF.
Corrective Action Request: HVP shall: <ul style="list-style-type: none"> <li>• produce a written HCVF assessment that identifies all High Conservation Value Forests in the four categories defined in the glossary in each of HVP's regions, and propose strategies to ensure their protection;</li> <li>• consult with stakeholders during the assessment and development of strategies, and take actions in response to the consultation;</li> <li>• develop and begin conducting a credible independent review of the assessment and proposed strategies; and,</li> <li>• demonstrate that actions are being taken to implement those strategies.</li> </ul>	
Timeline for Compliance: By the 2008 annual audit.	
<b>Evidence to close CAR:</b>	HVP provided the HCVF Assessment Report that identified High Conservation Value Forests in the four categories in each of HVP's regions and outlined measures to ensure their protection. Additional details can be found in Appendix V. The report was prepared by the consultancy firm Azbeco.

	<p>The four categories identified were;</p> <ol style="list-style-type: none"> <li>1. Rare or threatened vascular plants</li> <li>2. Rare or threatened fauna species</li> <li>3. Forest areas likely to support significant concentrations of or temporal concentrations of threatened and endangered species.</li> <li>4. Plantations located in declared water catchment areas</li> </ol> <p>A list of stakeholders engaged as part of preparing the HCVF Assessment report is given at the end of the report.</p> <p>External expertise has been sought in the preparation of the HCVF assessments and as such this would qualify as “credible independent review”.</p> <p>HVP have prepared management statements in the HCVF Assessment report which identify actions undertaken to date to protect these values. For example, a small Western Basalt Plains Grassland Community on a property purchased at Bradvale, (1 km long by 20m wide – 2 ha) has been fenced to protect it from uncontrolled grazing. A management plan is currently being prepared in liaison with the DEC.</p> <p>Based on these findings and the evidence presented to the auditors during the 2008 annual audit it was found that HVP has met the requirements of this CAR and it is therefore closed.</p>
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	

<b>CAR 08/07</b>	Reference Standard #: COC 9
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Description of non-compliance: While HVP has in place a system for gaining approval for use of the FSC trademark, observations in the field indicate shirts for employees were made using the FSC trademark without getting approval for such use.
Corrective Action Request: HVP shall review, and where appropriate revise their procedure for getting approval for use of the FSC/SW trademarks and will be prepared to indicate how they will ensure all use will be submitted for approval in the future.	
Timeline for Compliance: By the 2008 annual audit.	
<b>Evidence to close CAR:</b>	HVP has reviewed their logo use and approval procedure (Document Control Procedure, Folder 4.4). there were no observations of non conformances related to logo use during the 2008 audit and the CAR has therefore been closed.
<b>CAR Status:</b>	CLOSED
<b>Follow-up Actions (if app.):</b>	

**2.5. New corrective actions issued as a result of this audit**  
No new CARs were issued

**2.6. Audit observations**

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

<b>OBS 01/08</b>	<b>Reference Standard &amp; Requirement: 6.1 &amp; 6.10</b>
Of particular concern is the correct identification of native grassland communities where the woodland overstory is absent. The audit team felt it likely that without expert appraisal such native grasslands (many of which represent Threatened EVCs) are not correctly identified by foresters. Furthermore some remnant areas of native grassland may be too small to have been resolved by the existing EVC mapping.	
<p><b>Observation:</b>          Upon acquisition of new properties and prior to any ground disturbing activities, flora and vegetation studies should be carried out by appropriately qualified botanists to establish whether such communities occur within the property.</p> <p>The Native Vegetation BMP and Management of Threatened Taxa BMP (which both aim to conserve and protect native vegetation on the Company's estate) should be updated to reflect this recommendation.</p>	

<b>OBS 02/08</b>	<b>Reference Standard &amp; Requirement: 6.2</b>
The audit team notes that HVP should be aware that the Advisory on RTE species list is regularly updated.	
<p><b>Observation:</b>          HVP should endeavor to obtain current listings of RTE species.</p>	

<b>OBS 03/08</b>	<b>Reference Standard &amp; Requirement: 6.2</b>
The Abzeco report recommends that HVP includes a procedure for field staff to evaluate possible impacts of proposed operations on the specific RTE in question. This is proposed to be done by including a "Critical Decision Path" to the Operating Standard in form of a relevant and easily accessible checklist to be filled in by field staff.	
<p><b>Observation:</b>          HVP should examine how the approach suggested in the Abzeco report could best be integrated into the existing coupe planning checklist.</p>	

<b>OBS 04/08</b>	<b>Reference Standard &amp; Requirement: 6.2</b>
The audit team notes that contention and debate within the scientific community is not uncommon and that these debates are mirrored within the stakeholder community. The outcome of the debate within the scientific community (as it specifically relates to identifying and classifying rainforest communities) will be reflected in the final Flora and Fauna Guarantee Action Statement.	
<p><b>Observation:</b>          The audit team therefore makes the observation that HVP should monitor this debate to the extent of reviewing the Forest Action Plan when it is finalized and modifying the current rainforest BMP as required.</p>	

<b>OBS 05/08</b>	<b>Reference Standard &amp; Requirement: 6.5</b>
Localized slumping and erosion from roads have been reported by stakeholders and publicized in the local media. Though it was found during the audit that HVP conforms to road planning, construction, maintenance and monitoring procedures it is still an issue that should receive attention from the management.	
<b>Observation:</b> Continuing diligence by HVP is required in road construction and maintenance given the high rainfall, sensitive soils and steep slopes in those areas. This is especially true in the Strzelecki.	

<b>OBS 06/08</b>	<b>Reference Standard &amp; Requirement: 9.4</b>
HVP provided monitoring results for HCVF monitoring program, however there was no indication of how those results would be used for the purposes of adaptive management.	
<b>Observation:</b> HVP should also include measurable targets and triggers with associated management actions to avoid significant impacts from operations for HCVF areas.	

### 3. AUDIT PROCESS

#### 3.1. Auditors and qualifications:

**Christian Sloth (team leader):** is the regional Operations Coordinator of the SmartWood office in Bali, Indonesia. He has a Masters Degree in forest science and land use in developing countries as well as a Masters Degree in agro-forestry and tropical forestry. Before joining SmartWood in 2006 Christian worked for two years in Vietnam for the United Nations Food and Agriculture Organisation as a forestry specialist. He has also worked as a technical advisor for the Cambodian Development Resource Institute, undertaking research on forest valuation and management. Since joining SmartWood in 2006 he has participated in more than 30 FM and CoC audits and assessments.

**Roy Teale (Ecologist):** Roy is a Zoologist and Director of Biota Environmental Sciences. He has over 12 years' experience in the planning and implementation of fauna surveys, translocation programmes and monitoring programmes, with a specialist background in assessment and management of rare fauna populations. Roy has carried out more than 60 fauna assessments for a wide range of clients. Roy also has a comprehensive knowledge of the formal requirements of acts and other legislation that are relevant to many aspects of wildlife and biodiversity conservation.

#### 3.2. Audit schedule

Date	Location /Main sites	Principal Activities
04 Feb. 08	Melbourne Office	Opening meeting with HVP management. Travel to Churchill
05 Feb 08	HVP Office in Churchill Grand Ridge Plantation	Opening meeting with District staff and field visits
06 Feb 08	Grand Ridge Plantation	Field visits and document review
07 Feb 08	Grand Ridge	Field visit and discussion with selected stakeholders.

	Plantation	Closing meetings with District Staff Travel to Melbourne
08 Feb 08	Melbourne Office	Closing meeting with HVP management

Total number of person days used for the audit:10 = number of auditors participating 2 times total number of days spent for the audit 5
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### 3.3. Sampling methodology:

The 2008 audit was focused on plantation areas in the Gippsland District.

The Gippsland district was because it contains the operations that have led to most of the critical comments received by SW from stakeholders. This district has been visited in each annual audit.

During the audit several compartments and coupes were visited in order for the auditors to evaluate the harvest practices implemented by HVP.

### 3.4. Stakeholder consultation process

Stakeholder type (i.e. NGO, government, local inhabitant etc.)	Stakeholders notified (#)	Stakeholders consulted or providing input (#)
Local residents	52	6
NGO	41	3
Government	18	3

### 3.5. Changes to Certification Standards

Forest stewardship standard used in audit:	Rainforest Alliance/SmartWood interim standard for assessing forest management version dated 28 May 2007.
Revisions to the standard since the last audit:	<input type="checkbox"/> No changes to standard. <input checked="" type="checkbox"/> Standard was changed (detail changes below)
Changes in standard:	Only minor changes was implemented
Implications for FME:	Conformance to new requirements verified