Forest Management Public Summary

for

Integrated Tree Cropping Limited

Certification Code: SW-FM/COC-1217
Date of Certification: May 6, 2004
Date of Public Summary: May, 2004
Public Summary Updated: 2005

This document was produced according to the guidelines of the Forest Stewardship Council (FSC) and the SmartWood Program. No part of the report should be published separately.

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ACRONYMS

AAC	Annual Allowable Cut
AFFL	Australian Forest Fund Limited
AGM	Autumn Gum Moth
APT	Australian Plantation Timber
ATR	Agreement to Reserve
CFA	Country Fire Authority (Victoria)
CITES	Convention on Trade in Endangered Species
CMA	Catchment Management Authority
Codes	1. Code of Practice for Timber Plantations in Western Australia 2. Code of Forest Practice for Timber Production (Victoria) 3. Guidelines for Establishing and Managing Commercial Forest Plantations in South Australia
CRC	Co-operative Research Centre
DBH	Diameter at Breast Height
DSE	Department of Sustainability and the Environment (Victoria)
EIA	Environmental Impact Assessment
EMS	Environmental Management System
ENGOs	Environmental Non-Government Organisations
EVCs	Ecological Vegetation Classes
FIB	Forest Industry Brigade
FMO	Forest Management Organisation
FSC	Forest Stewardship Council
GIS	Geographic Information System
GMT	green metric tonnes
HCVF	High Conservation Value Forest
ILC	Indigenous Land Council
ILO	International Labor Organization
IMS	Integrated Management Systems
IPMG	Industry Pest Management Group
ITC	Integrated Tree Cropping
JV	Joint Venture
MIS	Managed Investment Schemes
N	Nitrogen
NHT	National Heritage Trust
NTRBs	Native Title Representative Bodies
OH&S	Occupation Health and Safety
P	Phosphorous
P&C	Principles and Criteria of the FSC
PPE	Plantation Pulpwood Exports Pty Ltd
QA	Quality Assurance
RMA	Resource Management Act
RPC	Regional Plantation Committee
SA	South Australia
SFM	Sustainable Forest Management
SOM	Standard Operating Manual
TIRES	Timber Industry Roading Evaluation Study
Tpa	Tonnes per annum
TPHa	Tonnes per hectare
Vic	Victoria

WA	Western Australia
ZCM	Zurich Capital Markets

INTRODUCTION

To earn SmartWood certification, a forest management operation must undergo an on-site field assessment. This Public Summary Report summarizes information contained in the initial assessment report, which is produced based on information collected during the field assessment. Annual audits are conducted to monitor the forest management operation's activities, to review the operation's progress toward meeting their certification conditions, and to verify compliance with the SmartWood standards. Addenda providing the updated information obtained during these annual audits are included as attachments to the Public Summary Report.

This report presents the findings of an independent certification assessment conducted by a team of specialists representing the SmartWood Program of the Rainforest Alliance. The purpose of the assessment was to evaluate the ecological, economic and social sustainability of the forest management operations of Integrated Tree Cropping Limited (hereafter, ITC).

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

1. GENERAL SUMMARY

1.1. Name and Contact Information

Source Name:	Integrated Tree Cropping
Contact Person:	Roger Banks, Forest Stewardship Manager
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1.2. General Background

This Certification Assessment reports on the operations of ITC and its principal contractors in the south west of Western Australia, and the Green Triangle region of Western Victoria and South Australia.

The ITC group was first established in 1990 and incorporated in 1995, bringing together a number of shareholders with experience in the timber industry and general management. Prior to merging with Australian Plantation Timber (APT) in 2002, ITC had been involved in the establishment of over 50,000 hectares of eucalypt tree farms in Australia on behalf of investors in Managed Investment Schemes (MIS), corporate groups, institutions, government departments and private clients.

ITC offered its first MIS prospectus for public subscription in 1998. Since that time it has promoted 12 managed investment projects for the establishment of plantations in various regions of Australia, including North Queensland, Western Victoria, the south east of South Australia, and

the south west and Esperance regions of Western Australia. Under the MIS projects investors generally subscribe to woodlots that are approximately 1 hectare in size. ITC has also been establishing sandalwood plantations in Kununurra for several years but it is understood that these plantations will not be considered for FSC certification in the short term.

In December 2001, ITC entered into a Heads of Agreement with the Administrator of APT that led to a merger between the two companies during 2002. Under the merger ITC retained its existing plantation management agreements and now also manages the plantations of the APT group. ITC now manages a total of approximately 101,000 hectares of eucalypt plantations in Australia and 69,466 hectares of native forest.

The Australian Forest Fund Limited (AFFL), an investment vehicle created by Zurich Capital Markets (ZCM), now owns land that was formerly an asset of APT. During 2002, AFFL established new plantations on some of the unplanted land and the Fund plans to establish a second rotation of long rotation eucalypts when the existing MIS plantations are harvested. ITC have an agreement to establish and manage plantations for AFFL on land in Western Australia and South Australia.

ITC is also supported financially by Futuris Corporation, which is now understood to have 50% equity in ITC. Futuris is an Australian-based, publicly listed company comprising two core divisions: Elders Australia and Air International, as well as a smaller property division. Its corporate office is responsible for strategic initiatives and the management of ITC's investments.

A. Type of operation

ITC manage hardwood plantations on behalf of around 6,000 investors who typically fall into three categories – private clients, prospectus investors and sharefarmers. The plantations are located across 287 separate properties.

In the regions covered by this assessment, ITC has been responsible for acquisition of land, and the establishment and management of tree farms. ITC also has the responsibility of marketing wood products on behalf of clients. The plantations are managed from operational headquarters in Bunbury, Albany and Esperance in Western Australia, and from Hamilton in Victoria.

ITC is currently preparing for its first harvest of blue gum plantations, which will occur in southwest Western Australia in early to mid 2004. Its preparation has included a comprehensive review of harvesting systems and a cost-benefits analysis, as well as consultation with shire councils and other community stakeholders.

In October 2002, ITC formed a joint venture with Timbercorp Limited to market export woodchips. The JV, named Plantation Pulpwood Exports Pty Ltd (PPE), will market woodchips from the plantations managed by the two companies, at present totalling around 167,000 hectares. PPE forecasts that over the next decade these plantations will yield more than 40 million tonnes of woodchips, and the combined tonnage should enable PPE to deal directly with pulp and paper mills and thus achieve maximum selling prices.

To facilitate the handling of PPE's resource, another jointly owned company - Plantation Pulpwood Terminals Pty Ltd (PPT) - has been established by the two companies to develop and manage export terminals. PPT's Albany terminal will be the first facility built by the JV to store and export woodchips, with the aim of commencing exports at a rate of around 300,000 tonnes per year from 2004. This export rate will increase to around 1 million tonnes per year by 2007.

B. Years in operation

The ITC group was first established in 1990 and incorporated in 1995, bringing together a number of shareholders with experience in the timber industry and general management. Prior to merging with APT in 2002, ITC was involved in the establishment of over 50,000 hectares of eucalypt tree farms in Australia on behalf of investors in MIS projects, corporate groups, institutions, government departments and private clients.

C. Date first certified

May 6, 2004

D. Latitude and longitude of certified operation

The plantations in Western Australia are established in an area that lies within 32^{o} - 35^{o} latitude and 115^{o}-123^{o} longitudes. Plantations within the Green Triangle are within 37^{o}-39^{o} latitude and 140^{o}-143^{o} longitude.

1.3. Forest and Management System

A. Forest type and land use history

The areas under consideration for commercial blue gum production have previously been cleared for grazing or dairying. In the higher rainfall areas, increasing diversity of land use is occurring, with wine grapes, commercial timber, horticulture, aquaculture and farm-based tourism emerging as significant land uses in recent years.

Commercial blue gum production commenced in the early 1990s, as a result of direct investment through private and public sectors. Land has been acquired variously through purchase, long-term lease, or payment of annuities to landholders. There is now about 180,000 hectares of commercial blue gum plantations in the south west of Western Australia and over 75,000 hectares in the Green Triangle region of South Australia and Victoria. Continued industry growth has the strong support of both the federal and state governments.

The land on which plantations have been established also contains some areas of remnant native forest and wetlands, which may be regionally significant.

B. Size of forest management unit certified and forest use and area in production forest, conservation, and/or restoration

The size of ITC's forest estate under management is set out below:

Table 1) ITC Total estate under management, excluding Queensland and Northern WA

Land use	Area (ha)
Natural or semi natural forest	69,466
Plantation	96,120
Protected area	0
Special management areas	0
Water	0
Infrastructure	950
Other uses	0

Total certified area	*166,536*

Table 2) ITC Plantation estate under management, excluding Queensland and Northern WA

Land use	Area (ha)
Southwestern WA	49,945
Esperance WA	14,488
Green Triangle	31,687
Total certified plantation area	***96,120***

C. Annual allowable cut and/or annual harvest covered by management plan

ITC's management plans do not specifically address issues of annual allowable cut. With the exception of some mature pine plantations acquired from APT in 2001/02, ITC's estate is still young and the oldest hardwood plantations are just reaching their planned harvest age.

As noted above, ITC has formed a joint venture with Timbercorp Limited to market export woodchips. Under this marketing agreement, ITC plans to commence exports from Albany in 2004 at a rate of around 300,000 green metric tonnes (GMT) per year. From 2007 onwards, the joint venture plans to export up to 1 million GMT per year from Albany, of which ITC is expected to supply around 60-65%. In the Green Triangle, current forecasts are for exports beyond 2010 of over 2.1 Million GMT per year, of which ITC is expected to supply around 35-40%. In Esperance, ITC expects to harvest and export around 200,000 GMT per year.

D. General description of details and objectives of the management plan/system

Management plans have been developed for each tree farm but vary in detail depending on the year of establishment. All plans are focused primarily on establishment operations and are rarely referred to during the rotation. After establishment ITC becomes reliant on functional management procedures, which are based on operating procedures.

ITC has developed a comprehensive database to record details of its operations. The database is used to produce work authorities and includes checks and balances with respect to issues such as chemical use, land tenure and validity of contracts. It also includes details of such items as lease/freehold areas, owners (in the case of leasehold land), contact details for neighbours and investor information. At the time of the study investors in APT projects were yet to be integrated into the central database.

All properties (or parts of properties) that are managed on behalf of investors are allocated to specific investment projects. ITC has advised plans to also record the management of unplanted land by establishing separate projects for conservation activities (e.g. amenity plantings and wetlands).

The management system appears to be well developed and relevant. Management plans are discussed in more detail in the confidential Section 4 (Principle 7) of the certification report.

1.4. Environmental and Socioeconomic Context

The environmental and social context is provided for three discrete regions in Western Australia and also the Green Triangle region.

The Esperance, Lower South West and South Coast regions of Western Australia

This combined region lies west of a line from Perth to about 100 km east of Esperance on the south coast. The area is generally well watered, with wet winters and dry warm summers. Average rainfall ranges from 550 mm on the northeastern margins near Esperance to over 1200 mm in the Pemberton area. The rainfall pattern is changing, with a lower average rainfall recorded for the years since 1975 than in the previous period. This trend is expected to continue.

The region is drained by a number of seasonal streams, many of which are now salty, which is a consequence of land clearing for agriculture. Some restricted areas are internally drained into wetlands and swamps. The region has very high biodiversity significance, being one of 25 internationally recognised 'hot spots' for biological diversity on the planet. Some faunal species have been lost from the region, and a proportion of the remaining fauna and flora is threatened, principally due to loss of habitat and secondary salinisation. Both of these are the result of extensive clearing of native forest, woodland and shrub lands for agriculture, principally grazing of sheep and cattle on annual grass and legume pastures.

A large part of the higher rainfall areas across the southwest corner of the region are held as State Forest or conservation reserves. Native timber harvesting, which is managed by the State government is proceeding according to State and federal dictates, although political pressure is reducing industry access to these resources. Tourism is an increasing land use in these areas.

In the higher rainfall areas (greater than 700 mm), increasing diversity of land use is occurring, with wine grapes, commercial timber, horticulture, aquaculture and farm-based tourism emerging as significant land uses in recent years. In the drier areas, such as the Great Southern and Esperance, the principal use remains grazing of sheep and cattle on annual and some perennial pastures, with cereal and oil seed cropping an increasing element of the farming system.

The area is of importance to the Noongar Aboriginal people, who have a traditional attachment. About 8,000 of these people live across the region. Protection of sites of significance and cultural heritage is of great importance. Perth residents value the area as a holiday destination, particularly areas along the coast and in the wetter inland areas.

Across the region, areas with deep sandy soils and rainfall between 400 and 650 mm per annum are suitable for Maritime Pine (*Pinus pinaster*) plantings. Wetter areas with deep gravel-loam soils are suitable for commercial blue gum production. All of the land that has been planted to tree farms over the last 15 years, and areas for future planting were originally cleared for cropping, grazing or dairying. Under the regulatory environment in WA, there will be no further clearing of native vegetation for either agriculture or silviculture. Over the last 15 to 20 years, freehold land cleared for farming has been acquired variously through purchase, long-term lease, or payment of annuities to landholders. There are now about 180,000 hectares of commercial blue gum tree farms in the region, and industry growth has the strong support of the state government.

Land use change at this scale has caused some tensions in rural communities, which have expressed concern about a loss of traditional farming landscape, reduced resident population in rural areas and reduced critical mass for sporting, community service and recreational activities. These concerns have reduced in the Great Southern and Lower South West regions as timber companies have matured and have become recognised more for their contribution to local investment, employment and community development.

The Green Triangle region

The area known as the 'Green Triangle' lies across the borders of South Australia and Victoria and is centred on the towns of Penola, Mt Gambier, Portland and Hamilton. This region contains Australia's most significant softwood plantation resources and the largest accumulation of forest product processing operations in the country. The region has a long tradition of plantation forestry and is well set up with infrastructure and services to support the industry.

Most of the region enjoys relatively high rainfall – in excess of 650 mm per annum and consists of extensive open level plains that have been developed for grazing for over 150 years. Soils are mainly fertile deep clays and clay-loams formed from volcanic rocks. Areas near Penola have large supplies of shallow groundwater, which have been used for irrigating a range of crops, pastures and trees. The main towns are well developed with a generally broad economic base including forest products manufacture, aluminium refining, power generation, tourism and agriculture.

Native vegetation has been heavily cleared in the Green Triangle region with only 23% of the native vegetation present at the time of European settlement still present. A considerable proportion of this remaining vegetation exists as remnants on private property and heavy grazing of the understorey and herb layer has impacted ecological functions.

Since 1996, there has been a steady expansion of *E.globulus* plantings in the Green Triangle, from 1,500 hectares to 70,000 hectares currently. A further 47,000 ha is planted to *E.globulus* in adjacent areas east of the Green Triangle. This compares to a softwood (*Pinus radiata*) estate of 145,000 ha, which is serviced by nine sawmills, a particleboard plant, four timber preservation plants and one veneer mill. Processing of hardwood from the *E.globulus* plantations began only recently, in a tissue plant at Millicent SA. It is predicted that further *E.globulus* plantings will occur in the region, at a rate of 25,000 ha per annum until 2009. Ultimately, a suggested 250,000 ha in the region will support Tasmanian blue gums. Industry development in the region is advised and supported by the Green Triangle Regional Plantation Committee (RPC), which was established in 1996.

The rapid growth of the *E.globulus* industry has been part of a changing socio-economic environment. Between 1991 and 1996, the grazing industries shed 10 per cent of their labour, while employment in forestry grew by 80 per cent, although most settlements have lost people over this period.

Like the south west of Western Australia, declining rural populations is a concern for many people across the region, and the expanding blue gum industry is seen to be associated with declines in local residency in the areas planted. Blue gum plantations have also been associated by local people with loss of social cohesion, uncertainties about fire control, reduced local sourcing of services, increased corporate ownership and environmental impacts. In one survey (commissioned in part by the Green Triangle RPC in 2000) conducted in south western Victoria, 30 per cent of respondents in the Glenelg Shire considered *E.globulus* tree farms to be having a negative impact in their area.

Overall, the survey concluded that the very different landscape patterns, land ownership and land management associated with blue gums, as compared to traditional farming land use, contributed to the concerns expressed. In contrast, the softwood industry, which is well established and vertically integrated, within the region is seen as making a positive contribution to the community in terms of employment opportunities. It may be that the new plantation industry will need to mature as a stable part of the regional economy before these concerns recede further.

1.5. Products Produced and Chain of Custody

A. Chain of custody certificate

ITC chain of custody will be straightforward. Most tree farms will be harvested for the production of a single product (export woodchips) and the produce from each individual plantation will be delivered to a single point-of-sale, at the port facility.

B. Species and volumes covered by the certificate

Species descriptions and ITC's estimated annual sustainable yield are shown in Table 1.

Table 2: Forecast harvests from Company plantations

Species	Scientific name	Region	GMT/yr	Product
Tasmanian blue gum	*E. globulus*	Albany (WA)	500,000	Export woodchips
Tasmanian blue gum	*E. globulus*	Bunbury (WA)	[ITC]	Export woodchips
Tasmanian blue gum	*E. globulus*	Esperance	200,000	Export woodchips
Tasmanian blue gum	*Eucalyptus globulus*	Green Triangle	750,000	Export woodchips
Mixed hardwood sp.	*E. saligna; E viminalis; Corymbia maculata; Eucalypt hybrids*	Green Triangle	[ITC]	Sawlog production and pulpwood
Mixed hardwood sp.	*E. saligna; E viminalis; Corymbia maculata; Eucalypt hybrids*	Bunbury (WA)	[ITC]	Sawlog production and pulpwood
Mixed hardwood sp.	*E. saligna; E viminalis; Corymbia maculata; Eucalypt hybrids*	Albany (WA)	[ITC]	Sawlog production and pulpwood

C. Description of current and planned processing capacity covered by the certificate

ITC has not yet begun harvesting, but is planning to do so from early 2004. These operations are to be managed in accordance with harvest plans, which will be submitted to the SmartWood Assessors before harvesting commences to review the compliance of these plans with the FSC principles and criteria (see Principle 7).

The operations are expected to incorporate either in-forest processing or local processing at a static woodchip facility, and off-road and on-road haulage to deliver chips to an export port.

2. CERTIFICATION ASSESSMENT PROCESS

2.1. Assessment Dates

The assessment was undertaken in September-October 2003 over the following time period:

2003	
Sept 22	Introduction to Company operations (Perth, WA)
Sept 22-27	Field visits and stakeholder contact in the Esperance, Great Southern and Southwest regions of Western Australia
Sept 29 – Oct 3	Field visits and stakeholder contact in the Green Triangle region of Victoria and South Australia
Oct 7	Debrief to Company staff (Melbourne, Victoria)
Oct 6 – Nov 4	Preparation of draft report
Nov 14	Draft report sent to ITC for review
December 5	Company comments submitted for SmartWood task manager and team review.
Dec. 12 – 31	SmartWood task manager and team compile response to company comments.
2004	
Jan 15 – Feb 5	Peer Reviewer's report on the evaluation of ITC.
Feb 5 – Feb. 18	Assessment team responds to peer review report comments.
Feb 21 – Mar. 1	Final assessment report prepared by SmartWood team leader.
Mar. 2	Final assessment report submitted to ITC
Mar. 31	Collation of materials surrounding pre-existing pre-conditions
April 5	Final assessment report submitted to SmartWood for certification decision.

2.2. Assessment Team and Peer Reviewers

A. Assessment Team

Jeff Hayward (Team Leader/ Forestry)

Jeff is Asia Pacific Regional Manager, SmartWood Program. M.Sc. Forestry, (Univ. of British Columbia, Canada); B.A. Latin American Development and Forestry (Univ. of Washington, USA). He has conducted silviculture and ecology research for the B.C. Ministry of Forests and UBC Alex Fraser Research Forest in Canada. In Oregon State, he worked for the federal government in the U.S. Bureau of Land Management in forest inventory and timber sale administration. Three years as U.S. Peace Corps community forester in Guatemala, providing technical extension services in a tripartite agroforestry and conservation of natural resources program. Private forestry consulting for the B.C. Ministry of Forests, the FSC and IIED. Publications include research on forest certification and forest silviculture. He has conducted 15 forest management assessments, scopings, and/or audits; conducted over 40 chain of custody assessments and/or audits; and been an instructor of four assessor-training courses (US, Malaysia, Japan, and Fiji).

Blair Freeman (Forestry/Economics)

Blair is a senior consultant with URS Forestry based in Melbourne, Victoria. Blair has professional qualifications in forest science and management, and over 12 years experience working in forest industries in South Australia, Victoria, New South Wales and Western Australia, as well as overseas experience in Thailand, the Solomon Islands and the United States. His experience includes project management and project team leader roles, and also technical expertise in plantation management, forest management certification and wood product markets. In regard to certification, Blair's experience includes: co-authoring three policy reviews for the Australian government on forest management certification and labelling of wood products;

undertaking consultation and coordination support for the SmartWood team assessing Hancock Victorian Plantations' forest management operations in Victoria; and, chain-of-custody assessments for SmartWood in New South Wales.

Bren Sheehy (Social Science)

Bren Sheehy is a social scientist with experience in the management of social development and community relations programs in industry, government, international development agencies and non-governmental organisations. He has specific skills and experience in community consultation and communications, industry-based community relations programs and community development. Bren is also experienced in the management of processes of engagement between industry, government, labour unions, universities and NGOs, of research into key areas of industry's social, economic and environmental performance, and development of practical strategies to improve industry's contribution to sustainable development.

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.

B. Peer Reviewers

Two independent peer reviewers were engaged to prepare a report on the findings, recommendations and conclusions of the assessment team. The FSC and SmartWood minimum requirement for the independent peer review is two professionals. The individuals who performed the peer review had the following backgrounds:

1. MSci. Forest management specialist with 35 years educational and professional experience in inventory, environmental monitoring, management planning, sustained yield analysis, growth modeling, project design and review.

2. PhD. Forest planning and business specialist with 35 years experience within the forest processing industry, working with private forest growers on resource, silviculture, and management/legislative issues, as well as leading forest science research.

2.3. Assessment Process

The assessment process involved a combination of office-based review, field visits and stakeholder consultation. The forest areas visited by the Assessors are outlined in Table 3.

Table 3) Summary of Forest Areas & Areas Visited by SmartWood Assessors

Forest / Block name and planting year	Plantation area	Significance
Esperance region		
Yirri	490 ha	Example of 2003 plantings, on relatively margin land; Weed control without Simazine has mixed results; Remapping of native vegetation boundaries required.
Wilson	790 ha	Example of young stands (P2001 and 2002); 2002 plantings severely impacted by drought conditions;

Forest / Block name and planting year	Plantation area	Significance
		Silvicultural response: when dry, fertiliser, then weed control; Firebreak maintenance, combination of chemical (Roundup and Oust) and slashing, particularly on erosion-prone sands.
Oake Marsh	Field trials	Exceptional productivity potential on some Esperance sites.
Sloanes	1365 ha	Extensive remnant vegetation: reserved, and initial efforts at establishing biolinks (contrast with intensive grazing next door); Satisfactory growth, within mosaic of sandy rises and wetlands; Discussion of broad-scale afforestation and fire risk.
Gerbryn	965 ha	Relationship with lessors, previous landowners and contractors; Company's leadership role in assessing plantation potential in region and models for commercial afforestation
Albany region		
Chorkerup	465 ha	Program of surveying condition of remnant vegetation; Declared rare flora Pest control measures (shooting 28 parrots etc); Long term contractor relationships, contractors operating as staff;
Sounness	Field trials	Genetics field trial; Company policy on chemical use: insecticides and herbicides
Hambley	85 ha	Plantation development around salt affected areas, apparently contributing to recovery (though no systematic monitoring process)
Chelgiup	295 ha	Program of surveying condition of remnant vegetation; Discussion of cooperation with government and NGO agencies on integrated vegetation management on landscape level.
Southwest region		
Connor	800 ha	Reclassification of ex-APT Class 3 and 4 land Proposal to establish environmental plantings through tree farm
Symcock	8 ha	Example of young stand (P2000); Beetle damage – edges adjacent to native forest (APT sprayed twice); No 2nd year weed control under APT regime (contrast with ITC).
Decke	210 ha	Coppicing on 2R sites (trials with 1 and 2 stems); Pulpwood and solidwood regimes: company (APT) owned and MIS; ATR site on ex-APT land - requires replanting with native species; Trial plantings with range of species (*E. viminalis, saligna, botryoides; grandis x camaldulensis*) for sawlog product; 15 year old blue gum stand; thinned age 11; to be felled at age 20; Weed (cooch) control issues in P2002.
Huitson Road	130 ha	Mature pines and 10 year old blue gums; Plans to harvest as soon as harvesting contracts can be signed; Decision on 2R species selection: not yet clear for this plantation.
Fry	80 ha	Site specific species selection: blue gums and radiata pines; Kangaroo and rabbit browsing - taken out tops of 2003 pines; Herbicide spraying missed on a single row during establishment.
Boddington region		
Lynford Farms	1150 ha	Site specific selection of species: blue gums and pines (pines planted on poorer, Class 3-4 land); Evidence of APT clearing of paddock trees and tidying up edges of remnant vegetation; 'Biolink' established, e.g. spotted gum plantings, but designed and managed for sawlog products.
Floral Park	1680 ha	Mixed species environmental/amenity plantings, inherited from landowner; Grazing policy: 'crash grazing' benefits, but control issues; Golden wattle and cape tulip growing vigorously on some breaks.

Forest / Block name and planting year	Plantation area	Significance
Lyster	1015 ha	Similar issues to Floral Park
Venn		Higher productivity on slopes – estate average 22+ MAI.
Western Victoria		
Tanners Lane	510 ha	Environmental planting with Greening Australia along Kangaroo Ck
Lynvale	300 ha	Reserved area, originally set aside for gravel production, now planned for revegetation, adjacent to extensive wetland system
Smokey Valley	1300 ha	Company/Greening Australia plans for environmental plantings along the Crawford River; Example of 'problem neighbours', putting sheep on Company land without approval and defying requests to remove them; Healthy plantation growth (P2001) in areas inspected.
Woods	85 ha	Establishment issues with phalaris, though some control by grazing.
Wattle Range region		
'Winterigia' – non ITC	-	Small scale plantation development, integrated with farming systems; Effective wetland restoration after fencing and enrichment planting.
Fuaran	2985 ha	Very large estate, with many biophysical constraints – including extensive remnant vegetation and wetland areas – coupled with management problems created by ambitious planting plan (over 2000 ha) in year when APT passed into receivership.
Dawkins	580 ha	Plantation development with many challenges: wet site; severe frost; vigorous phalaris / sorrel; sand blasting on open area; then insects – as a result, areas of poor growth, and replants required; Some areas planted for sawlog production, damaged by frost, and will now be grown for pulpwood; Red gum regeneration, with proactive role in spot spraying weeds.
Goode	250 ha	Large blocks of remnant vegetation, for which Company does not have management plan at this stage; Covenant on part of the property; requirement to re-establish 50 red gums in designated area to offset clearing for centre pivot; Evidence of firewood collection, without permit.
TOTALS	**15,540 ha**	Approx. 15% of total plantation estate under management

2.4. Standards

The certification assessment was conducted using the "SmartWood Interim Standards for FSC Certification in Australia". The version of the Interim Standard used was the Second Draft Version 2a, September 2002. This version of the standard was distributed to stakeholders on request during the assessment process.

Some stakeholder comments on the SmartWood FSC Interim Standard were received during this assessment regarding the possibility for certification prior to harvesting operations. The points of views expressed by stakeholders on these issues could broadly be described as follows.

Some ENGO's are concerned about the potential certification of plantation estates when harvesting has not yet begun. There are concerns that certification may be "rushed through" so that Japanese woodchip buyers can be assured their woodchips are from FSC sources or potential investors in new paper mills in Australia can be assured there will be little environmental problems with these projects in terms of wood procurement.

Suggestions for improvements in the Interim Standards will be taken into consideration for the next revision of the SmartWood Interim FSC Standard for Australia.

To obtain a copy of the SmartWood Interim FSC Standard for Australia, please contact SmartWood at the Goodwin Baker Building, 65 Millet St., Suite 201, Richmond, VT 05477, tel: (802) 434-5491, fax: (802) 434-3116, Email: info@smartwood.org or visit our website at www.smartwood.org. To provide comments on the current version of the SmartWood Interim FSC Standard, please send them to the same contact above, to the attention of Jeff Hayward, SmartWood Regional Manager for the Asia-Pacific Region.

2.5. Stakeholder consultation process and results

Issues Identified Through Stakeholder Comments and Public Meetings

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

Table 4) Stakeholder Comments

FSC Principle	Stakeholder Comments	SmartWood Response
P1: FSC Commitment/ Legal Compliance	Stakeholders questioned whether safeguards have been put in place to protect community interests (such as roads) at the time of harvesting.	The audit identified opportunities for ITC to safeguard community interests throughout its operations. It recommended establishment of ongoing stakeholder consultation to ensure that community concerns are incorporated into business and operational decision-making, and development of appropriate social performance indicators and to enable monitoring and reporting of performance.
P2: Tenure & Use Rights & Responsibilities	Land leases are often short term (ie, one or two rotations of 10-12 years each rotation) and ITC may leave the landowner with a property that is not suitable for agriculture until stumps are cleared and pasture is re-sown.	The condition in which land is to be left after harvesting is explicit in the lease. In an open market, landowners have the opportunity to negotiate lease payments that provide an acceptable return on the asset and to fund the rehabilitation of the land after harvesting.
P3 – Indigenous Peoples' Rights	Plantations will impact on water yield downstream in areas currently under review for native title claims. Reduced water yield may well impact on the creatures that inhabit wetlands and waterways, which in turn effects native title; eg impact on fisheries etc.	The audit identified the need for a formal Indigenous communities policies, supported by ongoing engagement with local Indigenous communities and representative groups and the establishment of effective operational protocols for the identification and protection of cultural heritage.
P4: Community Relations & Workers' Rights	-	-
P5: Benefits from the Forest	Some stakeholders asked whether the prospectus-based plantation management business is sustainable in the longer term.	Recurrent income from the investment projects appears to be sufficient to maintain an adequate level of plantation management. However, returns to investors from early blue gum MIS projects (from all companies) are unlikely to reach expectations as a result of lower than expected harvest yields. While some companies in the industry do not appear to be learning the lessons form these previous performances, ITC has demonstrated a strong commitment to both silvicultural and market development. Management of this ongoing perception will be important to ensuring economic

FSC Principle	Stakeholder Comments	SmartWood Response
		sustainability.
	Stakeholders from all three chambers expressed concerns about unrealistic growth rate expectations ("pie in the sky" estimates), driving further plantation expansion at an unsustainable rate. Some recognised that ITC's estimates of growth rates had recently been downgraded and appeared more reasonable, but are still rather high and concerns about the economic sustainability remain. Models being used to estimate wood volume need to be accurate so as not to over-estimate the available resource.	The assessment team shares this concern and has encouraged ITC to increase the level of inventory and analysis that is currently undertaken, and where not commercial in confidence, to make results of this data publicly available.
	Some stakeholders expressed concern that ITC's acquisition of APT and other corporate deals have diverted attention and resources from operational performance.	The assessment team identified some examples where operational performance has been sub-optimal, particularly where ITC resources have been stretched by managing the APT properties acquired or established in 2001-02. To improve returns to investors and thus economic viability, ITC's management needs to increase resources, including management focus as well as more staff.
	Some stakeholders would prefer an increased emphasis on value added/ solid wood products.	The assessment team is satisfied that there are few (if any) economically viable alternatives to the current silvicultural regimes and product markets. However, there is an expectation that ITC will continue to investigate alternatives that diversify the forestry risk.
P6: Environmental Impact	Most stakeholders consider tree farms to have a generally beneficial impact on the condition of local and regional water bodies and forest remnants. However, there are some concerns: Plantations may be impacting on groundwater through excessive consumption, particularly in areas immediately north and west of Albany, which are managed for water supplies, and in the Penola region of South Australia, where abundant groundwater has traditionally been used for irrigation. Stakeholders questioned whether trained hydrologists have addressed the impact on the water table and recharge areas. Initial benefits to catchments disappear when harvesting takes place. Plantations are considered to be largely fire proof and the width of bare firebreaks is a waste of land.	A significant amount of research is currently being undertaken by third parties (e.g. CSIRO and regional catchment authorities) to better understand the hydrological issues associated with blue gum plantations. ITC staff are aware of the results from this research but further knowledge is required before the implications for management operations are known. It will be important for ITC to actively contribute to research programs aimed at better understanding these issues and to continue being proactive in addressing perceptions. ITC has demonstrated a commitment to developing a sustainable business model that aims to ensure that replanting is undertaken either on the same site or other locations within the same region.
	Some stakeholders expressed concerns about the consequences of bushfire. Blue gum plantations are considered to be explosive and the fires will be very difficult to contain.	There is still a lot to learn about fire behaviour in blue gum plantations. However, the available evidence appears to be contrary to these concerns. Unlike pine plantations, which have been known to "explode", the low fuel loads in blue gum plantations such as those managed by ITC tend to slow or stop bushfires rather than adding to the threat.
	Some ENGOs did not support the use of herbicides and pesticides, particularly Simazine. However, there	ITC has committed to no further use of Simazine. As Simazine is on the FSC's list of prohibited

FSC Principle	Stakeholder Comments	SmartWood Response
	was support by some ENGOs for restricted use of Simazine (prohibited under FSC-IP-001), as its restricted use may be preferable to alternatives. At the other end of the spectrum, industry stakeholders were surprised ITC had decided to simply stop using Simazine in the absence of cost-effective alternatives, available now or in the foreseeable future.	chemicals, this decision is welcomed. However, the substitution of Oust for Simazine is of concern, as its potential for environmental impacts is of a similar order, and is much less effective for some applications. ITC is encouraged to dedicate resources, potentially to a collaborative industry/R&D initiative, to a systematic program of investigating a testing chemical and non-chemical alternatives to residual herbicides.
	Much of ITC's estate is located on lands that were once grasslands. In terms of hydrological impact, more work needs to be done to determine what the long term impacts of such intensive plantation management will be on these indigenous natural landscapes.	The assessment team supports this view, but also recognises this is a wider industry issue that ITC cannot be expected to tackle and resolve on its own. There is scope for ITC to establish monitoring processes that can contribute further to regional impact studies.
	Field foresters may lack the appropriate training to recognise non-forested vegetation communities, particularly seasonal wetland.	The assessment team supports this view and ITC has been encouraged to seek the ongoing assistance of specialist ecologists.
	Concerns regarding the potential for genetic pollution, and queries regarding how ITC is going to protect indigenous Eucalypts from cross-pollination from their plantations.	There is no evidence to confirm that the particular occurrences within native vegetation have arisen from plantations, however invasion of native vegetation by wildings is possible and ITC is encouraged to implement a monitoring program. Plantation-grown Tasmanian blue gum have thus far proven to be non-invasive and no significant ecological impacts have been identified, but ITC must continue to be diligent in its investigation of the potential for "genetic pollution". Addressing specific stakeholder concerns: Hybridisation /genetic introgression can occur within eucalypts of the same sub group and this could be an issue with seed orchards in Victoria. ITC is aware of this issue and is currently reviewing the scientific literature to better understand these risks. In Western Australia, the native eucalypts are a different sub-group and the threat of hybridization is minimal.
	Blue gum plantations could harbour pests and vermin that could in turn be problematic for local landholders. High level of conservation group, local shire, and landowner support for ITC fox-baiting (using 1080) to reduce adverse impacts of introduced predators (foxes) on species such as Eastern and spotted-tail quoll and Eastern Barred Bandicoot. Concern from some NGOs on the effects of 1080 on non-target species.	It is unclear whether blue gum plantations harbour increased numbers of pests and vermin (e.g. foxes and rabbits) or whether this is a perception created by the tree cover. For example, it is suggested that vermin previously sighted on an adjacent hillside are now only spotted when they leave the plantation. Nevertheless, ITC is working with neighbours to control vermin. SmartWood does not trivialize that 1080 requires extreme care in use and that certain stakeholders are opposed to its use. ITC were requested to consult widely with stakeholders on fox-baiting methods and to upgrade exist policies and procedures on 1080 use.
	ITC should be reinstating natural vegetation on all of their plantation areas and should target a 35% revegetation policy after the first rotation of blue gums is harvested.	The assessment team agrees that there are opportunities to increase the cover of native vegetation on land owned by ITC. In conjunction with ENGOs, ITC has already made some

FSC Principle	Stakeholder Comments	SmartWood Response
		impressive progress in this area and an annual budget is dedicated to revegetation programs. The assessment team does not support the introduction of a 35% target but expects both management and financial resource to continue to be allocated towards revegetation initiatives.
P7: Management Plan	As listed under Principle 5, some stakeholders have considered ITC – like other prospectus companies – have based management plans on unrealistic growth rate expectations ("pie in the sky" estimates), driving further plantation expansion at an unsustainable rate.	As the industry matures, there is an increasing body of data and analysis to revise growth expectations. It is important that ITC reflects revisions to growth expectations in its management plans. The FSC Principles and Criteria include a requirement to produce comprehensive management plans and the ongoing assessment processes provide a process of independent audit of these plans.
P8: Monitoring & Assessment	Some stakeholders held the view that ITC has not been sufficiently proactive in its efforts to work with local authorities and ENGOs to undertake monitoring of both the on-site and off-site impacts of its operations.	There are good examples of ENGO liaison in the Green Triangle and clear indications of a commitment to continuing and expanding these processes. However, a similar commitment was not demonstrated in Western Australia and there are opportunities for ITC to increase the level of monitoring in conjunction with third parties.
P9: Maintenance of High Conservation Value Forest	Concerns about the welfare of ephemeral wetlands and species dependent on these.	The assessment team was concerned about the lack of information available for groundwater communities, including stygal communities, but also recognised this is a broader industry issue, requiring collaborative address by plantation companies, conservation agencies and research specialists. As a first priority, ITC needs to develop a mechanism or process by which it can readily identify wetland types.
P10 - Plantations	Some stakeholders from conservation groups were strongly opposed to the establishment of monocultures. Some stakeholders propose "Polycultures" whereby a diversified understorey layer is allowed to develop within the plantation.	Nearly 40% of the area of properties that are also planted to tree farm is semi natural or natural forest and remnant vegetation. Through management strategies for these vegetation communities surrounding and/or within plantations, diversity can be enhanced and restored. Company shareholders and investors are unlikely to accept the establishment of alternative species (or "polycultures") that are unlikely to be economically viable. The establishment of single species tree crops (together with the opportunities for "enrichment plantings") needs to be evaluated in the context of the previous land use that was based on introduced pasture grasses.
	Other stakeholders indicated their strong preference for far greater use of agroforestry systems that integrate trees with farming systems, with the perceived benefits of lessening the intensity of pulpwood plantations on the landscape and potentially reducing risk of drought damage in the plantations.	ITC is a progressive plantation manager, and is evaluating the growth and yields from different hardwood species, and from different silvicultural regimes. The difficulty is that agroforestry systems generally struggle to generate returns sufficient for wholesale and retail investors. There is scope however for ITC to continue investigating alternative silvicultural systems, in the context of a portfolio of plantation-based investments.
	Some stakeholders queried whether ITC is or has	ITC has a strict policy of not clearing native

FSC Principle	Stakeholder Comments	SmartWood Response
	cleared native vegetation for plantation development.	vegetation for plantation development. ITC has however acquired the management of some ex-APT land in Western Australia on which clearing of small areas took place after this date. As a minimum, ITC needs to honour ATR obligations imposed on APT for clearing of trees in gazetted catchments, and can supplement this with ongoing restoration projects.

3. RESULTS, CONCLUSIONS AND RECOMMENDATIONS

3.1. General Discussion of Findings

Table 5) Findings by FSC Principle

Principle/subject area	Strengths	Weaknesses
P1: FSC Commitment and Legal Compliance	✓ Comprehensive legal review has been prepared by ITC in consultation with external legal advisors as part of the requirements for ITC certification under ISO 14001. ✓ No immediate or obvious conflicts between the FSC principles and criteria and Australian legislation and regulations.	✓ Some significant gaps in the current legal register are apparent. ✓ Possible that conflicts could arise where the management of land for long-term ecological objectives is incompatible with ITC's obligations to investors.
P2: Tenure & Use Rights & Responsibilities	✓ ITC has clearly documented evidence of tenure and land use rights. ✓ ITC has put in place processes to identify potentially conflicting claims to land rights at the acquisition stage and had, in this sense, adopted a proactive approach to prevent disputes over land use.	✓ Potential inadequacy of existing provisions to inform affected stakeholders about forest management activities, such as spraying
P3 – Indigenous Peoples' Rights	✓ ITC is developing a working relationship with Indigenous communities in Queensland, and intends to draw on this experience for developing relationships in southern Australia.	✓ ITC has not entered into discussions with Native Title Representative Bodies or other Indigenous representative groups to establish the nature and scope of ITC operations impacting on Native Title claims and rights at the broader regional level. ✓ No formally established process for the protection of cultural heritage uncovered during Company operations
P4: Community Relations & Workers' Rights	✓ ITC has a definite policy of sourcing services and materials (including chemicals and fertilisers) locally.	✓ Efforts at Indigenous employment have been largely unsuccessful to date. ✓ ITC does not have a central training matrix ✓ Lack of a clear community relations strategy ✓ Limited and poor quality data on its key external stakeholders
P5: Benefits from the Forest	✓ ITC currently operates three business models, two of which are recognised to be more sustainable than others in the investment industry. The third, acquired from APT, will be transitioned to a more sustainable basis.	✓ ITC inventory data available is limited. ✓ The Esperance region, which is now primary region for plantation expansion, lacks critical mass to support a woodchip industry.

Principle/subject area	Strengths	Weaknesses
	✓ Financial backing by Futuris Corporation provides support for ongoing integration of ex-APT properties. ✓ Proactive and largely successful initiatives to market wood products. ✓ Emerging tree farm industry has diversified and strengthened the local economies. ✓ Tree farms have a generally beneficial impact on the condition of local and regional water bodies and forest remnants. ✓ Ongoing collaboration with agencies responsible for nature conservation objectives in Green Triangle region.	✓ Company resources have been stretched by the APT acquisition and ongoing corporate restructuring. ✓ Collaboration with agencies responsible for nature conservation objectives has not been pursued in WA to same extent as Green Triangle. ✓ Current dependence on a single species and a single product, although ITC's efforts to trial different species is recognised and welcomed.
P6: Environmental Impact	✓ Increasing awareness of environmental impacts via ISO 14001 and FSC. ✓ Environmental projects and stakeholder engagement in the Green Triangle provide a good example of how ITC could move forward on a larger scale. ✓ Withdrawal of grazing and the implementation of fox (1080 baiting to remove predation on native fauna) and rabbit control associated with tree growing that is beneficial to remnants. ✓ Demonstrated willingness and enthusiasm by employees in the Green Triangle region to participate in conservation projects and a keen conservation ethos evident in all tree farm supervisors in this region. ✓ Procedures for managing chemical usage are well developed. ✓ Company has signalled willingness to forego use of Simazine (prohibited by FSC).	✓ Absence of clear, working definition of 'remnant vegetation' ✓ ITC has replaced use of Simazine with Oust, and while it has concerns about using Oust, there is no systematic program of investigating and trialing alternatives for cost-effective weed control. ✓ ITC needed to broaden its stakeholder consultation to demonstrate broad support for continued use of 1080 to control foxes, albeit with strict conditions on that use. ✓ No formal monitoring program for wildings despite local government requirements to do so. ✓ Evidence of native vegetation clearing during 2003. ✓ Currently a lack of site-specific biological information, particularly for threatened, rare and endangered species.
P7: Management Plan	✓ Management planning processes at the functional level (e.g. coordination of contractor programs across the estate) are strong. ✓ Processes for revising functional management plans are strong, particularly communication channels across ITC. ✓ ITC's Integrated Management System (IMS) provides an excellent platform for property records and management planning, and all operational staff appears to have mastery in using this system.	✓ Tree farm management plans are incomplete with respect to some of the key criteria for environmental planning and monitoring. ✓ 'Management plans' are not revised on a periodic basis, although it is recognised the IMS property reports reflect new knowledge and revised plans for management.
P8: Monitoring & Assessment	✓ As part of the measurement process for sample plots, field management staff inspect plantations at least once every three months. ✓ Systematic monitoring of chemical levels in dam water is undertaken	✓ There is little or no systematic monitoring of the non-production forest, including remnant vegetation and wetlands. ✓ There is a need for monitoring the on-site and off-site impacts of ITC's operations on: • genetic pollution and wildings; • spread of dieback; • wetlands (including but not limited to pollution and drawdown) and wetland dependent communities;

Principle/subject area	Strengths	Weaknesses
		• groundwater and groundwater dependent communities
P9: Maintenance of High Conservation Value Forest	✓ ITC in process of classifying condition of managed remnants greater than 10 ha in size, in addition to carrying out flora surveys.	✓ No site-specific approach to data collection that would enable ITC to identify HCVFs. ✓ There is no monitoring of HCVFs.
P10 - Plantations	✓ Management objectives for the production estate are well known and understood by staff. ✓ In Green Triangle in particular, ITC has made good progress in working with environmental stakeholders to promote restoration and conservation of native vegetation. ✓ The size and spatial distribution of management units within the landscape is diverse. ✓ ITC has been proactive in trialing different hardwood species and, to a lesser extent, different silvicultural regimes. ✓ Plantation estate includes significant percentage of remnant vegetation across different landscapes. ✓ Establishment of plantations on former agricultural land is considered to have a generally beneficial impact on land by lowering water tables and reducing run-off. ✓ ITC has strict policy of not clearing any native vegetation as part of plantation development.	✓ Management objectives for remnant vegetation and wetlands exist, but the strategy for implementation is not made clear in plans. ✓ APT acquisition and ongoing corporate restructuring have stretched company resources, and has led to some sub-optimal implementation of management objectives. ✓ Further scope for investigating growth and yield, and financial returns, from range of silvicultural regimes, including agroforestry. ✓ ITC has acquired some ex-APT tree farms on which there was some clearing of paddock trees and small areas of vegetation after 1994. ITC was not directly nor indirectly responsible for this, but now has the obligation to restore areas under legal title on some properties.

3.2. Certification Decision

Based on a thorough field review, analysis and compilation of findings by this SmartWood assessment team Integrated Tree Cropping Limited is recommended to receive joint FSC/SmartWood Forest Management and Chain of Custody (FM/COC) Certification with the stipulated conditions and contingent upon successful completion of the preconditions listed below.

In order to maintain certification, ITC will be audited annually on-site and required to remain in compliance with the FSC principles and criteria as further defined by regional guidelines developed by SmartWood or the FSC. ITC will also be required to fulfil the conditions as described below. Conditions are verifiable actions that will form part of the certification agreement that ITC will be expected to fulfill at the time of the first audit or as required in the condition. Each condition has an explicit time period for completion. Non-compliance with conditions will lead to de-certification. Experts from SmartWood will review continued forest management performance and compliance with the conditions described in this report, annually during scheduled and random audits.

3.3. Preconditions, Conditions and Recommendations

The assessment team agreed on the following pre-conditions and conditions for this assessment. Numerous non-binding recommendations have been presented to ITC for its consideration. As the pre-conditions have now been closed, only the conditions apply to the certification period. The pre-conditions are left within the public summary section of the report

to demonstrate issues of weakness identified at the time of the assessment that have since been addressed.

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CLOSED. After extensive discussion with the FSC National Contact person and FSC International, SmartWood reached the conclusion that given the circumstances in Australia, whereby there was a pre-existing nationwide derogation in effect for the limited use of 1080 in Australia, but that it was a derogation without involved stakeholder consultation, SmartWood should require the company complete and submit a derogation request to SmartWood that would apply to the specific Australian states in which limited and controlled use of 1080 was proposed by the company. The documentation supporting the consultation on 1080 use was assembled by the SmartWood team from March 8 to April 2, 2004. SmartWood submitted the derogation to FSC International for consideration on April 6, 2004. New Condition 25 issued (see below).

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CLOSED. The company provided documented procedures governing the chain of custody flow in December 2003.

Condition 1 Within one year of the issuance of a certificate, ITC shall establish a clearly documented process to ensure that the nature and extent of its responsibilities under all applicable legislation, conventions, regulations and codes of practice are fully understood, continuously updated and communicated to staff. These responsibilities need to be incorporated into management plans at tree farm level, and performance in this area is to be monitored and auditable (Criterion 1.2).

Condition 2 Within one year of the issuance of a certificate, ITC shall ensure that training, induction processes and operational guidelines clearly communicate its commitment to FSC principles to all staff operating in the ITC estate, including directly employed staff; principal contractors; and contractors' staff (Criterion 1.6).

Condition 3 Within one year of the issuance of a certificate, ITC shall establish dialogue with the Native Title Representative Bodies in the areas in which it operates. Through this dialogue ITC should: identify potential impacts on Native Title rights at the regional level; identify gaps in its current management of Indigenous issues; develop Company understanding and capacity in this area; and, develop a more proactive approach to the management of Indigenous interests and concerns in relation to ITC operations (Criterion 2.1).

Condition 4 Within one year of the issuance of a certificate, ITC shall establish, in consultation with neighbours and other key local stakeholders, specific performance standards governing the timing and content of its operational communications with local neighbours and communities. ITC should establish a process for monitoring performance in this area and, where performance falls below local stakeholder expectations, incorporate necessary changes in its operational guidelines and communications (Criterion 2.3).

Condition 5 Within one year of the issuance of a certificate, ITC shall establish a formal Indigenous communities policy, defining Company commitment in this area, and identifying responsibilities, resources, policy objectives and actions. This formal policy commitment should include identification of all local Indigenous groups and interests, and

establish formal arrangements for Indigenous communities communications and engagement (Criterion 3.1).

Condition 6 Within one year of the issuance of a certificate, the Company shall establish, incorporate in its operations manual and communicate to all staff, effective protocols for the protection of cultural heritage uncovered during forestry operations (Criterion 3.3).

Condition 7 Within one year of the issuance of a certificate, ITC shall complete a central training matrix that identifies areas of core competencies and highlight any areas where skills need to be improved (Criterion 4.2).

Condition 8 Within one year of the issuance of a certificate, ITC shall establish clear minimum standards for contractors' employment practice, consistent with FSC Principles and Criteria (Criterion 4.3).

Condition 9 Within one year of the issuance of a certificate, ITC shall establish a strategic approach to stakeholder consultation, engagement and communications. It should improve the quality of its stakeholder information by establishing and continuously updating a database of all Company stakeholders, their interests, concerns and interactions with ITC. It should adopt a more coherent stakeholder communications strategy, ensuring two-way flow of information between ITC and its stakeholders; testing the effectiveness of existing arrangements in promoting awareness of ITC and its operating standards; and identifying the need for new approaches more specifically responsive to local community and stakeholder needs (Criterion 4.4).

Condition 10 Within two years of the issuance of a certificate, ITC shall address community concerns about the social impacts of its operations including the long-term viability of the industry; its impacts on landscape and the environment; and its effects on regional populations, community facilities and service provision. ITC should establish formal processes for ongoing stakeholder consultation to ensure that community concerns are incorporated in their business development strategy and operational decision-making. It should develop social performance indicators relevant to its business objectives and operations and report publicly on its social objectives and performance (Criterion 4.4).

Condition 11 Within one year of the issuance of a certificate, there shall be a substantive increase in staff and/or contractor resources to a level commensurate with industry standards for plantation establishment and management. These resources are required to ensure timely and effective field operations in pursuit of the specified management objectives (Criterion 5.1).

Condition 12 Prior to further site preparation activities, ITC shall develop a clear working definition of 'remnant vegetation', including a condition index that reflects the level of disturbance. ITC shall incorporate into site evaluation procedures a mechanism to determine the necessity to undertake inventory surveys (flora and fauna) of identified remnants and demonstrate financial and management commitment towards the assessment and maintenance of the ecological productivity of identified remnants (Criterion 6.1).

Condition 13 By end of year 4, ITC should have completed (in consultation with relevant experts) inventory and condition surveys of all identified remnants, incorporating results into relevant management plans and reflected in appropriate site specific management practices. Such surveys must be completed prior to site preparation activities on all newly acquired properties (Criterion 6.1).

Condition 14 Prior to further site preparation activities, ITC shall develop and implement a strategy to classify all managed wetland and waterlogged areas according to the relevant State's wetland classification scheme. Further, ITC shall allocate financial and management resources towards the reclassification of all managed wetlands and waterlogged areas (as above) and maintenance of the ecological productivity of wetlands (Criterion 6.1).

Condition 15 By the end of year 4, ITC shall have re-classified all managed wetlands, the results of which must be incorporated into relevant management plans, shown on maps and reflected in appropriate management practices (e.g. correct setbacks, and allowance for approach flights of brolgas). This may necessitate changes to MIS woodlots if existing plantations are found to be reclassified wetlands (Criterion 6.1).

Condition 16 Prior to further plantation establishment, data on rare, threatened and endangered species collated in accordance with Criterion 6.1 and by other means shall be explicitly considered during planning and operational practices through formal documentation of guidelines. ITC should develop these in consultation with relevant experts. All areas identified as conservation zones and/or protection areas supporting such species shall be clearly identified on maps (Criterion 6.2).

Condition 17 Within two years of the issuance of the certificate, with the objective of ensuring representative samples of existing ecosystems are protected at the landscape level, ITC shall engage proactively with government agencies and NGOs to develop a strategic approach to developing a network of reserve areas across its estate. Ideally this should be undertaken prior to first and second rotation establishment of plantations, be considered at landscape level and have sound ecological rationale (Criterion 6.4).

Condition 18 Prior to commencement of harvesting operations, ITC shall have developed guidelines for harvest plans that place an increased emphasis on environmental planning and monitoring consistent with FSC Principles and Criteria and responsive to site specific information (Criterion 6.5).

Condition 19 Within one year of issuance of a certificate, monitoring for invasion of exotic species into surrounding native vegetation shall be included in environmental monitoring procedures to avoid adverse ecological impacts, particularly where ITC is managing mature age pine or eucalypt plantations (Criterion 6.9).

Condition 20 Within one year of the issuance of a certificate, ITC shall have a management planning format whereby stand level operational plans for all plantations established in the year will cover each of the operational planning aspects listed under criterion 7.1 and a resource wide forest management plan that fully addresses the functions of ITC regional level planning (Criterion 7.1).

Condition 21 Within one year of the issuance of a certificate, ITC shall put in place a process to ensure that the management plans are systematically updated in accordance with Criterion 7.1 (Criterion 7.1).

Condition 22 Within two years of the issuance of a certificate, ITC shall have developed and started to implement plans for the on-site and off-site monitoring of its operations on:

- genetic pollution and wildings;
- spread of dieback;
- wetlands (including pollution and drawdown) and wetland dependent communities;

- groundwater and groundwater dependent communities (Criterion 8.2).

Condition 23 Within one year of the issuance of a certificate, ITC shall develop and implement a documented strategy to identify, monitor and conserve HCVFs across the estate. The strategy shall be developed in consultation with government agencies and NGOs and subject to scientific peer review. Results of monitoring shall be incorporated into management plans prepared in accordance with Criterion 7.1. Implementation of the strategy needs to include a documented discussion of options to ensure the long term security of areas of HCVFs should the land be sold (Criterion 9.1).

Condition 24 By end of the first year from issue of the certificate, ITC shall take responsibility for completing revegetation works as specified under existing contractual obligations, and show substantial progress towards the objective of restoration of native vegetation on the sites (Criterion 10.9).

Condition 25 Within the first year of certification, for use of 1080 in Victoria, South Australia, and Western Australia, ITC shall have upgraded its existing pest control management to include clearly documented policies and procedures for fox-baiting that will:

- be based on most recent research and expertise, and in consultation with environmental NGOs identified who have a high level of concern on 1080 use;
- incorporates stringent measures for protecting non-target species;
- involve surveys of areas identified as potential habitat of threatened non-target species (i.e., eastern quoll, tiger quoll, eastern bandicoot) prior to baiting;
- coordinates at the landscape scale in conjunction with state agencies, conservation agencies, community groups and adjoining landowners; and,
- an ongoing monitoring program that includes measures to ensure extreme care in application, effectiveness at controlling target pests, and incidence of and impact on non-target species, and evidence of company efforts to reduce its use of 1080 (Criterion 6.6).

Smartwood Certification Annual Addendum to the Public Summary for Integrated Tree Cropping (ITC) Ltd. 2005

SW-FM/COC-1217

1. AUDIT PROCESS

1.1 Auditors and qualifications:

John Tredinnick

John Tredinnick is a Principal consultant with URS Forestry based in Perth, Western Australia. He has a Bachelors Degree in Forest Science and a Masters Degree in Science, including specific studies in natural resource economics. John also has some 20 years experience working in both the softwood and hardwood forest industries in Victoria, Western Australia, the Solomon Islands and the United States. This experience has included management positions involved with native forestry, plantation development, farm forestry, processing, timber trading and corporate finance. John joined URS Forestry in January 2000 and is currently involved with a number of forestry projects in several states. John completed Lead Assessor Training by SmartWood in June 2002 and has previously been involved with three FSC Forest Management audits and three scoping assessments.

Adam Grant

Adam Grant is Asia Pacific Forester with Rainforest Alliance/SmartWood. Adam has six years project and research experience in social forestry and community based natural resource management. Additionally, he has three years experience working as an international timber trader in the United Kingdom and three years working in production forestry and processing in Scandinavia. Adam has Master of Science degree in Renewable Natural Resources & Development & Batchelor of Science degree in Social & Community Forestry.

1.2. Audit schedule

Date	Location /main sites	Main activities
14 June 2005	ITC Office, Perth	Review of changes to company operations and desktop review of progress against conditions
15 June 2005	Albany Region	Visit to harvesting and 2005 establishment operations

16 June 2005	Albany Region	Stakeholder consultation
17 June 2005	ITC Office, Albany	Follow up and debrief with company
Total number of person days used for the audit: 8 = number of auditors participating **2** times total number of days spent for the audit **4**		

1.3. Sampling methodology:

FMU or Site audited	**Rationale for selection**
Hazeldene Tree Farm	Current harvesting operation
Benmore Tree Farm	Current establishment operation and site of remnant vegetation survey

1.4. Stakeholder consultation process

Stakeholder type (NGO, government, local inhabitant etc.)	**Number of stakeholders informed**	**Number of stakeholders consulted or providing input**
Local government	2	2
NGO	7	3
Industrial	2	2

1.5. Changes to Standards (if applicable)

No changes to the standard have occurred since the last evaluation. For the conduction of this audit as well as for the conduction of previous audit/assessment the following standard was used:

"SmartWood Interim FSC Standard for Australia Second Draft Version 2a, September 2002"

2. AUDIT FINDINGS AND RESULTS

2.1. Changes in the forest management of the FMO

The primary change to forest management has risen as a result of a third party transaction that involved the sale of land upon which plantations managed by ITC have been established.

A financial institution that engaged ITC to work as property managers formerly owned land associated with some of the estate managed by ITC. Sale of this land to another FMO (Great Southern Managers) has resulted in changes to ITC's management responsibilities whereby the company is now responsible only for management of the plantation area established under Managed Investment Schemes.

The net effect of this change to the area of both native vegetation and plantation now managed by ITC is shown in the table below.

Region	Pre land sale		Post land sale	
	Native (ha)	Plantation (ha)	Native (ha)	Plantation (ha)
Green Triangle	3,446	24,130	1,148	23,600
Esperance	6,824	24,000	6,824	24,000
Bunbury/ Albany	20,323	47,937	9,424	46,300

2.2. Stakeholder issues

ENGO stakeholders, consulted during the audit, in the Albany region regarded ITC's operations favorably with the objectives of the FSC standard. ITC is considered to be supportive of the community and transparent in its operations. It is widely known that the company does not use aerial spraying to control insect pests, which is a major concern within the community.

Issues raised by ENGO's that were common to the industry as a whole include:

- A preference by the community for better integration of hardwood plantations into agricultural systems vs. industrial "fence-to-fence" planting;
- Concerns over the number of trucks on the roads and through the port facility in future years; and
- Concerns regarding the impact of noise from harvesting operations on the tourism industry around the Porongorups.

ENGOs the audit team spoke with suggested that field days for the local community would provide a good forum for the sharing of information and addressing some of the concerns surrounding the operations of the hardwood plantation industry. It was suggested that ITC could develop a closer relationship with the South Coast Regional Initiative Planning Team (SCRIPT), the peak community based, natural resource management regional group for the South Coast Region of Western Australia.

The Shire of Plantagenet contacted the audit team during the course of the audit. The Shire is owed rate payments from owners in a strata title scheme that was established several years ago. As ITC is the manager of the plantations and the company's signs are on the gates, ITC is perceived to be involved in the scheme and the Shire is exploring options of retrieving the money from ITC.

Subsequent discussions with management of ITC revealed that ITC is in a similar position to the Shire as a creditor of the owners. There do not appear to be any genuine grounds for dispute, however there is clearly a need to improve the level of communication between the two bodies.

2.3. Compliance with applicable corrective actions

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 noncompliances being upgraded from minor to major noncompliances with compliance required within 3 months or face suspension or termination of the SmartWood certificate. The following classification is used to indicate the status of the CAR:

CAR Status Categories	Explanation
Closed	Certified operation has successfully met the CAR and addressed the underlying noncompliance.
Open	Certified operation has not met the CAR; underlying noncompliance is still present. CAR becomes a Major CAR with a 3 month deadline for compliance

Condition 1	Reference Standard: Criterion 1.2
Non-compliance: Major ☐ Minor ☒	Although ITC's EMS committee has responsibility for identification of legislative and regulatory requirements, and incorporation of these in systems and operational processes, it is not clear that the committee is performing effectively in this role. While ITC recognises, for example, that there are significant gaps in the existing legal register, there is no management process or schedule in place to fill those gaps and establish an up-to-date and comprehensive register of all legal and regulatory requirements.
Corrective Action Request: Within one year of the issuance of a certificate, ITC shall establish a clearly documented process to ensure that the nature and extent of its responsibilities under all applicable legislation, conventions, regulations and codes of practice are fully understood, continuously updated and communicated to staff. These responsibilities need to be incorporated into management plans at tree farm level, and performance in this area is to be monitored and auditable	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings:

ITC has established a procedure for any new legal obligations to be monitored and identified by the Integrated Management System (IMS) coordinator (currently Emily Silverberg) and referred to the IMS committee, which meets on a six weekly basis. At this meeting responsibility for incorporating the legislative changes into operations and procedures is delegated via an Action Planner. The action

remains as part of the minutes for subsequent meetings until closed.

It was observed that this role of updating and monitoring legal obligations is not currently a part of the position description for the IMS coordinator.

Any changes to procedures are communicated to contractors as required or through an annual induction process. The operations system used to generate work orders for contractors requires that only approved contractors can be used and this approval is reviewed on an annual basis.

ITC noted that it can be difficult to track changes in local government by laws and the audit team acknowledges that this is more a function of local government processes and communication than any failing by ITC.

Legal obligations are not generally reflected in the documents that constitute ITC's "Management Plans". This is considered by the audit team to reflect an inadequacy in ITC's current definition of a Management Plan (see audit findings for Condition 20).

Status: Closed

Follow-up Action (if applicable):

Observation: Requirement for updating legal requirements and ensuring corrective actions should be part of the position description for the IMS Coordinator.

Condition 2	Reference Standard : Criterion 1.6
Non-compliance: Major ☐ Minor ☒	During the course of the assessment, corporate staff and forest managers demonstrated a strong commitment to systematic improvement in operational knowledge standards. Specific knowledge of FSC principles and criteria was lacking among some operational staff. Interviews with contractors and their staff indicated that they were not familiar with FSC the standard and had not received any form of training from ITC that would enable them to identify any necessary adjustments to management practices.

Corrective Action Request:

Within one year of the issuance of a certificate, ITC shall ensure that training, induction processes and operational guidelines clearly communicate its commitment to FSC principles to

all staff operating in the ITC estate, including directly employed staff; principal contractors; and contractors' staff
Timeline for Compliance: Within one year of the issuance of a certificate

Audit findings: ITC conducts an induction process for new employees that includes a briefing on ITC's commitment to the FSC principles and criteria. Contractors must also undergo an induction process that stresses ITC's commitment to FSC. A harvesting contractor that was interviewed in the field as part of the audit process confirmed that this induction was comprehensive and, in some cases, was considered to put an undue emphasis on environmental and safety procedures. However, it was also emphasised that ITC has been receptive to any constructive suggestions from contractors. The audit team has reviewed induction handbooks that have been prepared for both employees and contractors and not the inclusion of ITC's commitment to FSC in both.
Status: Closed
Follow-up Action (if applicable): NA

Condition 3	Reference Standard: Criterion 2.1
Non-compliance: Major ☐ Minor ☒	ITC has limited capacity to identify potential cultural heritage issues at the land acquisition stage. Greater Company engagement with NTRBs would facilitate improved on-ground performance and open an important dialogue over broader Indigenous interests and concerns.
Corrective Action Request: Within one year of the issuance of a certificate, ITC shall establish dialogue with the Native Title Representative Bodies in the areas in which it operates. Through this dialogue ITC should: identify potential impacts on Native Title rights at the regional level; identify gaps in its current management of Indigenous issues; develop Company understanding and capacity in this area; and, develop a more proactive approach to the management of Indigenous interests and concerns in relation to ITC operations.	

Timeline for Compliance: Within one year of the issuance of a certificate

Audit findings: ITC reports that it has employed indigenous people in its Esperance operations and that this ongoing relationship has helped to increase ITC's awareness of indigenous interests and concerns. ITC has established a process for enabling public comment on new operations that provides an opportunity for all interested parties to have input into planning operations. ITC has developed a procedure for dealing with any archaeological sites that are discovered during the course of its operations. The procedure requires all operations in the vicinity to stop immediately pending the development of a recovery or relocation plan. The development of a procedure for dealing with archaeological sites is an important step forward, but the processes for training staff and contractors in the identification of such sites remains unclear. The company concedes that it has not specifically progressed relationships with native Title Representative Bodies as far as it had hoped. The audit team acknowledges that the development of these relationships can be difficult, but ITC should collate details of the efforts that have been made thus far and develop a strategy for moving forward in this area.
Status: Open
Follow-up Action (if applicable): Major CAR # 2

Condition 4	Reference Standard: Criterion 2.3
Non-compliance: Major ☐ Minor ☒	The assessment team was concerned about the adequacy of existing provisions to inform affected stakeholders about forest management activities, such as spraying. ITC reported that it routinely wrote to neighbouring properties to signal its intention to spray properties within a given timeframe. Responses from neighbouring landowners suggested that these notifications were not sufficiently detailed or specific to meet neighbours' needs, and that neighbours were frequently forced to request more precise information about the timing and duration of spraying operations. This suggested that (a) the existing communications process was inadequate and (b) ITC had not taken action to review neighbours' responses and incorporate their concerns in its operational guidelines and communications.
Corrective Action Request:	

Within one year of the issuance of a certificate, ITC shall establish, in consultation with neighbours and other key local stakeholders, specific performance standards governing the timing and content of its operational communications with local neighbours and communities. ITC should establish a process for monitoring performance in this area and, where performance falls below local stakeholder expectations, incorporate necessary changes in its operational guidelines and communications.
Timeline for Compliance: Within one year of the issuance of a certificate

Audit findings: ITC has prepared paid advertisements that are distributed via local papers. The advertisements provide general details of ITC's operations and also serve to promote the organisation within the community. At the time of the audit, ITC had also prepared a stakeholder survey to better understand the needs of the communities surrounding plantations. It is understood that this survey is to be distributed during the week following the audit. Results of the survey are to be used to establish both the monitoring and performance standards referred to in this condition. Feedback is expected over the coming months and ITC has advised that a detailed strategy for addressing the issues presented in this condition will be prepared within 5 months. ITC has developed a Communications Plan that forms part of its corporate Marketing Plan. However, this plan deals primarily with investors and financial advisers rather than local neighbours and communities. Checklists for harvesting and spraying operations do not currently include a prompt for communication with neighbours. See Condition 9
Status: Open
Follow-up Action (if applicable): Major CAR #1

Condition 5	Reference Standard #: Criterion 3.1
Non-compliance: Major ☐ Minor ☒	ITC needs to acquire a sound knowledge and understanding of Aboriginal issues if it is to establish positive working relations with its neighbouring Aboriginal communities and recognise the significance of cultural heritage which might be present on its estate. The key to this would be closer and more regular engagement with the wide range of Indigenous representative bodies and interests in the regions in which ITC operates. This would enable ITC to better identify and manage its obligations to regional Aboriginal communities, recognising opportunities to develop positive long-term relations, and promote mutual benefit through its operations.
Corrective Action Request: Within one year of the issuance of a certificate, ITC shall establish a formal Indigenous communities policy, defining Company commitment in this area, and identifying responsibilities, resources, policy objectives and actions. This formal policy commitment should include identification of all local Indigenous groups and interests, and establish formal arrangements for Indigenous communities communications and engagement.	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings: See audit findings under Condition 3. A draft policy on Indigenous Peoples Rights and Interaction with Indigenous Communities has been prepared. The policy specifies a commitment to "providing opportunities for economic development and employment of indigenous people", but does not put the emphasis on development of knowledge and understanding of indigenous issues within ITC that is the intent of this Condition. There is no specific policy commitment to the identification of all local Indigenous groups and interests, or to establishing formal arrangements for Indigenous communities communications and engagement. Responsibilities for implementing the policy are also unclear.
Status: Open
Follow-up Action (if applicable): Major CAR #2

Condition 6	Reference Standard: Criterion 3.3
Non-compliance: Major ☐ Minor ☒	The lack of adequate processes to identify cultural heritage sites at land acquisition or during operations represents a serious gap in ITC's operational standards. ITC needs to establish – in consultation with local Indigenous communities and representative groups – effective protocols for the identification of cultural heritage sites in land acquisition and for the protection of cultural heritage uncovered during forestry operations.
Corrective Action Request: Within one year of the issuance of a certificate, the Company shall establish, incorporate in its operations manual and communicate to all staff, effective protocols for the protection of cultural heritage uncovered during forestry operations.	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings: See audit findings under Condition 3. ITC has developed a procedure for dealing with any archaeological sites that are discovered during the course of its operations. The procedure requires all operations in the vicinity to stop immediately pending the development of a recovery or relocation plan.
Status: Closed
Follow-up Action (if applicable): Not Applicable, although see related CAR # 2.

Condition 7	Reference Standard #: Criterion 4.2
Non-compliance: Major ☐ Minor ☒	ITC has no formalised system for the identification and documentation of training needs and plans.
Corrective Action Request: Within one year of the issuance of a certificate, ITC shall complete a central training matrix that identifies areas of core competencies and highlight any areas where skills need to be improved	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings: ITC identifies skill shortages during annual performance reviews. Training requirements are input to a matrix that is used to monitor progress. A training coordinator has responsibility for the ongoing management of this matrix.
Status: Closed
Follow-up Action (if applicable): NA

Condition 8	Reference Standard #: Criterion 4.3
Non-compliance: Major ☐ Minor ☒	The assessment team was concerned that extensive use of contractors in Company operations could imply lower employment standards for a substantial group of operational staff. The Company is employing relatively large numbers of contractors in areas in which full-time staff would traditionally be employed. Clearly, this will impact on the nature of employment on ITC operations. It is understood, for example, that contractors may have less employment security than directly employed staff.
Corrective Action Request: Within one year of the issuance of a certificate, ITC shall establish clear minimum standards for contractors' employment practice, consistent with FSC Principles and Criteria	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings: At the time of the Forest Management Assessment ITC employed 33 full time staff and contract employees undertook a number of professional functions. ITC now employs 57 professional staff and contractors undertake only two professional roles. In both cases it is the choice of the individual employed under contract to continue working under these arrangements.
Status: Closed
Follow-up Action (if applicable): NA

Condition 9	Reference Standard: Criterion 4.4
Non-compliance: Major ☐ Minor ☒	ITC has no established processes for the evaluation or management of social impacts occasioned by its forestry operations. The overall size of the estate managed by ITC is large relative to other operations in Australia, but the plantations are spread across a large number of geographically diverse properties. Potential operational impacts may therefore be limited in intensity at the local level and of limited duration, and ITC has done much to allay concern among neighbouring properties of the potential local impacts of its operations, such as spray drift, dust, noise and traffic. However, the cumulative social impacts of Company operations – both spatially and temporally – may be significant and need to be rigorously evaluated and managed.
Corrective Action Request: Within one year of the issuance of a certificate, ITC shall establish a strategic approach to stakeholder consultation, engagement and communications. It should improve the quality of its stakeholder information by establishing and continuously updating a database of all Company stakeholders, their interests, concerns and interactions with ITC. It should adopt a more coherent stakeholder communications strategy, ensuring two-way flow of information between ITC and its stakeholders; testing the effectiveness of existing arrangements in promoting awareness of ITC and its operating standards; and identifying the need for new approaches more specifically responsive to local community and stakeholder needs	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings: See audit findings under Condition 4. ITC has a comprehensive stakeholder database, but a stakeholder communications strategy has yet to be developed.
Status: Open
Follow-up Action (if applicable): See CAR # 1

Condition 11	Reference Standard: Criterion 5.1
Non-compliance: Major ☐ Minor ☒	Company resources have been stretched by the APT acquisition and ongoing corporate restructuring, which includes due diligence processes for joint ventures and potential mergers as well as selling forest and land assets to institutional investors. These processes appear to have set priorities and diverted resources away from focusing on maintaining high standards of operational performance. Assessment field observations and stakeholder comments indicate that ITC's operational performance has been sub-optimal over the last few years.
Corrective Action Request: Within one year of the issuance of a certificate, there shall be a substantive increase in staff and/or contractor resources to a level commensurate with industry standards for plantation establishment and management. These resources are required to ensure timely and effective field operations in pursuit of the specified management objectives.	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings: See audit findings under Condition 8. There has been a significant increase in the number of professional staff employed by ITC over the previous 12 months. Some positions were unfilled at the time of the audit, however the company has clear intentions of continuing to increase staff to a level commensurate with the scale of its operations. Recent changes in ownership of the company and increased investor sales appear to have provided the financial resources to ensure that future operational performance is not limited by inadequate staff numbers.
Status: Closed
Follow-up Action (if applicable): NA

Condition 12	Reference Standard: Criterion 6.1
Non-compliance: Major ☐ Minor ☒	In regard to protecting remnant vegetation, ITC has a strict policy of no clearing for plantation development, and this was confirmed through stakeholder consultation. However, the assessment team considers it important that ITC develop a clear definition of remnant vegetation. This would provide stakeholders and contractors with an unambiguous definition of what ITC considers to be remnant vegetation.
Corrective Action Request:	

Prior to further site preparation activities, ITC shall develop a clear working definition of 'remnant vegetation', including a condition index that reflects the level of disturbance. ITC shall incorporate into site evaluation procedures a mechanism to determine the necessity to undertake inventory surveys (flora and fauna) of identified remnants and demonstrate financial and management commitment towards the assessment and maintenance of the ecological productivity of identified remnants
Timeline for Compliance: Prior to further site preparation activities

Audit findings: Although a final definition of remnant vegetation has not yet been settled, ITC has made commendable progress in this area and the remaining uncertainty reflects differing views amongst ecologists. An assessment of remnant vegetation on the Benmore property was presented to the assessment team as an example of ITC's commitment in this area. A preliminary assessment of the native vegetation on this property indicated the potential for significant values within the native vegetation and a local ecologist was engaged to undertake a more comprehensive survey. The survey identified one Declared Rare Flora species, ten priority species, one species that may be new and a number of other species which are well outside previously known natural ranges. The key to practical (economic and logistic) implementation of these surveys is to develop criteria for assessing the likelihood that the remnant vegetation will include significant values. To this end, ITC has developed a vegetation condition scale that the company advises will be adapted to develop threshold indicators of the need for further assessment. Some further work is required to incorporate remnant vegetation assessments into site evaluation and management plans. It is suggested that these procedures are incorporated into an overarching HCVF strategy as discussed under Condition 23.
Status: Open
Follow-up Action (if applicable): See Major CAR # 6

Condition 14	Reference Standard: Criterion 6.1
Non-compliance: Major ☐ Minor ☒	Of concern was ITC's characterisation of most areas with surface water within the managed estate as 'waterlogged areas', potentially undervaluing their conservation value as ephemeral wetlands. ITC recognised this issue and during the assessment process re-labelled all such areas as wetlands awaiting classification according to relevant State criteria.
Corrective Action Request: Prior to further site preparation activities, ITC shall develop and implement a strategy to classify all managed wetland and waterlogged areas according to the relevant State's wetland classification scheme. Further, ITC shall allocate financial and management resources towards the reclassification of all managed wetlands and waterlogged areas (as above) and maintenance of the ecological productivity of wetlands.	
Timeline for Compliance: Prior to further site preparation activities	

Audit findings: ITC has made little progress in this area. The company argues that many of the wetland areas were outside the boundaries of plantation areas managed on behalf of a third party (Challenger). As part of a subsequent sale to Great Southern Managers (GSM), GSM now has the responsibility of managing these off-plantation areas. The audit team does not believe that this change in ownership is a valid reason for not completing the strategy as there remains a possibility that new properties acquired by ITC may contain significant areas of wetland, which may have values that could be compromised by the absence of such a strategy. A strategy for classifying and managing wetlands should be incorporated into an overarching HCVF strategy as discussed under Condition 23
Status: Open
Follow-up Action (if applicable): See Major CAR # 6

Condition 16	Reference Standard: Criterion 6.2
Non-compliance: Major ☐ Minor ☒	Due to the absence of baseline data prior to tree farm establishment, occurrence of rare, threatened or endangered species has not been taken into explicit consideration during the planning stage. This may have resulted in situations where requirements for some species were not met.
Corrective Action Request:	

Prior to further plantation establishment, data on rare, threatened and endangered species collated in accordance with Criterion 6.1 and by other means shall be explicitly considered during planning and operational practices through formal documentation of guidelines. ITC should develop these in consultation with relevant experts. All areas identified as conservation zones and/or protection areas supporting such species shall be clearly identified on maps.
Timeline for Compliance: Prior to further plantation establishment

Audit findings: See audit findings under Condition 13. The logistics of acquiring land and establishing plantations within the timeframes required by ITC's business model are such that data on rare, threatened and endangered species cannot always be collated prior to operational practices. ITC is in the process of establishing procedures described under Condition 13 that prioritise the need for such assessments, however it is likely that operational procedures will continue in the future without such assessments being undertaken until later in the rotation. While the company maintains a policy of not clearing any native vegetation, the risk of any damage to rare, threatened and endangered species due to the lack of data is considered low. However, there remains some risk associated with the impact of agencies such as spray drift or erosion as a result of upslope operations. Taking a precautionary approach to plantation operations in instances where there is a possibility that rare, threatened and endangered species may occur would minimize these risks. Such a precautionary approach should be incorporated into operational procedures via a HCVF management strategy (see Condition 23) that incorporates the intent of this condition.
Status: Open
Follow-up Action (if applicable): See Major CAR # 6

Condition 18	Reference Standard: Criterion 6.5
Non-compliance: Major ☐ Minor ☒	ITC is planning to commence harvesting in early 2004 and has prepared several documents (Timber Harvest Plan, Pre-harvest Inspection Report, Harvest Inspection Report) to help manage potential impacts. However, none of these document management prescriptions with respect to off-plantation assets, probably reflecting the absence of site specific information.
Corrective Action Request: Prior to commencement of harvesting operations, ITC shall have developed guidelines for	

harvest plans that place an increased emphasis on environmental planning and monitoring consistent with FSC Principles and Criteria and responsive to site specific information
Timeline for Compliance: Prior to commencement of harvesting operations

Audit findings: ITC has developed draft guidelines for harvest planning (OPSF 11.1) that largely reflect the requirements of the standard. The guidelines address issues such as the potential for soil damage or erosion through mechanical harvesting and the location of landings to minimize impacts on the integrity of watercourses, rivers, wetlands and drainage lines. The audit team was concerned about apparent inconsistencies in the treatment of native vegetation between establishment and harvesting guidelines. While establishment practices require that no native vegetation (including isolated paddock trees) is disturbed, the harvesting guidelines do not address the clearing of paddock trees during harvesting operations and such clearing was apparent during the field inspection. The audit team acknowledges ITC's explanation that clearing may be necessary in some instances for health and safety purposes, but there was no evident process for assessing any conservation values (particularly habitat) prior to making decisions in the field. Similarly, the guidelines for internal forest roads require only that disturbance to riparian vegetation will be "minimised". ITC uses its no clearing policy at establishment to promote its environmental credentials to stakeholders. The company needs to be consistent with its harvesting procedures and should develop clear protocols for making decisions on the removal of native vegetation, without compromising health and safety of operators. Harvest plans were reviewed as part of this audit and were found to be largely consistent with the procedures developed by ITC. A harvesting operation was inspected at Hazeldene Tree Farm. Equipment had been stopped as a result of wet conditions and there was significant damage to internal roads that exceeded ITC's thresholds for permissible wheel ruts. The potential for such damage had been identified within the plan, however the necessary drainage had not been constructed. ITC's harvest supervisor explained that this was a budget decision that was made after the plan was finalized.
Status: Open
Follow-up Action (if applicable): Major CAR # 3

Condition 19	Reference Standard: Criterion 6.9
Non-compliance: Major ☐ Minor ☒	There is an increased risk of wildings where ITC has recently taken over management of older aged pine or eucalypt plantations associated with the APT estate. There will also be a future risk where plantations have been established on a sawlog regime. Hybridisation can occur within eucalypts of the same sub group and this could be an issue with seed orchards in Victoria that are operated by suppliers of seed. As pollen is vigorous, nearby remnants may be under threat. In Western Australia the native eucalypts are a different sub-group and the threat of hybridization is minimal.
Corrective Action Request: Within one year of issuance of a certificate, monitoring for invasion of exotic species into surrounding native vegetation shall be included in environmental monitoring procedures to avoid adverse ecological impacts, particularly where ITC is managing mature age pine or eucalypt plantations	
Timeline for Compliance: Within one year of issuance of a certificate	

Audit findings: ITC has incorporated procedures for the monitoring of exotic species within adjacent native vegetation as part of its monitoring of firebreaks. Monitoring had not yet occurred at the time of the audit, but the audit team considers this to be a practical approach.
Status: Closed
Follow-up Action (if applicable): NA

Condition 20	Reference Standard: Criterion 7.1
Non-compliance: Major ☐ Minor ☒	ITC's operational management through its IMS leads to an opportunity to integrate further its management planning processes with ongoing operations. From an FSC perspective, the purpose of this should be to: • Address all of the planning aspects listed under this criterion; • To update the plan with additional or new information obtained through field observations and monitoring processes (see Principle 8), and ensure the planning for subsequent operations factors in this information; and • Encourage operational staff towards site specific prescriptions to drive optimal productivity while also maintaining social and environmental values.

Corrective Action Request: Within one year of the issuance of a certificate, ITC shall have a management planning format whereby stand level operational plans for all plantations established in the year will cover each of the operational planning aspects listed under criterion 7.1 and a resource wide forest management plan that fully addresses the functions of ITC regional level planning.
Timeline for Compliance: Within one year of the issuance of a certificate

Audit findings: Operational outcomes are largely consistent with the requirements of Criterion 7.1 as a result of systems and procedures that govern operations at a number of levels (eg, property, regional and investment project). ITC continue, however, to pursue the goal of incorporating all of these requirements into a single document at the property level. Progress in achieving this goal has been negligible for both previously established properties (see Condition 21) and for properties established during 2005. With a rapidly expanding estate, the audit team does not believe that continuing with the proposed format of management plans is practical. Is it suggested that ITC redefine the elements of its management system that constitute a management plan and assess the appropriate operational level at which to apply each of the requirements under Criterion 7.1.
Status: Open
Follow-up Action (if applicable): See Major CAR # 4

Condition 21	Reference Standard: Criterion 7.2
Non-compliance: Major ☐ Minor ☒	Tree farm management plans are not revised after initial preparation (see Criterion 7.1). However, revisions to operational plans by function and across regions appear to occur on a regular basis, through a process that relies heavily on good communication between regional operations staff and research staff.
Corrective Action Request: Within one year of the issuance of a certificate, ITC shall put in place a process to ensure that the management plans are systematically updated in accordance with Criterion 7.1	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings: See audit findings for Condition 20. The process and timeframe for updates should be redefined after carefully considering the systems, processes and documentation that constitute a Management Plan.
Status: Open
Follow-up Action (if applicable): See Major CAR # 5

Condition 23	Reference Standard: Criterion 9.1
Non-compliance: Major ☐ Minor ☒	ITC is in the process of classifying the condition of managed remnants greater than 10 hectares in size, in addition to carrying out flora surveys. Two consultants have been engaged in WA; one operating in the Albany district and the second from Bunbury. A third is being sought for the Esperance district. In each case ITC has recognised the importance of extensive local knowledge and familiarity.
Corrective Action Request: Within one year of the issuance of a certificate, ITC shall develop and implement a documented strategy to identify, monitor and conserve HCVFs across the estate. The strategy shall be developed in consultation with government agencies and NGOs and subject to scientific peer review. Results of monitoring shall be incorporated into management plans prepared in accordance with Criterion 7.1. Implementation of the strategy needs to include a documented discussion of options to ensure the long term security of areas of HCVFs should the land be sold	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings: See audit findings under Conditions 12, 14 and 16. ITC has developed a "Draft Biodiversity Management Strategy" that constitutes substantial progress towards this condition. However, biodiversity is only one element of HCVF and it is suggested that this strategy be further developed as a "HCVF Management Strategy" that clearly identifies each of the elements of HCVF. Resources such as ProForest (http://www.proforest.net/index3.htm) should be used as a guide.

The structure of the current document, which addresses legal requirements, definitions, identification of areas, management tools, and strategic actions could be largely retained. Each of these issues should be considered under general headings that address each of the components of HCVF The strategy should also address precautionary approaches to operational management where HCVF may be present, but has not yet been identified.
Status: Open
Follow-up Action (if applicable): See major CAR # 6

Condition 24	Reference Standard: Criterion 10.9
Non-compliance: Major ☐ Minor ☒	ITC has inherited the management of some land in Western Australia where clearing was undertaken within a gazetted catchment. Permits were granted for clearing of this vegetation, on the proviso of a contractual obligation on the title holder to establish designated areas with selected native species. ITC needs to work through these issues with the landowner to meet the obligations.
Corrective Action Request: By end of the first year from issue of the certificate, ITC shall take responsibility for completing revegetation works as specified under existing contractual obligations, and show substantial progress towards the objective of restoration of native vegetation on the sites	
Timeline for Compliance: By end of the first year from issue of the certificate	

Audit findings: ITC advises that these obligations have now been met and the Department of the Environment has withdrawn the requirement.
Status: Close
Follow-up Action (if applicable): NA

Condition 25	Reference Standard: Criterion 6.6
Non-compliance: Major ☐ Minor ☒	The FSC has prohibited the use of a range of chemicals on the basis of their toxicity and/or capacity for adverse ecological impacts. With respect to ITC's forest management, the three significant chemicals on this list are Simazine, Carbaryl and 1080. ITC was required to follow the terms of the derogations for Simazine and/or 1080 if this chemicals were to be applied.

Corrective Action Request:

Within the first year of certification, for use of 1080 in Victoria, South Australia, and Western Australia, ITC shall have upgraded its existing pest control management to include clearly documented policies and procedures for fox-baiting that will:

- be based on most recent research and expertise, and in consultation with environmental NGOs identified who have a high level of concern on 1080 use;
- incorporates stringent measures for protecting non-target species;
- involve surveys of areas identified as potential habitat of threatened non-target species (i.e., eastern quoll, spotted-tail quoll, eastern bandicoot) prior to baiting;
- coordinates at the landscape scale in conjunction with state agencies, conservation agencies, community groups and adjoining landowners; and,
- an ongoing monitoring program that includes measures to ensure extreme care in application, effectiveness at controlling target pests, and incidence of and impact on non-target species, and evidence of company efforts to reduce its use of 1080

Timeline for Compliance: Within the first year of certification

Audit findings:

ITC has presented the audit team with documented procedures for vermin control that include fox baiting using 1080. The two procedures that are relevant to the certified area relate to the Green Triangle (GTOPS02) and southern WA (WAOPSO2).

The procedures cross reference, and are consistent with, research and guidelines that have been prepared

by the relevant state agencies. However, this condition requires that procedures prepared by ITC go further than the general guidelines and some elements of this condition have not been met. The current procedures do not require surveys of potential habitat or encourage co-ordination with other landowners, ENGOs or government agencies.

There are also no procedures for monitoring the effectiveness of control.
Status: Open
Follow-up Action (if applicable): Se Major CAR # 7

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

CAR # 1:	Reference Standard: Criterion 2.3
Non-compliance: Major ☒ Minor ☐	Results of a stakeholder survey are to be used to establish both monitoring and performance standards. Feedback is expected over the coming months and ITC has advised that a detailed strategy for addressing the issues presented in this CAR will be prepared on the basis of feedback. ITC has developed a Communications Plan that forms part of its corporate Marketing Plan. However, this plan deals primarily with investors and financial advisers rather than local neighbours and communities. Checklists for harvesting and spraying operations do not currently include a prompt for communication with neighbours.
Corrective Action Request: ITC shall develop a stakeholder communications strategy that ensures an effective two-way flow of information with all of its stakeholders and establishes a process for monitoring performance in this area.	
Timeline for Compliance: 5 months	

CAR # 2:	Reference Standard: Criterion 3.1
Non-compliance: Major ☒ Minor ☐	A draft policy on Indigenous Peoples Rights and Interaction with Indigenous Communities has been prepared. The policy specifies a commitment to "providing opportunities for economic development and employment of indigenous people", but does not put an emphasis on the development of knowledge and understanding of indigenous issues within ITC. There is no specific policy commitment to the identification of all local Indigenous groups and interests, or to establishing formal arrangements for Indigenous communities communications and engagement. Responsibilities for implementing the policy are also unclear.
Corrective Action Request: ITC shall develop an Indigenous communities policy that demonstrates a proactive approach to the understanding and management of Indigenous interests and concerns in relation to ITC operations.	
Timeline for Compliance: 3 months	

CAR # 3:	Reference Standard: Criterion 6.5
Non-compliance: Major ☒ Minor ☐	While ITC's establishment practices require that no native vegetation (including isolated paddock trees) are disturbed, the draft harvest guidelines do not address the clearing of paddock trees during harvesting operations and such clearing was apparent during the field inspection. The company needs to be consistent with its policy on native vegetation clearing during harvesting procedures and should develop clear protocols for making decisions on the removal of native vegetation, without compromising health and safety of operators. Harvest plans were found to be largely consistent with the procedures developed by ITC and with the FSC principles and criteria. A harvesting operation was inspected at Hazeldene Tree Farm. Equipment had been stopped as a result of wet conditions and there was significant damage to internal roads that exceeded ITC's thresholds for permissible wheel ruts. The potential for such damage had been identified within the plan, however the necessary drainage had not been constructed. ITC's harvest supervisor explained that this was a budget decision that was made after the plan was finalized.
Corrective Action Request: ITC shall demonstrate that harvest plans are being developed and implemented in accordance with company policies and the relevant FSC Principles and Criteria.	

Timeline for Compliance: 3 months

CAR # 4:	Reference Standard: Criterion 7.1
Non-compliance: Major ☐ Minor ☒	ITC continues to pursue the goal of incorporating all of the requirements of Criterion 7.1 into a single document at the property level. Progress in achieving this goal has been negligible for both previously established properties and for properties established during 2005. With a rapidly expanding estate, the audit team does not believe that continuing with the proposed format of management plans is practical. Is it suggested that ITC redefines the documents and procedures that constitute its management plan by including other elements of its management systems. The company needs to assess the appropriate operational level at which to apply each of the requirements under Criterion 7.1
Corrective Action Request: ITC shall clearly identify the elements of its management system that meet the requirements of Criterion 7.1.	
Timeline for Compliance: 6 months	

CAR # 5:	Reference Standard: Criterion 7.2
Non-compliance: Major ☒ Minor ☐	See non-compliance for CAR # 5
Corrective Action Request: After identifying relevant elements of its management systems (see CAR #5), ITC shall establish a process to ensure that all properties covered by the certificate are managed in accordance with Criterion 7.1.	
Timeline for Compliance: 3 months	

CAR # 6:	Reference Standard: Criterion 9.1
Non-compliance: Major ☐ Minor ☒	ITC has developed a "Draft Biodiversity Management Strategy" that constitutes substantial progress towards this condition. However, biodiversity is only one element of HCVF and it is suggested that this strategy be further developed as a "HCVF Management Strategy" that clearly identifies each of the elements of HCVF. The structure of the document, which addresses legal requirements, definitions, identification of areas, management tools, and strategic actions could be largely retained. Each of these issues should be considered under general headings that address each of the components of HCVF The strategy should also address precautionary approaches to operational management where HCVF may be present, but have not yet been identified.
Corrective Action Request: ITC shall develop and begin implementing a strategy to identify, monitor and conserve HCVFs across the estate. The strategy must be incorporated into management systems and include a requirement for all areas supporting these values to be clearly identified on maps. It must identify the financial and management resources allocated towards this strategy and include a precautionary approach to operational management where HCVF data is absent.	
Timeline for Compliance: 6 months	

CAR # 7:	Reference Standard: Criterion 6.6
Non-compliance: Major ☒ Minor ☐	ITC has procedures for the use of 1080 that cross-reference, and are consistent with, research and guidelines that have been prepared by the relevant state agencies. Through this cross-referencing the procedures contain measures for reducing the impact on target species, but they do not require surveys of potential habitat. The state guidelines also suggest that co-ordination with other landowners will be more effective, but do not require such co-ordination. The procedures do not have any provision for monitoring the effectiveness of control.
Corrective Action Request: ITC shall upgrade its existing procedures for fox baiting to include:	

• Stringent measures for protecting non-target species; • Surveys of areas identified as potential habitat for threatened non-target species prior to baiting; • A commitment to coordination with state agencies, conservation agencies, community groups and adjoining landowners; • An ongoing monitoring program that demonstrates effectiveness at controlling target pests and minimizing the impact on non-target species; and • Details of the company's efforts to reduce its use of 1080
Timeline for Compliance: 3 months

CAR # 8:	Reference Standard: Criterion 8.3
Non-compliance: Major ☒ Minor ☐	ITC are currently chipping the timber on site transporting the chips to the port directly. In October 2002, ITC formed a joint venture with Timbercorp Limited to market export woodchips. The JV, named Plantation Pulpwood Exports Pty Ltd (PPE), will market woodchips from the plantations managed by the two companies. To facilitate the handling of PPE's resource, another jointly owned company - Plantation Pulpwood Terminals Pty Ltd (PPT) - has been established by the two companies to develop and manage export terminals. The CoC system in place now uses loading dockets and trucking slips to track the movement of the chips. These are recorded in the database that is run by PPT. This database also tracks the ins and outs for the chip pile. This system then tracks the flow of product however what it does not do is clearly state that the product is FSC certified. This is an important COC requirement, particularly if in the future the company would include any non-FSC wood chip in their piles.
Corrective Action Request: ITC shall ensure that the following points are met to strengthen the existing CoC system and bring it in line with the requirements of the FSC in regard to CoC.	
Timeline for Compliance: 3 months	

Observation: If ITC plan to sell wood chips under a Percentage Based Claim in the future, the company should consider the following:

2.5. Audit observations

Observations	Reference Standard #
Requirement for updating legal requirements and ensuring corrective actions should be part of position description for the IMS Coordinator.	1.2
ITC should consider field days for local communities that will provide an opportunity to share information.	2.3
ITC should be proactive in contacting those ENGO's that have been nominated by Friends of the Earth as local FSC contacts.	2.3
ITC should clearly explain their position to the Shire of Plantagenet with respect to outstanding rates on Valley View and Hambley Tree Farms.	2.3
If ITC plan to sell wood chips under a Percentage Based Claim in the future, the company should consider the following:	8.3

2.6. Audit decision

This audit was conducted for the purpose of determining whether ITC is still meeting the requirements of the FSC and SmartWood's Interim Australian Forest Management standards.

It has been found by the SmartWood auditors that ITC are indeed still meeting the standard, however there are 6 major CARs and 2 minor CARs that will need to be met within specific timelines for ITC to maintain the certificate.

APPENDIX I: List of visited sites

District or FMU	Tree Farm	Compartment	Auditors	Site description / Audit focus
Albany	Hazeldene	Various	John Tredinnick and Adam Grant	Current harvesting operation
Albany	Benmore	Various	John Tredinnick and Adam Grant	Current establishment operation and site of remnant vegetation survey