



Forest Management Public Summary
for
Timbercorp Forestry

Certification Code: SW-FM/COC-1327

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**This document was produced according to the guidelines of the
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No part of the report should be published separately.**

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ACRONYMS

AAC	Annual Allowable Cut
AGM	Autumn Gum Moth
ALP	Annual Logging Plan
ATR	Areas To Be Retained
ATSIC	Aboriginal and Torres Strait Islanders Commission
CFA	Country Fire Authority (Victoria)
CITES	Convention on Trade in Endangered Species
CMA	Catchment Management Authority
Codes	1. Code of Practice for Timber Treefarms in Western Australia 2. Code of Forest Practice for Timber Production (Victoria) 3. Guidelines for Establishing and Managing Commercial Forest Treefarms in South Australia
CRC	Co-operative Research Centre
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DBH	Diameter at Breast Height
DOC	Department of Conservation
DSE	Department of Sustainability and the Environment (Victoria)
EIA	Environmental Impact Assessment
EMS	Environmental Management System
ENGOs	Environmental Non-Government Organisations
EPBC	Environmental Protection and Biodiversity Conservation
EVCs	Ecological Vegetation Classes
FIB	Forest Industry Brigade
FMO	Forest Management Organization
FSC	Forest Stewardship Council
GIS	Geographic Information System
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
MSDS	Material Safety Data Sheets
N	Nitrogen
NHT	National Heritage Trust
OH&S	Occupation Health and Safety
P	Phosphorous
P&C	Principles and Criteria of the FSC
QA	Quality Assurance
RMA	Resource Management Act
RPC	Regional Plantation Committee
SA	South Australia
SFM	Sustainable Forest Management
SFMP	Sustainable Forest Management Plan

SOM	Standard Operating Manual
TIRES	Timber Industry Rooding Evaluation Study
Tpa	Tonnes per annum
TPHa	Tonnes per hectare
Vic	Victoria
WA	Western Australia
WAPRes	WA Plantation Resources

INTRODUCTION

This report presents the findings of an independent certification assessment conducted by a team of specialists representing the SmartWood Program of the Rainforest alliance. The purpose of the assessment was to evaluate the ecological, economic and social sustainability of the forest management operations of Timbercorp Forestry (the Company).

This report contains five sections of information and findings. Sections one through three will become public information about the forest management operation that may be distributed by SmartWood or the Forest Stewardship Council (FSC) to interested parties. Sections four, five, and the appendices are confidential, to be reviewed only by authorized SmartWood and FSC staff and reviewers bound by confidentiality agreements.

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

1. GENERAL SUMMARY

1.1. Name and Contact Information

Source Name: Timbercorp Forestry.
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1.2. General Background

This Certification Assessment reports on the operations of the Company and its principal contractors in the Green Triangle region of Western Victoria and South Australia; and the south west of Western Australia. The operations are undertaken in four management zones:

- Hamilton (Victoria);
- Penola (South Australia);
- Bunbury (Western Australia); and
- Albany (Western Australia)

The operations cover 97,000 hectares of land in high rainfall regions (> 650 mm). Of this 75,000 hectares has been established to treefarms (also referred to as plantations) of Tasmanian blue gum (*Eucalyptus globulus*).

The Company is a wholly owned subsidiary of Timbercorp Limited, an Australian based Agribusiness Investment Manager. Timbercorp Limited is listed on the Australian Stock Exchange and had a market capitalisation of more than \$190 million at 30 June 2003 with net assets of \$205 million at 31 March 2003. Timbercorp limited commenced prospectus based forestry through principle contractors WA Plantation Resources (WAPRES) in 1992. In 1997 Timbercorp established its own forestry company through the acquisition of Sylvacorp.

A. Type of operation

The Company manages 75,000 hectares of Tasmanian blue gum treefarms in the Green Triangle region of Victoria/ South Australia and the south west of Western Australia. The treefarms are managed on behalf of investors who subscribe to annual investment projects. Plantations are grown on a ten-year rotation, after which they are clearfelled. Options after the first rotation are to replant with seedlings, coppice from the existing stump or to return the land to agricultural use.

The Company is responsible for acquisition of land, and the establishment and management of treefarms. It has operational offices in Hamilton (Victoria), Penola (South Australia) and Albany and Perth (Western Australia).

Timbercorp's estate includes three categories of treefarms

- i. Those that have been directly established by the Company;

- ii. Treefarms where management services have been taken over from Integrated Tree Cropping (ITC); and
- iii. treefarms established and managed by WAPRES.

WAPRES no longer undertakes plantation establishment for Timbercorp but continues to perform routine maintenance under the supervision of the Company as a contractor for Timbercorp Limited. These treefarms are also included in the scope for this assessment.

The Company began harvesting third party blue gum treefarms in 2001 after a process of developing, and building, its own harvesting system. The system was initially trailed in Victoria and is now operating commercially in Western Australia. Independent contractors have previously operated harvesting equipment but the Company has engaged its own employees to operate and maintain the equipment since April 2003. The harvesting of third party plantations is not covered by the certification but, in the absence of significant operations on the Company's own land, these operations provide a guide to the processes that are likely to be employed by Timbercorp when harvesting its own estate.

B. Years in operation

The Timbercorp Group of companies was established in 1987 and began establishing Tasmanian blue gum treefarms in 1991 and 1992. Treefarms were established under contract by third party forest managers (WAPRES and ITC) until 1998, when the Timbercorp Forestry was formed through the acquisition of Silvacorp (Aust) Pty Ltd.

C. Date first certified

[to be added by certification administration upon certification]

D. Latitude and longitude of certified operation

The treefarms in Western Australia are established in an area that lies within 32° - 35° latitude and 115°-120° longitude. Treefarms within the Green Triangle are within 37°-39° latitude and 140°-143° 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 used 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.

As a result of direct investment through private and public sectors, commercial blue gum production commenced in these regions in the early 1990s. Land has been acquired through purchase, long-term lease, or payment of annuities to landholders. There are now about 180,000 hectares of commercial blue gum treefarms 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 treefarms 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

	Victoria	South Australia	Western Australia	Totals	%
Forest Plantations	30,029	14,956	29,702	74,777	77.3%
Native Forest	2,859	1,785	2,846	7,490	7.7%
Protected Areas	67	67	67	201	0.2%
Special Management Areas	3,465	1,965	2,115	7,546	7.7%
Water	0.0	0.0	0.0	0.0	0.0%
Infrastructure	2,074	1,002	1,942	5,020	5.2%
Other	1,043	312	479	1,835	1.9%
Totals	39,537	20,087	37,151	96,869	100.0%

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

Management plans do not specifically address issues of annual allowable cut. The estate is still being established and the oldest treefarms are only just being harvested, with the majority only just reaching mid rotation, however the Company has developed some nominal targets for long-term sustainable yield based on the location of port facilities:

- 500,000 gmt/annum through the port of Albany;
- 300,000 gmt/annum through the Port of Bunbury; and
- 1,000,000 gmt/annum through the Port of Portland

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

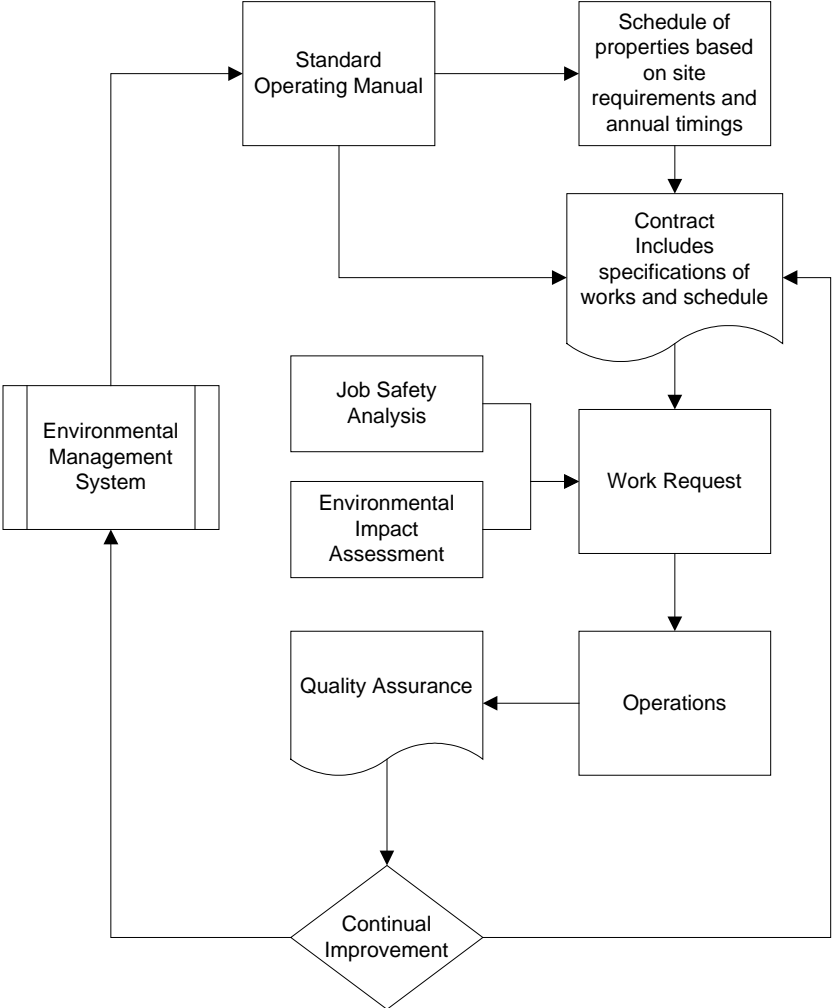
Management plans have been developed for each treefarm but vary in quality depending on the year of establishment. The format of management plans developed during 2003 was developed in accordance with FSC principles and criteria. At the time of the audit these plans were still missing some key information, particularly in relation to environmental management and ongoing monitoring.

In previous years management plans were primarily focused on establishment operations. The management plans are supplemented by functional management processes that are used to determine specific timing and prescriptions based on an estate wide programme. Management plans have been used previously as a background document and site description rather than providing specific

operational prescriptions and were rarely referred to during the rotation. Functional management procedures provide the core management processes based on a Standard Operating Manual (SOM), and are supplemented by innovation and research through the rotation.

The management system is described schematically in Figure 1 below. Management plans are discussed in more detail in Section 4 (Principle 7).

Figure 1: Treefarm Management Procedures



Although on-ground silvicultural outcomes are in accordance with industry best practice, the system requires some further development to fully comply with FSC principles and criteria.

The Company has developed three comprehensive databases to record details of its operations – an operations database, land database and a quality systems database. The operations database is used to facilitate the production of work requests and includes checks and balances with respect to issues such as chemical use, land tenure and validity of contracts. The land database includes details of such items as lease/freehold title and contact details for neighbours. The quality systems database is used to maintain documentation currency, incident reporting, stakeholder contact and continuous

improvement actions. The Company is currently working on a new information system that would allow the land and operations databases to be integrated and regularly updated. The need for integration is becoming urgent as the Company expands and becomes increasingly dependent on its information systems. The Company has a geographic information system (GIS) but this has not been integrated with other databases.

1.4. Environmental and Socioeconomic Context

Western Australia

The lower south west of Western Australia extends from Perth to about 100 km east of Albany on the south coast. The area is characterised by wet winters and dry warm summers. Treefarms are established in areas where the average rainfall ranges from 650 mm on the eastern margins to over 1200 mm in the Pemberton area. Areas are targeted that have deep, well-drained soils and a high capacity to store moisture. Some evidence appears to indicate rainfall pattern is changing, with a lower average rainfall being recorded for the years since 1975 than in the previous period.

The area is drained by a number of seasonal streams, many of which are now salty, which is a consequence of land clearing for agriculture. The area 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 this area, 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 shrublands for agriculture - principally grazing of sheep and cattle on annual grass and legume pastures.

An estimated 53% of the native vegetation present at the time of European settlement is still present and a large area of the higher rainfall parts of the region is held as State Forest or conservation reserve. 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. A proportion of the remaining vegetation exists as remnants on private property. Fragmentation and heavy grazing of the understorey and herb layer have impacted on ecological functions.

The area is of importance to the Noongar Aboriginal people, who have a traditional attachment to this area. About 8,000 of these people live across the southwest. 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 west and south coast and in the wetter inland areas.

Land use change from agriculture to forestry has caused some tensions in rural communities, who have expressed concern about a loss of agricultural farming landscape, reduced resident population in rural areas and reduced critical mass for sporting, community service and recreational activities. These concerns, which were most keenly expressed in the period of rapid growth in the mid 1990s, have reduced as timber companies have matured and have become recognised more for their contribution to local investment, employment and community development. The south west has also been a significant region for native forest operations that have all but ceased due to conservation pressures. This industry is now looking to treefarm based production for wood resource and employment.

South Australia and Victoria ('The Green Triangle')

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 one of 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.

The softwood (*Pinus radiata*) estate of 145,000 ha, is serviced by 9 sawmills, a particleboard plant, 4 timber preservation plants and one veneer mill. Processing of hardwood from the *E.globulus* treefarms has only recently begun, 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 main towns are well developed with a generally broad economic base including forest products manufacturing, aluminum refining, power generation, tourism and agriculture.

Most of the region enjoys a high rainfall – in excess of 650 mm per annum - and consists of extensive open level plains, many of which were naturally occurring grasslands that have been developed for grazing for over 150 years. Soils are a mixture of sands over clay, soils of volcanic origin and quarternary and tertiary sediments.

Areas near Penola have large supplies of shallow groundwater, which have been used for irrigating a range of crops, pastures and trees.

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.

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 treefarms have also been associated by local people with loss of social cohesion, uncertainties about fire control, reduced local sourcing of services, and 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* treefarms 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 recent agricultural 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.

1.5. Products Produced and Chain of Custody

E. Chain of custody certificate

The scope of the chain of custody will include infield chipping of logs and hauling of chips to the port facilities. The forest gate for Timbercorp Forestry will be at the weighbridge scales at the respective ports (i.e., Bunbury, Albany, or Portland) where the chips are delivered. At the time of

assessment, the plan was for the tree farms to be harvested for the production of a single product (export woodchips) and that the produce from each individual plantation will be delivered to a single point-of-sale at the nearest port facility.

F. Species and volumes covered by the certificate

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

Table 1: Certified Production

Species	Scientific name	Region	Volume (gmt per yr)	Product
Tasmanian blue gum	<i>Eucalyptus globulus</i>	Green Triangle	1,000,000	Export woodchips
Tasmanian blue gum	<i>Eucalyptus globulus</i>	Bunbury (WA)	300,000	Export woodchips
Tasmanian blue gum	<i>Eucalyptus globulus</i>	Albany (WA)	500,000	Export woodchips

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

Timbercorp has recently begun harvesting and in-forest chipping operations in the south west of Western Australia utilising equipment that has been designed and built by the Company. The operations combine in-forest processing, off-road and on-road haulage to deliver chips to an export port.

Trees are felled, delimbed, debarked and left in whole tree lengths by two harvesters, both fitted single grip felling heads. The logs are collected by a clambunk forwarder with a customised trailer capable of carrying 30 tonnes. Logs are stacked on the compartment breaks where a self-propelled chipper operates. All machinery is equipped with high flotation, low ground impact tyres or tracks.

Stems are chipped directly into the rear of converted dry freight trailers, which are delivered to the chipper using a six wheel drive, off-road prime mover. When full, the trailers are hauled to all weather access areas where they are dropped off for collection by on-road prime movers.

2. CERTIFICATION ASSESSMENT PROCESS

2.1. Assessment Dates

The assessment was undertaken over the following time period:

July 21 2003	Introduction to Company operations (Hamilton, Vic)
July 22-25 2003	Field visits and stakeholder contact in the Green Triangle region of Victoria and South Australia
July 28 – July 31 2003	Field visits and stakeholder contact in south western Australia
August 1 2003	Debrief to Company staff (Perth, WA)
August – October 2003	Preparation of draft report
October 31 2003	Draft Report submitted to Timbercorp
December 18 to Jan. 15, 2004	Client comments received from Timbercorp
January 31, 2004	Assessment team consolidated feedback to Timbercorp comments prepared.

February 10, 2004
September 24, 2004

2nd Draft Report completed for submittal to peer reviewers.
Final report completed upon confirmation of all pre-conditions
having been closed out and certification decision made.

2.2. Assessment Team and Peer Reviewers

A. Assessment Team

Loy Jones (Lead assessor/ Forestry)

Loy Jones is a lead Assessor with SmartWood, based in the USA. He has a broad range of skills including forest management experience, landowner consultation, and environmental protection experiences.

Forest certification experience has been obtained through attendance at the SmartWood Assessor's Training; serving on multiple assessment teams, including as a team leader; serving as the Coordinator for the Washington/British Columbia SmartWood program and Manager of SmartWood Southern USA Region; and through involvement with the Board of Directors for the Northwest Natural Resource Group (NNRG), the SmartWood collaborator for the State of Washington. Loy has also served as a representative on the FSC Pacific Coast Working Group, and as SmartWood's representative for 4 Southeastern US working groups, and participated in development of FSC US policy issues.

John Tredinnick (Lead assessor/Forestry/Economics)

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 18 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 two FSC scoping assessments.

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. Ecologist with 20 years experience in applied conservation biology, including over ten years experience in senior scientific positions with the Department of Conservation and Natural Resources. Expertise includes ecological research, monitoring and management, reserve design, flora and fauna survey and environmental impact assessment.
2. PhD. Forest science, research and planning specialist with more than 30 years experience evaluating the impacts of forest management on forests, soils and water. Extensive background in soil evaluation, nutritional status, forest/site interactions, catchment management, monitoring water quality, fertilizer usage in forests, nutrient cycling, and management impacts.

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 2.

Table 2. Summary of Forest Areas & Areas Visited by SmartWood Assessors

Forest/Block Name and Planting Year	Plantation Area in Hectares	Significance
<i>Green Triangle</i>		
Stephens P2001/2	244 ha	<ul style="list-style-type: none"> • Herbicide spraying missed on a single row during establishment. Trees are clearly shorter and less vigorous compared to neighbouring rows. • Cropping under power lines was being undertaken. • Enviro-planting (300 ha) in conjunction with NHT funding and Glenelg Hopkins Catchment Revegetation management plan. • Mimic (pheromone) trial to control Autumn Gum Moth.
Nigel P2001	74 ha	<ul style="list-style-type: none"> • Environmental plantings along creek line (9 ha) as a component of the Branxholme biodiversity wildlife corridor.
Les (Johnson) P2000	87 ha	<ul style="list-style-type: none"> • Paddock trees cleared that were previously potential habitat for red tailed black cockatoo. • Nesting boxes now re-established and Company claims that the birds now use some of these boxes. • Area of unplanted land made available to Birds Australia. • Timbercorp revegetating unplanted land in conjunction with Trust for nature, Glenelg Hopkins CMA revegetation plan.
Rutter P2001	196 ha	<ul style="list-style-type: none"> • Wedge tailed eagle nest.
Inverary P1997	76 ha	<ul style="list-style-type: none"> • Oldest plantation managed by the Company in the Green

		<ul style="list-style-type: none"> Triangle. Permanent sample plots established. Inventory has not yet been undertaken (despite age).
Chick P2001	65 ha	<ul style="list-style-type: none"> Fertiliser application in progress. Identification of Western (Basalt) Plains Natural Temperate Grassland community.
Lanes P2002		<ul style="list-style-type: none"> Second rotation establishment with various treatments. Shows potential of well-managed slash to control weeds with minimal chemical input.
Branton P2000	194 ha	<ul style="list-style-type: none"> Natural regeneration of unplanted area and perimeter planting on wetland. Part of Glenelg Hopkins CMA plan and Branxholme wildlife corridor programme Partnership between Department of Sustainability and Environment, Trust for Nature and the Company.
Warren P2003	84 ha	<ul style="list-style-type: none"> The Company has planted native species to connect areas of native vegetation. Likely to provide improved habitat for a number of species including powerful owls and sugar gliders.
Milltown P2002	230 ha	<ul style="list-style-type: none"> Feeder trees (<i>E. viminalis</i>) for yellow-bellied gliders. Direct seeding to improve habitat. Opportunities for phased harvesting of blue gum to improve connectivity with neighbouring vegetation. Illegal firewood harvesting may be compromising habitat in native vegetation. “Living landscapes” programme in conjunction with neighbours and CMA catchment management plan and greening Australia
Western Australia		
Springwell (N&S) P1999	1,707 ha	<ul style="list-style-type: none"> Generally poor productivity. Large rocks that may impact harvesting operations and/or future land use. Native understorey in some areas Management of streamside reserves indicating greater than code setbacks from streams.
Lubcke P2001	141 ha	<ul style="list-style-type: none"> Erosion impacted on neighbouring property shortly after planting but problems satisfactorily resolved with neighbour.
Maringa West P2000	212 ha	<ul style="list-style-type: none"> Wildfire in 2002 caused only radiant heat damage from neighbour’s bush.
Four Forty P2003	24 ha	<ul style="list-style-type: none"> Area of native vegetation cleared. No management plan.
Cailles P2002		Second rotation establishment and management by WAPRES.
Pike P1997	291 ha	<ul style="list-style-type: none"> Erosion not yet remediated by company. Erosion is as a result of runoff from main roads. Potential issue repeated blowout. Borders conservation reserve (Porongorups)
Walitj P1998	130 ha	<ul style="list-style-type: none"> Leased from indigenous land owner to WAPRES (sub-lease to Timbercorp)
Oldham P1993		<ul style="list-style-type: none"> Harvesting operations

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 during the assessment process.

Stakeholder comments on the SmartWood FSC Interim Standard were received regarding the importance of community sponsorship; and the scope for certification prior to harvesting operations. The points of views expressed by stakeholders on these issues are outlined below.

- Community sponsorship can play an important role in distributing the benefits of plantation forestry among the local community; in building positive relations between a company and the people among whom it operates; and in promoting the long-term sustainability of the industry. Such benefits are diminished, however, where sponsorship is distributed inequitably; reflects company needs and priorities; or is used to unduly influence or manipulate regional decision-making processes. As the Interim FSC Standard does not explicitly address community sponsorship, the Assessment Team can only recommend that a company review the objectives and operation of its sponsorship program. It is suggested that this issue should be incorporated in future revisions of the Standard.
- Some ENGO's are concerned about the potential certification of plantation estates when harvesting has not begun at any scale. There are concerns that certification may be "rushed through" so that Japanese woodchip buyers can be assured that their woodchips are from FSC sources or potential investors in new paper mills in either south west Victoria or south western Australia will be assured that 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 3: Stakeholder Comments

FSC Principle	Stakeholder Comments	SmartWood Response
P1: FSC Commitment/ Legal Compliance	<ul style="list-style-type: none"> • Local government has particular responsibilities to enforce compliance with regulations and administrative requirements but is often poorly equipped to regulate the plantation forestry industry • The Company has been reluctant to accede to a request from the Victoria Country Fire 	<ul style="list-style-type: none"> • Good governance should not depend on the local authorities' ability to police forestry operations and the Company is expected to organise its own independent audits. • The Company should move quickly to negotiate a resolution to this dispute with the

	<p>Authority (CFA) that it participates in the State's Forestry Industry Brigade program.</p> <ul style="list-style-type: none"> Stakeholders questioned whether safeguards have been put in place to protect community interests (such as roads) at the time of harvesting. In Western Australia, one of the local roads had not been repaired to the satisfaction of shire officers following harvest operations. WAPRES staff (major contractor) were not familiar with the FSC standard and had not received any form of training from the Company. 	<p>CFA.</p> <ul style="list-style-type: none"> The specific issue in Western Australia appears to be a communication breakdown between the shire and harvesting staff. However, there is a clear recognition by the Company and the assessment team that harvest planning processes need to be improved. The Company needs to ensure that there is a clear commitment by WAPRES to managing land in accordance with FSC principles.
P2: Tenure & Use Rights & Responsibilities	<ul style="list-style-type: none"> Land leases are often short term (ie, one rotation of 10-12 years) and the Company may leave the landowner with a property that is not suitable for agriculture until stumps are cleared and pasture is resown. 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Remnants of 'dreaming tracks' occur on private land in the vicinity of Lake Condah and these have not been properly assessed prior to planting Representatives from the Winda Mara had serious reservations about a number of issues including: <ul style="list-style-type: none"> The cultural and landscape impacts of plantation forestry; Concern that the Company's support for the Condah project was predicated solely on the possibility of business benefits to be gained through a proposed land leasing arrangement with the Indigenous Land Corporation; and Disappointment at the Company's reluctance to establish an Indigenous employment and training policy. Treefarms 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. 	<ul style="list-style-type: none"> The Company has provided support to the Winda Mara in the identification, demarcation and protection of its cultural heritage at Lake Condah. The Company had also supported the Winda Mara's claims to World Heritage status for Condah, and its proposal to develop sustainable livelihood opportunities based on the site. However, there are opportunities to improve the process of identifying sites of cultural significance prior to planting. There is no reason to question the Company's motives in supporting the Winda Mara, but the Company should also explore opportunities for mutual and lasting benefit through its relationship with the Winda Mara. Many of the Winda Mara's criticisms were directed at the plantation forestry industry as a whole rather than at the Company specifically, and the Winda Mara acknowledged that they had limited knowledge and experience on which to judge the long-term effects of plantation forestry. The impact of blue gum treefarms on regional water yields is not well understood, but is the subject of ongoing research. As further information becomes available, the Company should consider any ecological impacts in the context of indigenous groups and native title.
P4: Community Relations & Workers' Rights	<ul style="list-style-type: none"> The Company does not source chemicals or fertiliser locally. 	<ul style="list-style-type: none"> The Company has a responsible attitude towards the purchase of chemicals and fertiliser that satisfies its business objectives while supporting the community. This is achieved by negotiating prices through national contracts but using local agents for supply and distribution.

	<ul style="list-style-type: none"> • There is widespread concern in all regions that plantation forestry is contributing to increased land and property prices, movement of people away from the land and consequent decline in demand for health, education and other community services. ▪ Several stakeholders questioned the Company’s commitment to engage constructively and consistently with government and industry peers over issues of critical importance to the industry and the regions in which it operates. • There is a degree of public cynicism about the purposes of the sponsorship program and, in one reported instance, a reluctance to accept support because of fear that it would imply some future obligation to the Company. 	<ul style="list-style-type: none"> • The Company demonstrated only limited understanding of the nature of socio-economic conditions and likely socio-economic impacts of its operations. While it is true that plantation forestry contributes to diversify regional employment and economic opportunities, it is important to understand how this operates at the regional level. • The Company has adopted a strategic approach to engagement with government, albeit one which often sidelined industry associations and other plantation companies. The Company is acting within its rights in doing so, and argued plausibly that it was promoting the long-term interests of the industry as a whole. However, there is a concern that negative perceptions in this area are not being adequately addressed. • The Company needs to focus its community support more closely on meeting identified community needs and demonstrating a serious commitment to contributing to improvements in local quality of life.
<p>P5: Benefits from the Forest</p>	<ul style="list-style-type: none"> • The business model adopted by the Company is widely recognised to be more sustainable than that of other operations that have failed in recent years. • Companies (in general) involved with blue gum Managed Investment Schemes are ripping off investors and the investment is not sustainable. • Some stakeholders would prefer an increased emphasis on value added/ solid wood products. • Most stakeholders consider treefarms to have a generally beneficial impact on the condition of local and regional water bodies and forest remnants. However, there are some concerns: <ul style="list-style-type: none"> – Treefarms 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 	<ul style="list-style-type: none"> • Recurrent income from the investment projects appears to be sufficient to maintain an adequate level of plantation management. • 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. The Company has demonstrated a strong commitment to management of this ongoing perception through both silvicultural and market development. These initiatives will be important to ensuring economic sustainability. • The assessment team is satisfied that there are very few (if any) economically viable alternatives to the current silvicultural regimes and product markets. However, there is an expectation that the Company will continue to investigate alternatives that diversify the forestry risk. • A significant amount of research is currently being undertaken by third parties (eg, CSIRO and regional catchment authorities) to better understand the hydrological issues associated with blue gum treefarms. Company staff are aware of the results from this research but further knowledge is required before the implications for management operations are known. <p>It will be important for the Company to actively contribute to research programs aimed at better understanding these issues and to continue being proactive in addressing</p>

	<ul style="list-style-type: none"> – on the water table and recharge areas. – Initial benefits to catchments disappear when harvesting takes place. <ul style="list-style-type: none"> • Treefarms are considered to be largely fire proof and the width of bare firebreaks is a waste of land. • Stakeholders expressed concerns about the consequences of a massive bushfire. Blue gum treefarms are considered to be explosive and the fires will be very difficult to contain. • Models being used to estimate wood volume need to be accurate so as not to over-estimate the available resource. 	<p>perceptions.</p> <p>The Company 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.</p> <ul style="list-style-type: none"> • There is still a lot to learn about fire behaviour in blue gum treefarms and the width of firebreaks is considered to be a wise precautionary measure at this stage. Fire break width is a local government requirement. • The available evidence regarding fire behaviour in blue gum treefarms appears to be contrary to these concerns. Unlike pine treefarms, which have been known to “explode”, the low fuel loads in blue gum treefarms tend to slow or stop bushfires rather than adding to the threat. • The assessment team shares this concern and has encouraged the Company to increase the level of inventory and analysis that is currently undertaken.
<p>P6: Environmental Impact</p>	<ul style="list-style-type: none"> • Stakeholders were concerned about a number of environmental issues relating to the impact of land clearing, including: <ul style="list-style-type: none"> – The direct and indirect impacts of plantation operations on land clearing; and – Previous clearing of nesting trees for the red tailed black cockatoo in Victoria – the apparent conversion to plantation of suitable Brolga <i>Grus rubicunda</i> habitat near Pallisters Reserve as an issue. – Potential conversion of nesting areas and feeding habitats for Muirs corella. • Some ENGOs did not support the use of herbicides and pesticides, particularly Simazine. • Support by some ENGO’s for restricted use of Simazine (prohibited under FSC-IP-001). • An ethical investment fund has advised that it is no longer recommending Timbercorp as a 	<ul style="list-style-type: none"> • Stakeholder concerns are valid based on previous performance of the Company, however changes to processes have been implemented to minimise the risk that incidents, such as with the red-tailed black cockatoo are not repeated. The assessment team has also set specific conditions to ensure that processes are further improved if the Company is to be FSC certified. • The restricted use of herbicides and pesticides is currently an essential operation if the Company is to meet its economic objectives. Simazine is perhaps the most important herbicide in use and there are no effective, environmentally benign alternatives. Significant resources have been dedicated to minimising chemical usage, including simazine, and to identifying more environmentally benign alternatives. These efforts have yielded some success thus far, particularly during the second rotation. • This support is consistent with the Company’s approach to phase out the use of chemicals prohibited under FSC-IP-001 over a period of time. The Company intends to seek derogation from the FSC for the limited use of Simazine. • Staff was unaware that the fund was still not comfortable with the operations despite

	<p>“Green stock”.</p> <ul style="list-style-type: none"> • Field foresters may lack the appropriate training to recognize non-forested vegetation communities, particularly seasonal wetland. • A number of stakeholder comments were received relating to the potential for genetic pollution: <ul style="list-style-type: none"> – Blue gum has been found in surveys of road-side native vegetation on the South Coast of WA and local conservation groups consider it a weed species. – How is the Company going to protect indigenous Eucalypts from cross-pollination from their treefarms? – What is the Company planning in regards to genetic engineering of tree species? • Stakeholders questioned whether appropriately qualified personnel mapped the native vegetation. Maps from government authorities require ground truthing and many of the maps are not produced at a scale which is useful for management purposes. • Stakeholders questioned whether specific personnel have been employed to determine soil characteristics of each biogeographical region. • Much of the Company’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. • Blue gum treefarms could harbour pests and vermin, which could in turn be problematic 	<p>changes to procedures that had been communicated to the fund. There is an open invitation to the fund managers to inspect operations and communicate any ongoing concerns.</p> <ul style="list-style-type: none"> • The assessment team supports this view and the Company has been encouraged to seek the ongoing assistance of specialist ecologists. • Plantation-grown Tasmanian blue gum has thus far proven to be non-invasive and no significant ecological impacts have been identified, but the Company must continue to be diligent in its investigation of the potential for “genetic pollution”. Addressing specific stakeholder concerns: <ul style="list-style-type: none"> – There is no evidence to confirm that the particular occurrences within native vegetation have arisen from treefarms, however invasion of native vegetation by wildings is possible and the Company is encouraged to implement a monitoring program. – Hybridisation /genetic introgression can occur within eucalypts of the same sub group and this could be an issue with seed orchards in Victoria. The Company 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. – The Company uses no biological control agents or genetically modified organisms. • The assessment team share this concern and a requirement to supplement the available data with ground truthing is the subject of conditions imposed. • The Company employs a soil scientist to assess soil characteristics for the primary purpose of estimating productivity prior to planting. Some consideration is also given to issues such as erodibility and chemical mobility and these assessments are taken into account when operations are planned. • Employees within the Green Triangle have received training in the recognition of threatened grassland communities and one such community has been identified on Chick treefarm. Conditions have been imposed that ensure appropriate monitoring procedures are in place, together with adaptive management practices. • It is unclear whether blue gum treefarms harbour increased numbers of pests and
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	<p>for local landholders.</p> <ul style="list-style-type: none"> • ENGOs questioned whether fertilizers used on treefarms contain industrial waste including heavy metals. ▪ The Company 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. 	<p>vermin (eg, 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, the company is working with neighbours to control vermin.</p> <ul style="list-style-type: none"> • The example provided by stakeholders was ammonium phosphate, which has impurities such as Cadmium, Lead and Mercury. The Company does not use any significant quantities of this fertiliser because of the residual amounts in the soil following agricultural uses. Trees are commonly used to assimilate heavy metals stored in the soil and the change in land use from agriculture to trees could therefore be considered beneficial • The assessment team agrees that there are opportunities to increase the cover of native vegetation on land owned by the Company. In conjunction with ENGOs, the Company has already made some 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	<ul style="list-style-type: none"> • Stakeholders questioned whether the Company has developed Forest Management Plans and Best Management Practices. It was suggested that these need to be reviewed by independent sources including trained ecologists. 	<ul style="list-style-type: none"> • The FSC Principles and Criteria include a requirement to produce comprehensive management plans and the ongoing audit processes provide a process of independent audit.
P8: Monitoring & Assessment	<ul style="list-style-type: none"> • Some stakeholders did not consider that the Company has been sufficiently proactive in its efforts to work with local authorities and ENGO's to undertake monitoring of both the on-site and off-site impacts of its operations. 	<ul style="list-style-type: none"> • 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 the Company to increase the level of monitoring in conjunction with third parties.
P9: Maintenance of High Conservation Value Forest	<ul style="list-style-type: none"> • Stakeholders did not consider the Company to be consistently proactive in its approach to the maintenance of HCVF. 	<ul style="list-style-type: none"> • As above, the efforts made thus far to identify and manage HCVF in the Green Triangle are commendable but the assessment team agrees that these processes could be improved, particularly in Western Australia.
P10 - Plantations	<ul style="list-style-type: none"> • Some stakeholders from conservation groups were quite vehement in their opposition to the establishment of monocultures. "Polycultures" are proposed by some stakeholders whereby a diversified understorey layer is allowed to develop within the plantation. 	<ul style="list-style-type: none"> • Company shareholders and investors are unlikely to accept the establishment of alternative species (or "polycultures"), which 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.

3. RESULTS, CONCLUSIONS AND RECOMMENDATIONS

3.1. General Discussion of Findings

Table 4: Findings by FSC Principle

Principle/Subject Area	Strengths	Weaknesses
P1: FSC Commitment and Legal Compliance	<ul style="list-style-type: none"> • A register of legislative and regulatory instruments is maintained including international agreements and conventions. • Training in the implementation of Codes of Forest Practice has been undertaken. • No outstanding fees or charges reported. • Generally high standards of fencing and security. • Generally strong commitment to FSC principles and criteria. 	<ul style="list-style-type: none"> • No clear and systematic process in place to ensure that new legislative or regulatory requirements are incorporated into operational procedures. • No external audit against relevant Codes of Forest Practice. • Reluctance to accede to the Victoria Country Fire Authority's request that the Company participate in the State's Forestry Industry Brigade program. • Staff has not been briefed on the full range of international legal instruments affecting the Company's forestry operations.
P2: Tenure & Use Rights & Responsibilities	<ul style="list-style-type: none"> • Processes in place to identify potential cultural heritage issues at the land acquisition stage. • Clear knowledge of tenure and land use rights. 	<ul style="list-style-type: none"> • None identified.
P3 – Indigenous Peoples' Rights	<ul style="list-style-type: none"> • Recognition of the need to acquire a sound knowledge and understanding of Aboriginal issues. • Support to the Winda Mara in the identification, demarcation and protection of cultural heritage at Lake Condah. • Support for the Winda Mara's claims to World Heritage status for Condah, and its proposal to develop sustainable livelihood opportunities based on the site. • Aboriginal sites of significance are considered at the time of land acquisition. 	<ul style="list-style-type: none"> • Winda Mara had serious reservations about the cultural and landscape impacts of plantation forestry. • Winda Mara perceived that the Company's interest was driven solely by business benefits. • No formally established process for the protection of cultural heritage uncovered during operations.
P4: Community Relations & Workers' Rights	<ul style="list-style-type: none"> • All contractors are locally or regionally based and the Company has a policy of continuing to engage the same organisations wherever possible (vs. open tender). • Induction of contractors and their staff in environmental management planning. • Commitment to the technical skills and professional development of staff. • Responsible approach to OH&S, which is managed in accordance with legislative standards. • Conditions for all employees exceed Award standards and an Australian Workplace Agreement for Timbercorp Harvesting has been established. • Responds quickly and generally positively to requests to community concerns. 	<ul style="list-style-type: none"> • No evidence that the Company is actively seeking to increase diversity within the workforce. • Needs to address broader community concerns about the social impacts of blue gum plantation forestry. • <i>Corporate Management Plan</i> demonstrates only limited understanding of the nature of socio-economic conditions and likely socio-economic impacts of the Company operations. • No formal written processes for community consultation, and no process of ensuring that community views are incorporated in business strategy and operational decision-making. • Stakeholder data is not centralised. • Ineffective media and communications strategy.

	<ul style="list-style-type: none"> Maintains a list of neighbours adjoining all its treefarms, and responds positively to queries and complaints. 	<ul style="list-style-type: none"> Negative perception of the Company among some industry associations and regulators. Inefficient use of sponsorship budget. No key social performance indicators.
P5: Benefits from the Forest	<ul style="list-style-type: none"> The business model adopted by the Company is recognised to be more sustainable than others in the investment industry. Diversified agribusiness investment (Timbercorp Limited) enables investors to diversify risk while maintaining an ongoing investment in trees. Proactive and largely successful initiatives to market wood products. Demonstrated management support for alternative domestic processing industries. Minimal waste from harvest operations. Responsible approach to the development of future biomass markets. Emerging treefarm industry has diversified and strengthened the local economies. Treefarms have a generally beneficial impact on the condition of local and regional water bodies and forest remnants. 	<ul style="list-style-type: none"> No inventory on treefarms under direct management of the Company, at time of assessment, although programme in place to define the inventory process, with implementation beginning shortly after the assessment. Insufficient investment in the purchase or development of robust growth models. Insufficient attention paid to the environmental costs of production. Current dependence on a single species and a single product. No off site monitoring of the environmental impacts of forest operations.
P6: Environmental Impact	<ul style="list-style-type: none"> Increasing awareness of environmental impacts via ISO 14001 and FSC. Ecological datasets relevant to operations have been obtained. Environmental projects and stakeholder engagement in the Green Triangle provide a good example of how the Company could move forward on a larger scale. Withdrawal of grazing and the implementation of fox and rabbit control associated with tree growing 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 treefarm supervisors in this region. Procedures for managing chemical usage are well developed. Significant resources have been dedicated to minimising chemical usage and identifying more environmentally benign alternatives. These efforts have yielded some considerable success thus far. 	<ul style="list-style-type: none"> No classification of remnant vegetation types for the majority of treefarms and an inadequate understanding of the local and regional importance of remnant habitat. Little or no consideration of rare, threatened, endangered flora, fauna or community types in operational planning. No formal Dieback (<i>Phytophthora cinnamomi</i>) management plan for operations in the south-west of Western Australia. Wetlands are not being clearly identified on maps. Significant erosion impacts found during audit. Three chemicals are currently being used that are prohibited under FSC-IP-0001 and shall be stopped until derogations are approved and followed. No formal monitoring program for wildings despite local government requirements to do so. Evidence that some remnant vegetation in paddock (apprx. 11 hectares) was cleared during 2003.
P7: Management Plan	<ul style="list-style-type: none"> Management planning processes at the functional level (eg, insect control across the estate) are strong. Processes for revising functional management plans are strong. 	<ul style="list-style-type: none"> Treefarm management plans incomplete with respect to some of the key criteria for environmental planning and monitoring (production and environmental). No plans available at the time of audit for three out of the four properties to be planted in Western Australia. There is evidence that lack of a rigorous planning process has compromised management against FSC principles during 2003.

		<ul style="list-style-type: none"> • There is no systematic process for revising treefarm management plans, though revision of plans is on a functional level. Planning is completed at a landscape level and new knowledge incorporated as it is obtained through the EIA/JSA process and SOM. • Integration of databases is very weak. • No centralised training matrix observed by the team.
P8: Monitoring & Assessment	<ul style="list-style-type: none"> • Monitoring systems are strong within the production forest (plantation). • Potential for Chain of Custody Certification is strong. 	<ul style="list-style-type: none"> • There is very little, or nil, monitoring of the non-production forest (remnant vegetation, wetlands etc). • Insufficient baseline information about non-plantation areas.
P9: Maintenance of High Conservation Value Forest	<ul style="list-style-type: none"> • The Company has engaged environmental consultants to compile a database of the known occurrence of rare, threatened and endangered flora and fauna across its areas of operation in Western Australia. 	<ul style="list-style-type: none"> • No site-specific approach to data collection that would enable the Company to identify HCVPs. • There is no monitoring of HCVPs.
P10 - Plantations	<ul style="list-style-type: none"> • Strong pest and weed management programs. • Strong nutrient management program. • Extensive system of Permanent Sample Plots is likely to yield important management data in future years eg, tree and soil productivity. • Treefarms generally beneficial to soil structure. 	<ul style="list-style-type: none"> • Insufficient monitoring of on-site and off-site water quality parameters. • Harvest planning processes are generally weak. • Isolated cases of 'tidying up' for plantation establishment led to clearing of remnant vegetation.

3.2. Certification Decision

Based on a thorough field review, analysis and compilation of findings by this SmartWood assessment team Timbercorp Forestry 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, Timbercorp Forestry 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. Timbercorp Forestry will also be required to fulfil the conditions as described below. Conditions are verifiable actions that will form part of the certification agreement that Timbercorp Forestry will be expected to fulfil 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 has agreed on the following, pre-conditions and conditions for this assessment as these shall address the weaknesses in management determined through the assessment. The preconditions listed below were mandatory actions that had to be closed out before Timbercorp would be granted certification. Steps to close the preconditions are summarized in this section.

Prior to the issuance of a certificate, the Company must revise contractual arrangements with WAPRES to include a commitment to FSC principles and organize any necessary training and/or ongoing processes of liaison to ensure that WAPRES staff are familiar with the requirements of the Standard.

CLOSED. On July 2, 2004 an amending agreement of certain plantation services agreements was reached between Timbercorp Limited and Timbercorp Securities Limited and WACAP Tree Farms Pty Ltd. This new agreement between the relevant responsible parties clearly states commitment to FSC Principles and Criteria, and notably, that carrying out of plantation services in accordance with FSC Principles and Criteria is an obligation for the contractor. Further to the requirements of the pre-condition, Timbercorp offered orientation training on certification requirements, Principles, Criteria, and management practices to staff of WAPRES on July 20, 2004. SmartWood reviewed the content of the presentation and the attendance list of all staff present for the training.

No additional condition required.

Prior to the issuance of a certificate, the Company must cease the use of all chemicals that are prohibited under FSC-IP-0001 or be granted a derogation for the limited use of specific chemicals by the FSC.

CLOSED. On September 11, 2004, the FSC Board Committee issued its decision that FSC granted an extension to the derogation that applied to the use of simazine in Victoria to include the states of South Australia and Western Australia.

Simazine may be used in Victoria, Western Australia and South Australia, for the residual pre-emergent control of grass and broadleaved weeds in Eucalypt plantation establishment, until September 2006, and subject to the same conditions of a pre-existing derogation for the use of Simazine. These terms are:

1. A 'Pesticides Advisory Group' which consists of technical advisers and which has the support of key FSC stakeholders in Victoria and environmental, social and economic members of the interim Australian NI shall be established by the FSC Australia Contact Person prior to any application of Simazine by FSC certificate holders.
2. The role of the Pesticides Advisory Group shall be to provide guidance on the conditions attached to this derogation, and to review the results of monitoring carried out by certification bodies of certificates applying the derogation. Certificate holders shall make all necessary information available to members of the Advisory Group to allow them to meet these objectives.
3. Until the Pesticides Advisory Group gives clarifying guidance, there shall be no application of Simazine in domestic supply water catchments.
4. Simazine shall not be applied on sites with conditions in which Simazine can move off-site or accumulate in water courses. Until the Pesticides Advisory Group gives clarifying guidance, there shall be no aerial application of Simazine in certified operations.
5. Where Simazine is used there shall be buffers around the edges of sites and along drainage lines to ensure there is no spray drift, contamination of waterways, or off-site impact on native vegetation.
6. The Pesticides Advisory Group shall provide specific guidance to be followed with respect to:
 - 6a. pre- and post- application monitoring of water courses, buffers, native vegetation and soils in catchments where Simazine is applied;
 - 6b. determination of sites, soils and catchments where it is not appropriate to apply

- Simazine;
- 6c. the use of alternative chemicals that are not on the FSC prohibited list and have a lower risk of negative on- and/or off- site environmental impacts;
 - 6d. determining the "trigger value" for Simazine and procedures to be followed when monitoring shows the trigger value has been exceeded or when Simazine is detected in waterways;
 - 6e. appropriate application methods, in particular under what, if any, circumstances aerial application is acceptable; and,
 - 6f. appropriate controls under which Simazine may, if at all, be applied in domestic water supply water catchments.
7. The policies and procedures of certification applicants shall be evaluated and confirmed by the certification body prior to the issue of a certificate.

As these terms require that a pesticide advisory group (PAG) be established prior to the application of simazine by a certified forest, then while Timbercorp could be certified, they are not permitted to use simazine within their estate until the PAG is formed. There has been no indication from FSC Australia as to when, or if, this will take place.

New condition issued.

Condition 18: Throughout the certification period, Timbercorp Forestry is to abide by the terms of the September 11, 2004 document "FSC-POL-30-601 Addendum 2 Simazine derogation" Prior to the issuance of a certificate, all management plans for treefarms established since the beginning of 2003 must be completed in accordance with Criterion 4.7.1. In instances where areas of native vegetation have been cleared prior to planting the management plan must clearly detail the reasons for this operation for this operation and rationale for the operational decision in the context of FSC Criterion 4.6.10 and 4.10.9.

CLOSED. Timbercorp have prepared new management plans for all properties that were established in 2003 and are to be established in 2004. These were sent to SmartWood for evaluation in April 2004. These management plans meet the requirements that SmartWood specified within criterion 7.1, and have been reviewed to ensure that they contain the following coverage for all:

- a) Management objectives
- b) Description of the forest resources to be managed, environmental limitations, land use and ownership status, socio-economic conditions, and a profile of adjacent lands.
- c) Description of silvicultural and/or other management system based on the ecology of the forest in question and information gathered through resource inventories.
- d) Rationale for rate of annual harvest and species selection.
- e) Provisions for monitoring of forest growth and dynamics.
- f) Environmental safeguards based on environmental assessments.
- g) Plans for the identification and protection of rare, threatened and endangered species.
- h) Maps describing the forest resource base including ecosystem types, protected areas, planned management activities and land ownership.
- i) Description and justification of harvesting techniques and equipment to be used.

The management plans confirm that there were some instances (apprx. 11.5 hectares) where small portions of remnant native vegetation in paddocks were cleared for plantation establishment prior

to the certification assessment in August 2003. There was no indication that this vegetation had significant conservation values, however the company is expected to meet condition 10, whereby management of remnant vegetation is to take place.

A review of management plans (including aerial photographs) prepared for the 2004 planting season (post audit) does not indicate any incidence of clearing of native vegetation and the Company has been proactive in its identification and management of conservation values within remnant vegetation on the 2004 estate.

Prior to the issuance of a certificate, the Company must provide documented procedures for ensuring that the chain of custody for all certified products can be traced from the plantation to the point-of-sale.

CLOSED. Timbercorp Forestry submitted a documented control system for their Chain of Custody procedures in March 2004. The company is responsible for infield chipping and hauling chips to the dock. The Forest Gate as described for Timbercorp will be at the weighbridge gates at the respective ports (Bunbury, Albany, and/or Portland) to where the chips are delivered.

Condition 1 Within one year of the issuance of a certificate, the Company 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 and communicated to staff and performance in this area is monitored and auditable. The Company shall ensure that changes in legislation and regulations affecting its operations are incorporated into its operational plans and guidelines.

Condition 2 Within one year of the issuance of a certificate, the Company shall ensure that training, induction processes and operational guidelines clearly communicate its commitment to FSC principles to staff.

Condition 3 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. This will include a clear definition of the nature of cultural heritage. At the very least, it will require that work be stopped if cultural heritage is uncovered, the area is secured, relevant groups and authorities are consulted and work will only recommence with their approval. It will also include processes for the long-term management of the site and protection of its heritage values.

Condition 4 Within one year of the issuance of a certificate, the Company shall complete a central training matrix that identifies areas of core competencies and highlight any areas where skills need to be improved.

Condition 5 Within one year of the issuance of a certificate, the Company shall establish a strategic approach to stakeholder consultation, engagement and communications. It will improve the quality of its stakeholder information by establishing and continuously updating a database of all Company stakeholders, their interests, concerns and interactions with the Company.

Condition 6 Within two years of the issuance of a certificate, the Company 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. The company shall develop social performance indicators relevant to its business objectives and operations and report publicly on its social objectives and performance.

Condition 7 Within one year of the issuance of a certificate, the Company shall demonstrate that an inventory program has been initiated. Data from these measurements, together with inventory data provided from WAPRES and Permanent Sample Plot data, will be used to forecast harvest yields using the best available growth model and results must be fed back into processes for both land evaluation and harvest planning.

Condition 8 Within one year of the issuance of a certificate, the Company will assign management responsibility for the ongoing investigation of alternative plantation species and forest products.

Condition 9 Within one year of the issuance of a certificate, the Company shall develop and implement a strategy to gather relevant biological information, using appropriate techniques, for all newly acquired tree-farms and expand this strategy consistent with the timeframe developed under Condition 14. The strategy will incorporate ground-truthing that is to be undertaken by qualified personnel and information will be incorporated into the relevant Treefarm Management Plan and be explicitly considered during planning and operational practices through formal documentation of guidelines. All areas identified as conservation zones and/or protection areas must be clearly identified on maps.

Condition 10 Within one year of the issuance of a certificate, the Company will develop a clear working definition of ‘remnant vegetation’ and have begun a process of classification that is consistent with the timetable developed under Condition 14. The classification will include a “condition index” that reflects the level of disturbance. Site evaluation procedures will include a mechanism for determining the necessity to undertake flora and fauna surveys within identified remnants. Results of the classification must be incorporated into relevant management plans, shown on maps and reflected in appropriate management practices to ensure the maintenance of ecological productivity.

Condition 11 Within one year of the issuance of a Certificate, the Company will develop and implement a strategy to classify all managed wetland and waterlogged areas according to the relevant States’ wetland classification scheme. Results of the classification will be incorporated into relevant management plans, shown on maps and reflected in appropriate management practices to ensure the maintenance of ecological productivity.

Condition 12 With one year of the issuance of a certificate, the Company will be preparing harvest plans that place an increased emphasis on environmental planning and monitoring that is consistent with FSC Principles and Criteria. Where practical, the harvest plans will take into account the spatial distribution of age classes throughout the region and work towards a mosaic of age classes over time (see

Criterion 10.2). Harvest plans will also consider potential impacts to off-plantation areas identified as conservation zones and/or areas that are otherwise recognised as sensitive during the planning phase.

Condition 13 Within one year of the issuance of a certificate, the Company shall establish to the best of its ability whether land was cleared of remnant vegetation subsequent to November 1994. Where land was cleared after this date the Company will be able to provide sufficient evidence that processes and procedures have been sufficiently changed to ensure that such clearing is not possible in the future.

Condition 14 Within one year of the issuance of a certificate, the Company shall develop, and begin implementing, a schedule for amending all previous treefarm management plans to comply with the guidelines under Criterion 7.1. Priority should be given to the management plans for properties where the absence of a compliant management plan results in a significant economic or environmental risk. The amended plans will include a monitoring program as described under Condition 16.

Condition 15 Within one year of the issuance of a certificate, the Company shall put in place a process to ensure that the management plans are systematically updated in accordance with criterion 4.7.2. The plans will include a monitoring program as described under Condition 16.

Condition 16 Within two years of the issuance of a certificate, the Company shall have developed and started to implement plans for the on-site and off-site monitoring of its operations on:

- genetic pollution, including wildings;
- spread of dieback,
- wetlands (including but not limited to pollution and drawdown) and wetland dependent communities;
- groundwater and groundwater dependent communities.

The Company will consider opportunities to undertake the monitoring program in conjunction with local authorities and NGOs. Results will be reflected in a process of adaptive management

Condition 17 Within one year of the issuance of a certificate, the Company shall develop and implement a documented strategy to identify, monitor and conserve HCVPs across the estate. The strategy must 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 HCVPs should the land be sold.

Condition 18: Throughout the certification period, Timbercorp Forestry is to abide by the terms of the September 11, 2004 document “FSC-POL-30-601 Addendum 2 Simazine derogation”.

SmartWood Certification Annual Addendum to the Public Summary for Timbercorp Forestry Ltd. 2005; SW-FM/COC-1327

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 both Australia and internationally. John completed Lead Assessor Training by SmartWood in June 2002 and has been involved with several FSC Forest Management audits and scoping assessments. He has also undertaken FSC Chain of Custody audits and scoping assessments.

Jeffrey Hawyard

Jeff Hayward is Asia Pacific Regional Manager, of the Rainforest Alliance SmartWood Certification Program, based in Jakarta, Indonesia. He has conducted over 20 forest management assessments, scopings, and/or audits and over 60 chain of custody assessments and/or audits. 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. For three years he worked with the U.S. Peace Corps as a community forester in Guatemala, providing technical extension services to an agroforestry and conservation of natural resources program. His private forestry consulting has been for the B.C. Ministry of Forests, the FSC and IIED. Publications include research on forest certification and forest silviculture.

1.2 Audit schedule

Date	Location /main sites	Main activities
1 November 2005	Perth Office	Summary of progress on conditions
2 November 2005	Field visits (Albany)	Review of harvesting and establishment operations

3 November 2005	Albany Office	Staff/Stakeholder consultation
4 November 2005	Albany Office	Staff interviews and debrief
5-30 November	Draft Report	Writing report
<p>Total number of person days used for the audit: 16</p> <p>= number of auditors participating 2 times total number of days spent for the audit and reporting 8</p>		

1.3 Sampling methodology:

Priorities for field sampling were based on plantation sites that would evidence/test company compliance to the Conditions of certification that the company was required to meet by the end of the first year of certification. As such, a particular focus was put on harvesting and harvest planning. Recent establishment practices were also reviewed in order to verify compliance with conditions relating to chemical use. Within sites, variables of importance for auditor evaluation were:

- retention and protection of remnant vegetation;
- pre-harvest notifications to neighbors, Shires, and relevant authorities;
- road and track maintenance;
- stream crossings, culverts, and drainage;
- riparian areas and drainlines;
- wetland identification and protection;
- 'special values' identification in management plans;

Treefarm audited	Rationale for selection
Moir	Establishment/ Herbicide operations
Jacaranda Park	Establishment/ Herbicide operations
Trappit	Harvesting operations
Duncan	Harvesting operations
Townsend	Harvesting operations

1.4 Stakeholder consultation process

The initial approach to reaching out to stakeholders was via email contact originating from SmartWood stakeholder contact lists from the original assessment. The auditors provided notification of the audit two weeks prior to the forest inspections and sent out to stakeholders a short survey and a copy of the certification standard.

Following notification several stakeholders replied via the survey form, or by telephone and email contact. Members of the Porongorup community in Albany requested a face-to-face meeting with the auditors during the audit, which was arranged in advance.

The table below indicates the range in terms of type of stakeholder informed and providing input through the audit process.

Stakeholder type (NGO, government, local inhabitant etc.)	Number of stakeholders informed	Number of stakeholders consulted or providing input
ENGO	11	2
Local government	4	1
Contractors	3	1
Industry and industry groups	9	2
Customers	1	0
Community	7	7

1.5 Changes to Standards (if applicable)

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 during the assessment process.

There had been no changes to the standard during the period since the initial assessment.

2 AUDIT FINDINGS AND RESULTS

2.1 Changes in the forest management of the FMO

Timbercorp has revamped the documented system originally developed for ISO 14000. The system is on-line through a company intranet. The whole documentation system and supporting documents are controlled in a system called Fast track™. Any updates to documentation in Fast track are immediately reflected in an update of the version on the intranet. There are additional documents such as forms, checklists or more detailed reference documents that are referenced by hyperlink, which permit staff in any office to access the same information, be these management plans or policies.

Making documentation and information publicly available to stakeholders has been improved via the Timbercorp web site (Internet).

The company made some key staffing appointments since the certificate was awarded. Kevin O'Grady was appointed as Manager of IMS (replacing Ian Smith). Kevin focuses on compliance throughout the organisation. He has driven the integrated approach and the rationalisation of the SOPs. He and his co-worker Angela Toohey act as internal consultants to the Forestry division on FSC issues. John Kyle was a recent appointment as the Community Relations Manager in the Green Triangle. John brings 35 years experience in community liaison from his career in the police force. He brings to the company his close relationship with local Aboriginal representatives, which has been useful in developing cultural awareness training and cultural heritage procedures.

Simon Poynton, Lachlan Cook and Andrew Dickinson have transferred from the Green triangle to Western Australia as part of a programme instigated by the General manager Tim Browning to 'spread' the FSC ethos across the Company.

Dr James Bulinski leads the Technical Services Division that is leading research and monitoring in a number of areas that relate to meeting FSC principles; such as:

- Monitoring and inventory – including the linkage of that data to full rotation planning, harvest planning and management planning;
- Nutrition planning – an estate level approach to planning for nutrition;
- Integrated Pest Management (IPM) and Chemicals use – control over the IPM approach and the application prescriptions, as well as trials in alternative and non-chemical controls.

A new program has commenced to address fox problems that local stakeholders blame on the plantation industry. Baiting will be taking place on a large scale with a coordinated approach.

A substantially important development for the company's wood chip export business was the completion of the Albany Chip Terminal Project this year and the first shipments in April 2005. The definition of the 'forest gate' and the scope of the Timbercorp Chain of Custody certificate has been expanded since the original certification and evaluated in this audit.

The FM/COC certificate of Timbercorp has been expanded to include the handling of export wood chip to the point of loading on board the ship, as operated by Plantation Pulpwood Terminals (PPT), a company jointly owned by Timbercorp and Integrated Tree Cropping (ITC). Furthermore, these two companies have respective joint ownership and establishment of Plantation Pulpwood Exporters (PPE), and the latter functions as an agent to execute marketing and sale of the certified materials at the owners' request, and sales through PPE also will be included within the scope of the Timbercorp certificate.

The expansion of forest gate was based on site evaluation by auditors at the Albany Chip Terminal and PPT, as well as through review of agreements, deeds, and other documents that establish the legal ownership of the certified materials by Timbercorp and ITC. From forest to ship loading, Timbercorp retains ownership of the chip.

The company has developed a good relationship with Greening Australia and conducted 3 trial assessments of remnant vegetation and environmentally significant areas on 3 tree farms to calculate an index or scoring of the condition of various vegetation communities and habitats, and to provide some suggested recommendations for management.

The company is involved in the Waychinnicup River Revegetation Project, proposing to restore approximately 4 kilometers of riparian areas alongside the river that runs through company managed tree farms. The effort would help link a total corridor of 32 kilometers, originating in the headwater swamps and running to Chaynes beach on the coast. Timbercorp has formed partnerships with Albany Eastern Hinterland Catchment Group, Community organizations, Greening Australia, and local neighbors to make this restoration effort possible.

2.2 Stakeholder issues

A range of stakeholders were consulted during the audit. The issues raised are discussed as part of the findings in Section 2.3 and Appendix III. A brief summary is presented below.

Contractors and industry groups were very complementary of the Company's technical skills as a plantation manager and the Company is viewed as a leader in many aspects of forestry operations by its peers. The Company has been collaborating with some ENGOs on environmental projects (eg revegetation of unplanted areas, protection of wetlands) and these groups were appreciative of the efforts of the organization.

Other ENGO's and community groups did not hold the Company in high regard and some considered it to be arrogant, or even threatening in the way it engaged with them, or faulted for not communicating. Yet, the auditors observed that there had been little to no direct interaction between the company and those individuals making these comments. More often than not, individual neighbors and concerned citizens with a negative impression of Timbercorp had not approached the company with their complaints, in writing or by other means, nor met with company staff in the period since certification was awarded. Nor was there evidence of the company staff making an effort to meet with community groups that held such opinions. Complaints from community members surrounding various issues pertaining to the blue gum industry, or directly at Timbercorp, mostly are expressed in letters to the editor of the local media. The company has also written some letters to the editor in response. In general, exchanges in the local press are not an effective means to resolve disputes originating around forestry practices.

In discussion with auditors, the single greatest issue raised by stakeholders was associated with chemical use, particularly the concern that the company was aerial spraying (something Timbercorp states it has not done since 2002), and the perceived impacts to human health from chemical application.

Concerns were also expressed about the impact of the Company's harvesting operations on local roads as well as the noise generated by 24 hour harvesting operations in Western Australia. The Company had been considering the development of a new port facility near the town of Robe in South Australia and some local residents believe that Timbercorp should have done more to consult with them during the process.

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

	the CAR and addressed the underlying noncompliance.
Open	Certified operation has <u>not met</u> the CAR; underlying noncompliance is still present. CAR becomes a Major CAR with a 3 month deadline for compliance

CAR #: Condition 1	Reference Standard #: 1.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	<ul style="list-style-type: none"> • There appeared to be no clear and systematic process in place to ensure that new legislative or regulatory requirements are incorporated in operations guidance and manuals. • It was not clear that Shire Council permitting requirements are always incorporated into operational plans and guidelines.
<p>Corrective Action Request: Within one year of the issuance of a certificate, the Company 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 and communicated to staff and performance in this area is monitored and auditable. The Company shall ensure that changes in legislation and regulations affecting its operations are incorporated into its operational plans and guidelines.</p>	
Timeline for Compliance: Within one year of the issuance of a certificate	

<p>Audit findings:</p> <p>The Company has established a new baseline for its legal obligations by utilizing a legislative review that was undertaken in 2004 as part of the Commonwealth Government's Plantations 2020 vision. A process has also been documented for monitoring subsequent updates using the Lawlex alert system. A spreadsheet system is used to monitor responsibilities for any actions and the subsequent close out of these actions.</p> <p>It would be preferable for the Company to also include any changes to international or local government guidelines in this process, however the audit team acknowledges that any such changes are incorporated into other processes that are both external and internal to the Company's operations. In terms of international law, Australia is a signatory to all of the international laws that impact on the Company's operations and it is reasonable to assume that that any changes will be incorporated into national laws, which are monitored through the Lawlex updates.</p> <p>The Company's operations cover a large number of local government jurisdictions and the task of proactively monitoring all of the various changes is a large one. The current processes rely on ensuring compliance with any local government planning restrictions that are required at the time of approving the plantation operation. In most cases these restrictions are consistent with the Code of Practice in the</p>
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<p>relevant state. The management plan for Brinie Treefarm was reviewed by the audit team as an example where local government requirements exceed those of the Code. A review of the management plan for the property indicated that most of these additional requirements had been incorporated into the plan, but an additional requirement to burn or otherwise remove harvest slash had been overlooked.</p>
<p>Status: CLOSED</p>
<p>Follow-up Action (if applicable):</p> <p>Observation: The Company should include a review of local government planning requirements as part of its internal audit of management plans.</p>

CAR #: Condition 2	Reference Standard #: 1.6
<p>Non-compliance:</p> <p>Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/></p>	<p>Contractual arrangements between WAPRES and Timbercorp did not require a commitment by WAPRES to FSC principles when managing treefarms on the Company's land (which led to a precondition), but similarly, the commitment to FSC was not communicated clearly.</p>
<p>Corrective Action Request:</p> <p>Within one year of the issuance of a certificate, the Company shall ensure that training, induction processes and operational guidelines clearly communicate its commitment to FSC principles to staff.</p>	
<p>Timeline for Compliance: Within one year of the issuance of a certificate</p>	

<p>Audit findings:</p> <p>Company environmental policy has been updated that clearly states FSC is a commitment of the company. This policy is posted in company offices, on their intranet, and is accessible to the general public through the internet. Commitment to FSC is also stated in the <i>Timbercorp Limited Annual Report 2004</i>.</p> <p>Staff induction documents were updated and the FSC section is available on the company intranet. There are FSC standards, policies, and reference material accessible to all staff members. An FSC info sheet is available on the intranet. Standard Operating Procedures are updated to capture FSC requirements, i.e., in response to SW conditions. Management plans, also accessible through intranet, are going through iterations to reflect FSC related updates.</p> <p>The intranet is a significant step that makes communications within the company consistent, centralized, and easily accessible. This has been a big development over the past year and regularly used over the past 4 months.</p> <p>In general, the company has put in place policies and communication tools to make the staff aware of the company commitment to FSC.</p>

Status: CLOSED
Follow-up Action (if applicable): N/A

CAR #: Condition 3	Reference Standard #: 3.2
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	There appeared to be no formally established process for the protection of cultural heritage uncovered during operations. This represents a serious gap in the Company's operational standards.
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. This will include a clear definition of the nature of cultural heritage. At the very least, it will require that work be stopped if cultural heritage is uncovered, the area is secured, relevant groups and authorities are consulted and work will only recommence with their approval. It will also include processes for the long-term management of the site and protection of its heritage values.	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings: The company recently completed an "Aboriginal Cultural Heritage Management Plan". The plan includes a definition of cultural heritage and also indicates that appreciation and protection of cultural heritage is part of the company mission. The procedures to address cultural heritage at the time of operations have been outlined in "Cleanup SOP, section 2.3", "Cultivate SOP, section 1.9", and referred to in "Site Evaluation SOP" and "Harvesting Plans". The primary protocol in these procedures is for the action to take if a previously unidentified Cultural Heritage site is uncovered during work. In such a case, the procedure is to stop work, secure the site to prevent further damage, and to consult with the local Aboriginal contact. These have been identified by the company for South Australia (Kungari Association Inc.), Western Australia (Department of Indigenous Affairs), and Victoria (Aboriginal Affairs Victoria). Notably, the company has hired John Kiely, expressly for the purpose of addressing cultural heritage, which is a big commitment. He was responsible for preparation of the "Aboriginal Cultural Heritage Plan", along with Caroline McDonald, who received some input from AAV. An important element of the plan is to conduct cultural heritage checks before purchase or lease of the land. This plan has just been completed and at the time of the audit not fully implemented. For example, newly-established tree farms planted in 2004/2005 (Briney and Watterson) had been planted prior to
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cultural heritage check. The company had responded to this and was following up with Dept. of Indigenous Affairs and archeologists to proceed with preparation of a site report and improved mapping of the potential cultural heritage sites on the properties.

The plan does not describe specific management prescriptions for sites with Cultural Heritage, rather it indicates that a plan for the specific cultural heritage value shall be developed. The company would seek advice from relevant authorities and specialists, such as a qualified archeologist, in order to prepare a management strategy for the site.

The company developed an "Aboriginal Cultural Heritage Training" presentation. This training tool identifies the legal and statutory requirements from the Commonwealth and for each state related to the protection of Aboriginal cultural heritage. The presentation provides guidance on the identification of various types of cultural heritage and sites, such as mounds, scar trees, and stone implements, for example.

Status: **CLOSED**

Follow-up Action (if applicable): N/A

CAR #: Condition 4	Reference Standard #: 4.2
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	The Company does not have a central training matrix that identifies capabilities and training needs across the group but it demonstrates a commendable commitment to the technical skills and professional development of its staff.
Corrective Action Request: Within one year of the issuance of a certificate, the Company 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:

Angela Toohey, Management Systems Officer, was responsible for developing a training register. She began by going across operations and meeting with supervisors and staff to review the core competencies for all roles in the company. The initial effort was to prepare an excel file that would be updated at a central office. The experience with this flat excel spread sheet was that it rapidly became out of date and would not keep up with the growth of personnel, responsibilities and training needs.

By the time of the audit, the company was still in the process of upgrading the training register. While training reports, which would indicate training records and needs, were available, these had to be requested of Human Resources in Melbourne to generate a report. The goal is to have this information accessible to staff via an intranet system. This was under development, but based on using existing software platforms which the company already uses to generate reports related to personnel as the means to be able to keep a real time update of an individual's training record, training needs, and

training opportunities. This information would be reviewed at the 12 month annual performance appraisal. Managers would identify training priorities for each staff, who would also identify their own training needs.

Reporting on training was centrally located in Melbourne and managed by Angela Toohey.

Status: **CLOSED**

Follow-up Action (if applicable): N/A

CAR #: Condition 5	Reference Standard #: 4.4
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	<ul style="list-style-type: none"> • The Company needs to address community concerns about the social impacts of blue gum plantation forestry. Although these are clearly industry-level issues, they also impact directly on the Company's reputation and ability to achieve its business and operational goals. • The Company has no formal written processes for community consultation, and no process of ensuring that community views are incorporated in business strategy and operational decision-making. • The Company maintains largely a reactive approach to community engagement. • The Company appeared to possess only very limited and poor quality data on its key stakeholders. • There appeared to be a negative perception of the Company among some industry associations and regulators. Several questioned the Company's commitment to engage constructively and consistently with government and industry peers over issues of critical importance to the industry and the regions in which it operates.
Corrective Action Request: Within one year of the issuance of a certificate, the Company shall establish a strategic approach to stakeholder consultation, engagement and communications. It will improve the quality of its stakeholder information by establishing and continuously updating a database of all Company stakeholders, their interests, concerns and interactions with the Company.	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings:

The Company has developed a Community & Stakeholders Relations Strategy and has further developed its stakeholder database since the initial audit. It continues to support an ongoing role in Western Australia for a community liaison officer and has recently created a similar position in the Green Triangle.

The processes for engaging stakeholders that are directly relevant to the commercial interests of the Company (eg investors, financial planners, land valuers) appear strong and a branding study that was undertaken by the Right Group in 2005 confirms this. The study provides mixed (and inconsistent views) in relation to the attitude of the community, as represented by neighbours and local government. In addition to a number of positive views of Timbercorp, there was also a suggestion that the Company could sometimes appear arrogant and that it could do more for the communities in which it operates.

Negative perceptions of the Company were presented by community stakeholders in the Porongorups (WA) and in Robe (Green Triangle). It is noted that many of the issues raised by the Porongorup community related to interactions with the Company from 5-6 years ago. These concerns included aerial spraying, general chemical use and the threatening behaviour of Company representatives. There were no specific complaints from this community about any of the Company's operations in recent years and, more particularly, since the Company has been certified. The fact that old issues are still a major concern for this community primarily reflects a lack of communication between the Company and the community.

There were concerns in Robe regarding the Company's investigation of the feasibility of a new port facility. The stakeholders claimed that they had not been adequately consulted during the process and that the facility would have a negative impact on the town as a tourist destination. In addition, one inhabitant from Robe wrote a letter to the CEO of Timbercorp that was not answered. The Company told auditors that it had been dealing with the community via the local council and that this consultation would have extended further should the Company have proceeded to a full feasibility study.

Regardless of the merits of some of these complaints, the Company's image and reputation is being impacted and it highlights the need for a much more proactive and effective strategy for community engagement and liaison. A starting point for such a strategy should be the identification of ENGOs and community representatives as stakeholders. There is provision for these groups in the stakeholder database, but many of the people that contacted the audit team as part of this assessment have not been identified by the Company within their database. These omissions include peak ENGOs such as Friends of the Earth and the Conservation Council of Western Australia, which can have a considerable influence on perceptions of the Company via their local networks.

Elements of the Community and Stakeholder Relations Strategy are a good start towards developing an effective plan for managing and communicating with these stakeholders, but they have not been implemented (eg stakeholder contact sheet) or do not go far enough at this stage.

Status: **OPEN**

Follow-up Action (if applicable): See CAR 1/05, Observations

CAR #: Condition 7	Reference Standard #: 5.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	<ul style="list-style-type: none"> The Company had not put sufficient resources towards developing or purchasing robust growth functions that will assist with the interpretation of inventory data for the purpose of projecting volumes at the end of the rotation. The Company had not undertaken any inventory on treefarms under its direct management.
Corrective Action Request: Within one year of the issuance of a certificate, the Company shall demonstrate that an inventory program has been initiated. Data from these measurements, together with inventory data provided from WAPRES and Permanent Sample Plot data, will be used to forecast harvest yields using the best available growth model and results must be fed back into processes for both land evaluation and harvest planning.	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings: Since the initial assessment growth models for Western Australia have been developed in conjunction with the Western Australian Department of Conservation and Land Management. Further iterations are also planned that will make the model more dynamic with respect to projections of final yield from a varying start point. In the Green Triangle region, the plantations are still relatively young and the preparation of a robust growth model is difficult. Notwithstanding this, the Company has access to the best available growth models for the region as a result of its collaboration with Melbourne University and other hardwood plantation managers in the <i>Prophesy</i> project. Inventory has now been completed for all plantations within the Company's estate that have reached the age of 4.5 or 7.5 over the last two years. Reports by McLeod and Bulinski (2005) indicate that approximately 23,000 hectares was inventoried at the younger age during the summer of 2004/5 and that 5,000 hectares was inventoried pre-harvest. The inventory data is being incorporated into harvest planning processes and is also used as one of the inputs to land evaluation for new projects.	
Status: CLOSED	
Follow-up Action (if applicable): N/A	

CAR #: Condition 8	Reference Standard #: 5.2
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Options to diversify the range of forest products that could be produced by the Company have been considered in the past, however there was no clear responsibility for the ongoing monitoring of future opportunities.

<p>Corrective Action Request:</p> <p>Within one year of the issuance of a certificate, the Company will assign management responsibility for the ongoing investigation of alternative plantation species and forest products.</p>
<p>Timeline for Compliance: Within one year of the issuance of a certificate</p>

<p>Audit findings:</p> <p>Responsibility for monitoring options for alternative products has now been assigned to Ben Bradshaw (Project Supervisor) and responsibility for alternative species has been assigned to Helen O’Sullivan (Tree Improvement Manager).</p> <p>The Company has been active in investigating opportunities for downstream processing through its involvement in two pulp mill feasibility studies in the Green Triangle region.</p>
<p>Status: CLOSED</p>
<p>Follow-up Action (if applicable): N/A</p>

<p>CAR #: Condition 9</p>	<p>Reference Standard #: 6.1</p>
<p>Non-compliance:</p> <p>Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/></p>	<ul style="list-style-type: none"> • Management plans give little or no consideration of rare, threatened, endangered flora, fauna or community types. • In general, there is an inadequate understanding of the local and regional importance of remnant habitat on existing treefarms and insufficient proactive measures to protect remnant areas.
<p>Corrective Action Request:</p> <p>Within one year of the issuance of a certificate, the Company shall develop and implement a strategy to gather relevant biological information, using appropriate techniques, for all newly acquired tree-farms and expand this strategy consistent with the timeframe developed under Condition 14. The strategy will incorporate ground-truthing that is to be undertaken by qualified personnel and information will be incorporated into the relevant Treefarm Management Plan and be explicitly considered during planning and operational practices through formal documentation of guidelines. All areas identified as conservation zones and/or protection areas must be clearly identified on maps.</p>	
<p>Timeline for Compliance: Within one year of the issuance of a certificate</p>	

<p>Audit findings:</p> <p>See Conditions 10, 11 and 17</p> <p>The Company has access to databases that allow it to check for any previously identified areas of</p>

special value. Techniques for gathering relevant information through ground surveys are also being developed in conjunction with Greening Australia, but these surveys are not yet being undertaken.

The audit team acknowledges that there are finite resources (time and financial) available for ground truthing, but a clearly defined methodology for undertaking surveys and a process for assigning priorities for the surveys (ie. Contract vs in-house) must be put in place.

Status: **OPEN**

Follow-up Action (if applicable): See CAR 2/05

CAR #: Condition 10	Reference Standard #: 6.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	There was little or no consideration of rare, threatened, endangered flora, fauna or community types. There was an inadequate understanding of the local and regional importance of remnant habitat on existing tree farms and insufficient proactive measures to protect remnant areas. No classification of remnant vegetation types. No clear definition of what constitutes remnant vegetation.
<p>Corrective Action Request:</p> <p>Within one year of the issuance of a certificate, the Company will develop a clear working definition of 'remnant vegetation' and have begun a process of classification that is consistent with the timetable developed under Condition 14. The classification will include a "condition index" that reflects the level of disturbance.</p> <p>Site evaluation procedures will include a mechanism for determining the necessity to undertake flora and fauna surveys within identified remnants.</p> <p>Results of the classification must be incorporated into relevant management plans, shown on maps and reflected in appropriate management practices to ensure the maintenance of ecological productivity.</p>	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings:

Initial inquiries with Department of Primary Industries, Victoria were undertaken by Simon Poynton in June 2004 to arrive at a definition. Advice provided suggestions for the component elements of a definition. This was worked through internally by staff and signed off in February 2005.

A process of classification was proposed and trialed in 3 tree farms in conjunction with Greening Australia. The assessments used a methodology which leads to a condition index that would reflect the level of disturbance.

It was encouraging to see that the site evaluations took place; however, these appear to be on an experimental basis only, for the moment. The company has not firmly decided upon a framework for prioritizing when, where, with who, and how further flora and fauna surveys would take place. The prioritization of site surveys has been an issue of discussion, with concerns of cost, practicality, and necessity being raised.

While the results of the assessments on the 3 treefarms now are included with the file for the management of these tree farms, there have not been assessments on a wider scale, across defined priority remnant vegetation sites, which would provide the company with sufficient results to revise management plans.

There are elements to the condition, therefore, that are not yet met, and as discussed in relation to conditions 9 and 13, there is more to be done before the condition is closed.

Status: **OPEN**

Follow-up Action (if applicable): See CAR 2/05

CAR #: Condition 11	Reference Standard #: 6.4
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Wetlands without obvious remnant vegetation have been identified as unplatable and therefore not specifically delineated.
Corrective Action Request: Within one year of the issuance of a Certificate, the Company will develop and implement a strategy to classify all managed wetland and waterlogged areas according to the relevant States' wetland classification scheme. Results of the classification will be incorporated into relevant management plans, shown on maps and reflected in appropriate management practices to ensure the maintenance of ecological productivity.	
Timeline for Compliance: Within one year of the issuance of a Certificate	

Audit findings:

The wetlands strategy does include a wetland classification scheme. Although this does not follow the States' wetland classification scheme (as requested in the original condition), but uses Ramsar definitions instead. There were six categories of wetlands defined.

No guidelines exist for how to go about classifying the wet sites according to these proposed classifications. The protocol provides references to websites with information on wetland characteristics,

and possible elements that could inform the company about how to go about classification, but these sites did not instruct company foresters on how or what to do.

At the time of the audit, there appeared to be insufficient guidance that would enable consistent application of wetlands classification, according to the new definitions, across the estate. Training has been proposed.

Wetland coordinators for each state have been appointed to lead the mapping of wetlands. The work had not begun for handling the schedule of wet sites. This backlog should have been started by the time of the audit. Expectations are that it will carry forward from here.

New tree farms, i.e., those for the 2005/2006 plantings, will have the wetlands classified and mapped, as well as indicated in the management plans.

Status: **OPEN**

Follow-up Action (if applicable): See CAR # 2/05, Observation

CAR #: Condition 12	Reference Standard #: 6.5
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	At the time of the initial audit, harvesting had only just begun on Company properties and plans were still in the development stage. In particular, plans made no mention of the risks to off-plantation biological assets.
Corrective Action Request: Within one year of the issuance of a certificate, the Company will be preparing harvest plans that place an increased emphasis on environmental planning and monitoring that is consistent with FSC Principles and Criteria. Where practical, the harvest plans will take into account the spatial distribution of age classes throughout the region and work towards a mosaic of age classes over time (see Criterion 10.2). Harvest plans will also consider potential impacts to off-plantation areas identified as conservation zones and/or areas that are otherwise recognised as sensitive during the planning phase.	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings:

Harvest plans have now been developed that are very comprehensive with respect to on-site issues. Planning processes appeared sound and field crews were working closely with planning staff to ensure that the plans were practical and well implemented.

Off-plantation impacts still need some further consideration, particularly where the plantation is adjacent to a National Park or other areas that clearly have special values (Eg Conservation Reserves). Planning staff need to make some inquiries regarding the values that are being protected by these

reserves and determine what impacts, if any, harvesting may have on special values (eg noise, lights, timing/season).

Stakeholders also indicated that more consideration needs to be given to the use of local roads during wet weather. Although not associated with a plantation that is covered by this certificate, Company harvesting operations using Simpson Road in the Plantagenet Shire were recently shut down by the shire following damage to the road. Some additional work still needs to be undertaken with respect to the planning of haulage routes and in regard to the Company's response when any damage takes place.

Status: **OPEN**

Follow-up Action (if applicable): See CAR 3/05

CAR #: Condition 13	Reference Standard #: 6.10
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Despite both company policy and the economic imperative not to clear native forest, some specific instances were identified during the assessment where the Company appeared to be directly responsible for the clearing of native vegetation (eg Four Forty, Lake Jasper and South Sister treefarms).
Corrective Action Request: Within one year of the issuance of a certificate, the Company shall establish to the best of its ability whether land was cleared of remnant vegetation subsequent to November 1994. Where land was cleared after this date the Company will be able to provide sufficient evidence that processes and procedures have been sufficiently changed to ensure that such clearing is not possible in the future.	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings:

The company prepared a list of all sites cleared. There was no evidence of any clearing of remnant vegetation in any sites visited by the auditors. Company staff repeated a consistent message of not clearing remnant vegetation. A new policy on this issue was presented to auditors, which stated:

“As a matter of policy, Timbercorp will not clear remnant vegetation on tree farms and actively retains important community plantings.”

“Clearing of non remnant vegetation will be in accordance with applicable legislation and may include:

- ✓ If the vegetation presents a risk of personal injury or destruction of property.

<ul style="list-style-type: none"> ✓ Clearing is required to improve access at gates, tracks, or roads. ✓ Clearing is required to maintain public utility services ✓ Clearing is of re-growth on land that was previously cleared and the re-growth is less than 10 years old. ✓ Vegetation is within 30 meters of a dwelling. ✓ Clearing is of paddock trees in Western Australia.” <p>During the audit, SmartWood also reviewed the company’s process to define ‘remnant vegetation’ and found that the term was being used consistently in relevant protocols.</p>
Status: CLOSED
Follow-up Action (if applicable): N/A

CAR #: Condition 14	Reference Standard #: 7.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Management plans prepared prior to 2003 vary in detail depending on when they were prepared. All of the plans are generally weak on (or do not address at all) 7.1 a) d) e) f) g) & i). Only some aspects of 7.1 b) are addressed (land use and ownership; profile of adjacent lands) and 7.1 c) is largely restricted to establishment practices.
Corrective Action Request: Within one year of the issuance of a certificate, the Company shall develop, and begin implementing, a schedule for amending all previous treefarm management plans to comply with the guidelines under Criterion 7.1. Priority should be given to the management plans for properties where the absence of a compliant management plan results in a significant economic or environmental risk. The amended plans will include a monitoring program as described under Condition 16.	
Timeline for Compliance: Within one year of the issuance of a certificate	

<p>Audit findings:</p> <p>The new Management Plan template covers almost all of the requirements of Criterion 7.1. The one exception is with respect to socio-economic issues, which are generally regional rather than property specific. A schedule has been developed for the amendment of previous plans at the treefarm level that is based on reasonable priorities, but this schedule has not yet been implemented.</p> <p>The audit team is concerned that the lack of progress on this Condition may reflect an impractical approach to management planning (ie at the property level) as defined under Criterion 7.1. This concern was discussed with staff at the initial forest management audit, but the Company chose to continue its work on management plans at this level.</p>

An alternative approach to management planning may be to create an overarching document that references relevant components of regional management plans, site specific operational plans and functional management such as annual fertilizer application or insect pest management.
Status: OPEN
Follow-up Action (if applicable): See CAR # 4/05

CAR #: Condition 15	Reference Standard #: 7.2
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Treefarm management plans have not previously been revised after initial preparation. However, revisions to operational plans (by function and across regions) occur annually and are well documented at a functional level eg fertilizer prescriptions.
Corrective Action Request: Within one year of the issuance of a certificate, the Company shall put in place a process to ensure that the management plans are systematically updated in accordance with criterion 4.7.2. The plans will include a monitoring program as described under Condition 16.	
Timeline for Compliance: Within one year of the issuance of a certificate	

Audit findings: There appeared to be some misunderstanding with the interpretation of this Condition. The Condition relates to Criterion 7.2 and requires the development of a process to update management plans when new information becomes available. Such a process has not yet been clearly defined and should be further considered in the context of any new definition that the Company may wish to apply to the Management Plan (see Condition 14).
Status: OPEN
Follow-up Action (if applicable): See CAR # 5/05

CAR #: Condition 17	Reference Standard #: 9.1
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	There was no site-specific approach to data collection that would enable the Company to identify HCVPs. Nor was there a clearly defined commitment to identifying HCVP's in the non-plantation estate.
Corrective Action Request: Within one year of the issuance of a certificate, the Company shall develop and implement a documented strategy to identify, monitor and conserve HCVPs across the estate. The strategy must 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:

Timbercorp has incorporated the definition of HCVF and a process for identification and management within the procedure "OP-107 Special Values Consideration in Tree Farm Management". This HCVF definition is a simplified version from the FSC definitions and there was concern from SmartWood that this definition may overlook HCVF as defined by FSC.

In July and August 2005, the company consulted with Greening Australia and the Department of Environment and Heritage about their approach to HCVF. There was not evidence of substantially wider consultation or independent scientific review on the strategy.

The approach calls for preliminary assessment to be done through consulting the GIS datasets and overlays for biodiversity. This would highlight any potential HCVF for the Treefarm manager. Next, the site evaluation would indicate the potential HCVF areas and other Special Values on maps and these should be put in the management plans. The strategy then calls for a survey of vegetation quality, rarity of vegetation type, and RTE habitat potential. It was not evident to the auditors under what situations such a survey would be required and this seemed to be a subject still in development.

In discussions with the company, it was expressed that size of the area would be a trigger to consider, albeit the company had not decided on what a threshold size would be. In all likelihood, staff would turn to outside expertise, such as Greening Australia, for guidance as to proceeding to more exhaustive survey and analysis for HCVs. Greening Australia had undertaken 3 ecological assessments of Treefarms for Timbercorp as part of a trial. These assessments had not identified HCVF on any of the three treefarms.

Given that there are only approximately 15 treefarms with remnant vegetation areas greater than 100ha and about 50 treefarms with 20 – 100ha of remnant vegetation, it would seem that the area to target for further assessment would be manageable, depending upon the refinement of a methodology to prioritize HCVF assessment.

As with the other conditions 9 and 11, there should be more work done to define a prioritization of when

more complete surveys (i.e., a full HCVF assessment) are required.
Status: OPEN
Follow-up Action (if applicable) See CAR 2/05

CAR #: Condition 18	Reference Standard #: 6.7
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	The Company uses Simazine as a herbicide during its establishment operations and as part of its procedures for controlling vegetation on firebreaks.
Corrective Action Request: Throughout the certification period, Timbercorp Forestry is to abide by the terms of the September 11, 2004 document "FSC-POL-30-601 Addendum 2 Simazine derogation".	
Timeline for Compliance: Throughout the certification period	

<p>Audit findings:</p> <p>Any usage of simazine by Timbercorp was conditional upon the establishment of a Pesticides Advisory Group (PAG) by the FSC Australia contact person. In the absence of the formation of the PAG, the Company made a commercial decision to use simazine during 2005, albeit at reduced rates.</p> <p>Timbercorp wrote SmartWood on April 5, 2005 that "Our re reading of the derogation is that in the absence of a PAG we can proceed but with due care and attention per the other conditions. In the absence of the PAG this is what we will do." On April 5, 2005 Jeff Hayward wrote in response to Timbercorp that "<i>I need to correct your interpretation of the Simazine derogation, because it is wrong as you state it. Companies are not permitted to use Simazine until the FSC forms a PAG which offers interpretation of best use. Timbercorp is not permitted to use Simazine under the existing derogation.</i>"</p> <p>In addition to formation of a PAG, the derogation requires that simazine was not to be applied on sites where the chemical can move off site and buffers are to be established around the edges of sites and along drainage lines to ensure that there is no spray drift, contamination of waterways or offsite impacts. During the audit, the Company advised that existing procedures for the establishment of buffers were considered to be adequate. Further investigation revealed that Company guidelines for buffers are referred back to the Code of Practice, which is silent on any prescriptions.</p> <p>Despite the lack of any operational prescription, maps prepared by the Company include an automatic setback of two metres from any drainage lines. Field inspection of the Moir property, which was established in 2005 revealed that this nominal setback had been ignored by the spraying contractor and the chemical appears to have been applied across the marked drainage line. This drainage line flows into a more significant stream network and riparian zone. Given the importance of this derogation and the Company's decision to spray despite the failure for PAG to form, it is surprising that a greater level</p>

of supervision and internal auditing was not used.
Status: OPEN
Follow-up Action (if applicable): See CAR # 6/05

2.4 New corrective actions issued as a result of this audit

CAR # 1/05	Reference Standard #4.4:
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	A lack of dialogue with ENGOs and local community groups is leading to perceptions about the Company's operations that paint the organisation in a negative light. Regardless of the merits of some of these complaints, the Company's image and reputation is being impacted and it highlights the need for a much more proactive and effective strategy for community engagement and liaison.
Corrective Action Request: The Company shall include a clear and effective approach to engagement with the communities in which it operates within the Community and Stakeholder Relations Strategy. It will improve the quality of its stakeholder information with respect to ENGOs and concerned members of the community by establishing and continuously updating records of their concerns and the actions of the Company to address these concerns.	
Timeline for Compliance: Within 3 Months	

CAR #: 2/05	Reference Standard #: 6.1, 6.4, 9.1
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	<ul style="list-style-type: none"> • The company has not prioritized when and where it must go to gather relevant biological information, through more in-depth field work, for its newly acquired tree-farms. • The company has not firmly decided upon a framework for prioritizing when, where, with who, and how further flora and fauna surveys of remnant vegetation would take place. • The company has not implemented a documented strategy to prioritize the identification of HCVs, which would permit the management and monitoring of HCVFs across the estate.
Corrective Action Request: The company shall develop a documented strategy to prioritize when, where, and with what resources to conduct more in-depth biological surveys of remnant vegetation and wetlands. The company shall implement this strategy, as evidenced by: <ul style="list-style-type: none"> • prioritization of the forest areas where in-depth surveys will take place, particularly for identification of HCVs and the management and monitoring of HCVF; • a timetable for conducting such surveys; 	

<ul style="list-style-type: none"> • a requirement for all areas supporting these values to be clearly identified on maps; • clear processes for collating data on rare, threatened and endangered species encountered; • precautionary approaches to operational management where HCVF data is absent.
Timeline for Compliance: Within 3 months

CAR #: 3/05	Reference Standard #: 6.5
Non-compliance: Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/>	Off-plantation impacts of harvesting operations still need some further consideration, particularly where the plantation is adjacent to a National Park or other areas that clearly have special values (Eg Conservation reserves).
Corrective Action Request: The Company shall place an increased emphasis on potential impacts to off-plantation areas identified as conservation zones and/or areas that are otherwise recognised as sensitive during the planning phase.	
Timeline for Compliance: Within 12 months	

CAR #: 4/05	Reference Standard #: 7.1
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	A schedule has been developed for the amendment of previous plans at the treefarm level that is based on reasonable priorities, but this schedule has not yet been implemented.
Corrective Action Request: The Company shall begin implementing the schedule it has developed for amending all previous treefarm management plans to comply with the guidelines under Criterion 7.1. This schedule requires twelve management plans to be updated by the end of February 2006. The Company is also encouraged to develop an alternative approach to management planning that satisfies Criterion 7.1. This may include an overarching document that references relevant components of regional management plans, site specific operational plans and functional management such as annual fertilizer application or insect pest management.	
Timeline for Compliance: Within 3 Months	

CAR #: 5/05	Reference Standard #: 7.2
Non-compliance: Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/>	The Company has not yet put in place a process to ensure that management plans are systematically updated in accordance with criterion 4.7.2.

<p>Corrective Action Request:</p> <p>The Company shall put in place a process to ensure that the management plans are systematically updated in accordance with criterion 7.2. The plans will have provision to include the monitoring program that is to be developed as part of Condition 16.</p>
<p>Timeline for Compliance: Within 3 months</p>

CAR #: 6/05	Reference Standard #: 6.7
<p>Non-compliance:</p> <p>Major <input checked="" type="checkbox"/> Minor <input type="checkbox"/></p>	<p>The Company has made a commercial decision to use simazine during 2005, despite the fact that a PAG has not been formed, as required by <i>FSC-POL-30-601 Addendum 2 Simazine derogation</i>.</p> <p>The Company has not developed guidelines for buffers, which are required under the derogation and even nominal setbacks have been ignored in the field, with the result that the chemical appears to have been applied across a marked drainage line.</p>
<p>Corrective Action Request:</p> <p>Effective immediately, the Company shall stop application of simazine until such time as FSC International rules that the chemical can be applied. Within 3 months, a protocol for the application of simazine shall be developed that is consistent with conditions of the document <i>FSC-POL-30-601 Addendum 2 Simazine derogation</i>.</p>	
<p>Timeline for Compliance: Effective immediately for cessation of simazine use; within 3 months for development of simazine procedures.</p>	

CAR #: 7/05	Reference Standard #: 8.3
<p>Non-compliance:</p> <p>Major <input type="checkbox"/> Minor <input checked="" type="checkbox"/></p>	<p>At PPT, the "Certificate of Quality" did not include the requirements of the SmartWood standard 5.4. Absent on this document were the certified product description, FSC percent content, and the FSC certification code for Timbercorp.</p>
<p>Corrective Action Request:</p> <p>The Company shall include on the Certificate of Quality a certified product description, FSC percent content, quantity/ volume of each item, and the company's FSC certificate code.</p>	
<p>Timeline for Compliance: Within 3 months.</p>	

2.5 Audit observations

Observation	Reference Std #
The Company should include a review of local government planning requirements as part of its internal audit of management plans.	1.1
The Company should notify Department of Conservation and Land Management prior to conducting operations adjacent to nature reserves.	6.5
The Company should inquire with Department of Conservation and Land Management or other experts regarding the potential impacts of nighttime harvesting adjacent to protected areas. In the absence of scientific information on such impacts, the company should adopt a precautionary approach and limit to daytime hours those harvesting operations adjacent to nature reserves, national parks or HCVF areas designated for species that may be impacted by night harvesting.	6.5
The Company should develop guidance and training to its foresters on the classification of wetlands as per the newly adopted definitions of wetlands.	6.5
The Company should prepare a fact sheet on its policy and its recent record regarding aerial spraying.	6.7
The company should maintain a record of any areas of harvested plantations that are not returned to forestry plantations and to report to SmartWood at each annual audit the net increase/decrease of the certified area.	7.1

2.6 Audit decision

Based on the findings of the audit team, Timbercorp Limited met and closed many, but not all, of the first year conditions required for Timbercorp to demonstrate compliance to FSC Principles and Criteria and SmartWood certification requirements. Those conditions that were not met did have partial completion and it is expected that the company will satisfy the intent of the original condition. The SmartWood auditors recommend that the forest management certification for Timbercorp be maintained, with reference to the Corrective Action Requests issued in this audit report and the timelines for their completion.