Australian Paper Ltd annex 3 verification process for controlled wood supply from VicForests.

**Introduction**

Australian Paper Ltd is an Australasian producer of specialty paper products. Supply for their products comes from a variety of sources. Some are FSC certified and some are controlled wood source. Controlled wood comes from local fibre sources supplier by VicForests.

Australian Paper Ltd has conducted a risk assessment on supply from VicForests as part of their verification program for controlled wood sources under FSC-STD-40-005(V2-1) EN. Given that FSC Australia have published an FSC accredited national (Annex 2) risk assessment there is already a determination of Low risk for Victoria at the annex 2 level for 4 controlled wood criteria. Therefore the risk assessment is confined to an Annex 3 assessment focused on VicForests management of High Conservation values for supply to Australian Paper Ltd.

**Contents**

1. Details of the annex 3 risk assessment audit for VicForests.
2. Procedures for verifying the supplier’s procedures at the annex 3 level.
3. Rationale for the selection of sampling districts and the selection of the sample size.
<table>
<thead>
<tr>
<th>Controlled Wood code:</th>
<th>Date of CB approval:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date of Risk Assessment:</th>
<th>October 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address of CB:</td>
<td>65 Millet Street, Suite 201, Richmond Vermont USA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Certificate holder address:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Districts, including FMUs covered with this risk assessment:</th>
</tr>
</thead>
<tbody>
<tr>
<td>VicForests</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Supplier</th>
<th>IBRA Eco-region</th>
<th>Mixed species operations within approved TRP for Central Gippsland, Central and Dandenong Forest Management Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>VicForests</td>
<td>Victorian Highlands</td>
<td>153 approved on current 5 year TRP (additional 5 unallocated forest type)</td>
</tr>
</tbody>
</table>

| Ash species operations within approved TRP for Central Gippsland, Central and Dandenong Forest Management Areas |
| 480 approved on current 5 year TRP |
# 1. Illegally Harvested Wood

The district of origin may be considered low risk in relation to illegal harvesting when all the following indicators related to forest governance are present:

<table>
<thead>
<tr>
<th>Category</th>
<th>FSC Indicator</th>
<th>Information Source Used</th>
<th>Brief Justification</th>
<th>Risk Designation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Illegally Harvested Wood</td>
<td>1.1 Evidence of enforcement of logging related laws in the district.</td>
<td>Royal Institute of International Affairs (<a href="http://www.chathamhouse.org.uk">www.chathamhouse.org.uk</a>); Environmental Investigations Agency (<a href="http://www.eia-international.org">www.eia-international.org</a>); Global Witness (<a href="http://www.globalwitness.org">www.globalwitness.org</a>); Transparency International (<a href="http://www.transparency.org">www.transparency.org</a>); CITES (<a href="http://www.cites.org">www.cites.org</a>); World Bank Governance and Anti-Corruption Data (<a href="http://www.worldbank.org/wbi/governance">www.worldbank.org/wbi/governance</a>); Code of practice for timber plantations in Western Australia.</td>
<td>All Australian jurisdictions have in place strong legislative, regulatory and practice (generally in the form of Forest Practices Codes) instruments which are used both to guide and enforce the application of legal requirements for forest operations and timber harvesting (for public and private forests and plantations). Code violations are relatively rare and not normally on a scale envisaged to encompass illegal logging. However, serious, knowing or continuing breaches of the code can constitute contravention of the law.</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>1.2 There is evidence in the district demonstrating the legality of harvests and wood purchases that includes robust and effective systems for granting licenses and harvest permits.</td>
<td></td>
<td>All forest codes of practice are audited by the relevant state or territory</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>1.3 There is little or no evidence or reporting of illegal harvesting in the district of</td>
<td></td>
<td>All forest codes of practice are audited by the relevant state or territory</td>
<td>Low</td>
</tr>
</tbody>
</table>
1.4 There is a low perception of corruption related to the granting or issuing of harvesting permits and other areas of law enforcement related to harvesting and wood trade.

According to Transparency International CPI for this country is 8.6 (CPI is higher or equal to 5)

There is no UN Security Council export ban in the country. According to Global Witness there is currently export ban on Liberia.

The country is not associated with or designated as source of conflict timber according to latest available research.

No evidence of child labor or violation of ILO fundamental principles on a remarkable scale is known to occur.

2. Wood harvested in violation of traditional or civil rights. The district of original may be considered low risk in relation to the violation of traditional, civil and collective rights when all the following indicators are present:

2.1 There is no UN Security Council ban on timber exports from the country concerned;


No evidence that current legislation and related practices are not recognised or equitable

2.2 The country or district is not designated a source of conflict timber (e.g. USAID Type 1 conflict

Same as above

There is no evidence of violation of the ILO convention taking place in forest areas of district concerned

Low
<table>
<thead>
<tr>
<th>2.3 There is no evidence of child labour or violation of ILO Fundamental Principles and Rights at work taking place in forest areas in the district concerned.</th>
<th>International convention on the rights of the Child <a href="http://www.ohchr.org/english/law/crc.htm">www.ohchr.org/english/law/crc.htm</a></th>
<th>There is no evidence of violation of the ILO convention taking place in forest areas of district concerned</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.4 There are recognized and equitable processes in place to resolve conflicts of substantial magnitude pertaining to traditional rights including use of timber)</td>
<td>(<a href="http://www.noongar.org.au">www.noongar.org.au</a>) covers issues relating to the local indigenous peoples in the project area. Native title tribunal (<a href="http://www.nntt.gov.au">www.nntt.gov.au</a>).</td>
<td>According to last FAO report (State of World's Forests 2007) forest area annual net loss is -0.1% (&lt;= 0.5% per year). Evidence exists that conversion of native forest is still taking place in NT (eg Tiwi Islands) and areas of Tasmania (with existing licenses still valid after new legislation stopping conversion on public land only was introduced in 2006).</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td>According to the latest available FAO study (&quot;Preliminary review of biotechnology in forestry, including genetic modification&quot;, 2004. (available at <a href="http://www.fao.org/docrep/008/ae574e/ae574e00.htm">http://www.fao.org/docrep/008/ae574e/ae574e00.htm</a>)) there is no commercial usage of any GM trees in the country. In Australia, GMO's are regulated by the Gene</td>
<td></td>
</tr>
<tr>
<td>Rights, cultural interests or traditional cultural identity in the district concerned.</td>
<td>Technology Act which is administered by the Office of the Gene Technology Regulator (OGTR). Current search (March 09) for licences shows no licenses given for tree species.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licenses are required under the Gene Technology Act, which is regulated by the Office of the Gene Technology Regulator (OGTR). Current search (March 09) for licenses shows no licenses given for tree species. <a href="http://www.maps.ogtr.gov.au/jsp/index.jsp">http://www.maps.ogtr.gov.au/jsp/index.jsp</a></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.5 There is no evidence of violation of the ILO Convention 169 on Indigenous and Tribal Peoples taking place in the forest areas in the district concerned.</td>
<td>As above</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currently illegal to use genetically modified trees for commercial purposes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Wood harvested from forest in which high conservation values are threatened by management activities. The district of origin may be considered low risk in relation to threat to high conservation values if: 1) indicator 3.1 is met; or b) indicator 3.2 eliminates (or greatly mitigates) the threat posed to the district of origin by non-compliance with 3.1.</td>
<td>3.1 Forest management activities in the relevant level (eco-region, sub-eco-region, local) do not threaten eco-regionally significant high conservation values.</td>
<td>Conservation International Biodiversity Hotspots (<a href="http://www.biodiversityhotspots.org/Pages/default.aspx">www.biodiversityhotspots.org/Pages/default.aspx</a>). IBRA bioregions (<a href="http://www.environment.gov.au/parks/nrs/science/bioregion-framework/ibra/index.html">www.environment.gov.au/parks/nrs/science/bioregion-framework/ibra/index.html</a>). Framework for Assessing High Conservation Values in Controlled Wood Risk Assessments in Australia (<a href="http://www.fscaustralia.org/media/file/HCV%20doc.pdf">http://www.fscaustralia.org/media/file/HCV%20doc.pdf</a>). There are HCV at every Bioregion in Australia so this indicator cannot be satisfied.</td>
<td>Unspecified</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>3.2 Strong system of protection (effective protected areas and legislation) is in place that ensures survival of the HCV's in the eco-region.</td>
<td>World Bank “rule of law” index (<a href="http://www.govindicators.org">www.govindicators.org</a>)</td>
<td>All Australian jurisdictions have in place strong legislative, regulatory and practice (generally in the form of Forest Practices Codes) instruments which are used both to guide and enforce the application of legal requirements for forest operations and timber harvesting (for public and private forests and plantations). Code violations are relatively rare and not normally on a scale envisaged to encompass illegal logging. However, serious, knowing or continuing breaches of the code can constitute contravention of the law.</td>
<td>Low</td>
</tr>
</tbody>
</table>

Examination of the HCV control system at VicForests shows:

HCV1

During the planning stage VicForests used modeled habitat indicators to predict where rare endangered species habitat would be. This is immediately designated a special protection zone (SPZ) at until a site assessment either confirms habitat is present or confirms that it is not present.
in which case the area is redefined as a general management zone and is available to logging. In some cases additional habitat not that was predicted by the model is found in a general management zone in which case this is put into a special protection zone and is not logged.

This process relates to coup in the current Timber release plan (TRP) Details of current TRPs, including fact sheets and an outline of the public consultation process were sighted on:


Forest Management Plans form the basis for current land management planning in public forests of Eastern Victoria and are the basis for RFAs. The relevant Forest Management Plan for the Victorian Highlands is the Central Gippsland FMP:

http://www.dse.vic.gov.au/DSE/nrenfor.nsf/LinkView/94294E0AD40BE5E4CA25745F0022CA9B06A494B509F2D8494A256AA40011DC7F

and, Central Highlands FMP:

http://www.dse.vic.gov.au/DSE/nrenfor.nsf/LinkView/94294E0AD40BE5E4CA25745F0022CA9B06A494B509F2D8494A256AA40011DC7F

Forest Management Zones (GMZ, SPZ etc) are available to VicForests and Publicly through a data agreement (FMZ100 layer). they were sighted at:

Within the General Management Zone itself actual records of rare and endangered species are used to indicate on maps with a special values are. Department Sustainability and Environment (DSE) manages this Database base and produces publicly available overlays of species and ecosystems.

A summary of the listed threatened species and the associated requirements for VicForests are included in its own Sustainable Forest Management System. The relevant documents were viewed within VicForests’ Sustainable Forest Management System.

http://vfsharepoint/SFMS/SFMS%20Documents/Forms/AllIt ems.aspx?RootFolder=%2FSFMS%2FSFMS%20Documents %2FCriteria%203%20%2d%20biodiversity&FolderCTID=&Vi ew=%7bA03C7E61%2dFFB5%2d436E%2d9ABE%2d3138 8688BA40%7d

An overview of these processes including the Action Statements was found at:


For each value there is a prescription on how it should be managed. Threatened Species information is available to VicForests from the Department of Sustainability and Environment through a data agreement (THFAUNA100 and THFLORA100). This layer is updated based on new species sightings by DSE, VicForests and other parties.
This information is available publicly on:

http://www.dse.vic.gov.au/dse/dsencor.nsf/LinkView/836EE128E54D861FCA256DA200208B945FD09CE028D6AA58CA256DAC0029FA1A

In the event that actual records are inadequate either the area is not logged or the survey is done to ensure that the damage from the planned logging is not irreversible.

Examples of areas excluded in this basis include About 5,500 ha of the south face of Mt Baw Baw has been formally protected from timber harvesting for Baw Baw Frog.

- New reserve systems has been established in East Gippsland and the north east for the Long-footed Potoroo.

The Management Procedures detail the Victorian Department of Sustainability and Environment’s instructions to VicForests for threatened species management were sighted in Section 1.4.9:

http://www.dse.vic.gov.au/DSE/nrenfor.nsf/LinkView/303F95DAEA216733CA256EE0007F2EEA03152A09041FFDBECA25747B000C1C62

HCV2

The Victorian conservation approach has designated large areas of comprehensive and representative reserves (CARS) which include designated and confirmed SPZ and
linear reserves.

Various maps sighted on:


Landscape issues outside of the CAR is one in compliance with the Code of Practice for Timber Production 2007


This code is pursuant to the Conservation Forest and Lands Act 1987


This deals with issues like preserving native corridors, a mosaic of harvesting which does not exceed 120 ha harvested in the one five-year period. Buffers and riparian zones etc, selective thinning, habitat retention and the retention mix of age classes across the State.

The actual procedural instructions to VicForests on these issues is described by DSE management procedures

http://www.dse.vic.gov.au/DSE/nrenfor.nsf/LinkView/303F95DAEA216733CA256EE0007F2EEA03152A09041FFDBECA25747B000C1C62

and captured in VicForests and sustainable forest management standard operating procedures and checklists

Document sighted - file CH CIS
Most of the issues, like slope and erosion management are achieved by compliance to the code of practice timber production 2007. VicForests is subject to several audits compliance to the code and other requirements. For example:

DSE audits that forestry code compliance. Prior to 2008, Victoria’s Environment Protection Authority.


Internal audits and monitoring take place at frequencies of between one week and one year depending on the activity.

Melbourne water audits all coups in Melbourne drinking water catchments and tests for water quality and will yield.

The audit by the Australian forestry standard also confirms compliance to these regular requirements.

Records of all of these audits and checks are kept.

Public examples were sighted including

Non public copies sighted were:

Melbourne Water Audits sighted on the relevant coupe plans.

VicForests’ internal audits are stored on VicForests system:

http://vfsharepoint/SFMS/Reports/Forms/AllItems.aspx?RootFolder=http%3a%2f%2fvfsharepoint%2fSFMS%2fReports%2fSFMS%20Internal%20audits&FolderCTID=0x012000E6BCDD2D3B095941BF2C20313E78BFA0

VicForests Coupe Monitoring Records are stored on their Coupe Information System.

VicForests’ third party AFS audits are stored on:

http://vfsharepoint/SFMS/Reports/Forms/AllItems.aspx?RootFolder=%2fSFMS%2fReports%2fAFS%20Certification%20Audits&FolderCTID=&View=%7bE79A92BB-5E43-427A-2dA70D%2d40BA6DCB2268%7d

VicForests post harvest review is stored on:

http://vfsharepoint/SFMS/Reports/Forms/AllItems.aspx?RootFolder=%2fSFMS%2fReports%2fAFS%20Certification%20Audits&FolderCTID=&View=%7bE79A92BB-5E43-427A-2dA70D%2d40BA6DCB2268%7d
Impact on water catchments of logging activities predicted by catchment level monitoring which predict impacts on the whole of catchment level.

VicForests has participated in a joint Victorian government study into the impacts of harvesting within Melbourne’s water supply catchments. The progress and interim findings of this study are found on the following Victorian Government website:


VicForests does not yet do coup by coup modeling of hydrological impact but is moving towards this.

HCV 4

There are no forest areas in the supply area fundamental to meeting basic needs of local communities with no readily available alternative. eg (water, food, firewood, shelter, income).

HCV 5

For aboriginal cultural heritage VicForests complies with the Aboriginal Heritage Act 2006. VicForests has detailed internal procedures and controls in place to manage its obligations. Aboriginal affairs Victoria (AAV) is provided with a Timber Release Plan and who indicate where sites are known to exist. When an Aboriginal cultural heritage site has been recorded in or near a coupe, the relevant member
of the VicForests' Tactical Planning team will make contact with either a local Aboriginal community member or delegated (by the communities) Cultural Heritage Officer (CHO). VicForests staff trained in the identification of sites and artifacts and there are procedures for informing AAV of any sites or artifacts found. VicForests' procedures were sighted on:

http://vfsharepoint/SFMS/SFMS%20Documents/Forms/AllItems.aspx?RootFolder=%2fSFMS%2fSFMS%20Documents%2fCriteria%208%20-%20indigenous%2c%20cultural%20and%20social&FolderCTID=&View=%7bA03C7E61%2dFFB5%2d436E%2d9ABE%2d31388688BA40%7d

VicForests also provides information to contractors as online sites and prescriptions prescribed by AAV experts. VicForests processes were found on the above link and other examples sighted.

For postcolonial heritage the timber release plan is provided to Heritage Victoria and to local groups. If are on those sites consultant is prescribed and prescriptions given to VicForests on the preservation and protection of the sites.
| 4. Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses. The district of origin may be considered low risk in relation to conversion of forest to plantations or non-forest uses when the flowing indicator is present: | 4.1 There is no net loss AND no significant rate of loss (>0.5% per year) of natural forests and other naturally wooded ecosystems such as savannahs taking place in the eco-region in question. | Department of Agriculture | According to last FAO report (State of World's Forests 2007) forest area annual net loss is -0.1% (<= 0.5% per year). Evidence exists that conversion of native forest is still taking place in NT (eg Tiwi Islands) and areas of Tasmania (with existing licenses still valid after new legislation stopping conversion on public land only was introduced in 2006). | Low |

| 5. Wood from forests in which genetically modified trees are planted. The district of origin may be considered low risk in relation to wood from genetically modified trees when one of the following indicators is complied with: | a) There is no commercial use of genetically modified trees of the species concerned taking place in the country or district concerned. | Commonwealth of Australia Gene Regulator. Forest and Agriculture Organization. Department of Agriculture (www.ogtr.gov.au) | In June 2001 the Gene Technology Act 2000 was introduced as a national scheme to regulate genetically modified organisms in Australia to protect the Australian environment. In Australia Genetically modified Eucalypts can not be grown. Standard breeding techniques and natural hybridization are used to gain improvement in tree genetics. | Low |
2. Procedures for verifying the supplier’s procedures at the annex 3 level.

**Controlled Wood Verification Program** audits the wood suppliers VicForests annually.

a. The **CoC Policy** for this Controlled Wood program states;
   “The company shall avoid sources dealing with:
   i. Illegally harvested wood;
   ii. Wood harvested in violation of traditional and civil rights;
   iii. Wood harvested in forests where high conservation values are threatened by management activities;
   iv. Wood harvested in forests being converted to plantations or non-forest use;
   v. Wood from forests in which genetically modified trees are planted.”

b. The “FSC Australia (Annex 2) Risk Assessment” was first referenced to verify that the regions audited are a low risk area (except for HCV’s).

c. This FSC Australia **Controlled Wood Risk Assessment** provided guidance to both companies and certification bodies seeking to identify risks in accordance with the FSC Standard for Company Evaluation of FSC Controlled Wood (FSC-STD-40-005 (Version 2-1). It identified low risk for all controlled wood categories except HCV which was undetermined at all IBRA bioregions in Australia.

Field verifications inspects the 5 HCV classes determined by FSC Australia [http://www.fscaustralia.org/sites/default/files/pdf/HCV%20doc.pdf](http://www.fscaustralia.org/sites/default/files/pdf/HCV%20doc.pdf) at each forest coup to confirm that supplier is following the HCV provisions in their management and harvest plans, which is used to verify this risk assessment. Evidence is gathered:

d. Documented **publically available operational plans** were consulted; for VicForests (on their website), and hardcopies (which are kept in the field audit records). Through inspecting these documents on site, these suppliers’ method of managing the HCVs are assessed.

**Rationale for the selection of sampling districts and the sampling plan.**

Australian paper is supplier wood from the central highlands. This is predominantly dominated by the Victorian Highlands IBRA Bioregion with small areas in the Victorian Midland and Victorian Alps Bioregions. [http://www.dpi.vic.gov.au/dpi/vro/vrosite.nsf/pages/biodiversity_bioregions_vic](http://www.dpi.vic.gov.au/dpi/vro/vrosite.nsf/pages/biodiversity_bioregions_vic) There are two forest types in these areas.

1. Forest dominated by predominantly Ash species.
2. Forrest with mixed species standard.

Therefore these forest types are selected as the districts for sampling.

The rationale for the annual audit sample in number of forest coupes is that historically there has been an average of 63 Ash and 19 Mixed species coupes fully completed each year in areas from which VicForests may have delivered pulpwood to Australian Paper.

In any one year there will be a larger number of discrete coupes that this pulpwood may be sourced from, as the harvest of coupes will often take place over multiple years. Looking forward this number is approximately 150 Ash and 40 Mixed Species coupes per year. Using the figure 150 and 40 the sampling plan is as follows¹:

| Ash species operations within approved TRP for | Mixed species operations within approved TRP for |

¹ **Sample frequency** = 0.8 x \( \sqrt{\text{the number of FMUs in the sample district}} \) rounded up to the highest whole number.
<table>
<thead>
<tr>
<th>areas supplying Australian paper</th>
<th>areas supplying Australian paper</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.8 x √150 = 10</td>
<td>0.8 x √40 = 6</td>
</tr>
</tbody>
</table>