

Midway Ltd - Verification of controlled wood supply according to FSC-STD-40-005(V2-1) EN Annex 3.



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1. Introduction

Midway Ltd sources plantation material from districts within Victoria as locally certified FSC 100% and as controlled material.

Local controlled material supply is currently sourced from the following suppliers:

- Midway Plantations and Midway managed plantations;
- Private suppliers from the Ballarat/Upper Goulburn, Gippsland, Green Triangle and Otway regions.

Midway Ltd has conducted a risk assessment on supply as part of the verification program for controlled wood sources under FSC-STD-40-005(V2-1) EN. Since 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 four of the controlled wood criteria, and a determination of an unspecified risk for HCV.

Given that the risk assessment determined an unspecified risk for HCV a verification process according to FSC-STD-40-005(V2-1) EN Annex 3 verification needs to be carried out. The Annex 3 verification is focused on High Conservations values (HCV) only. In order for the wood to qualify as controlled wood this verification needs to confirm that suppliers have a strong system of control for HCV at all stages of their operations.

This verification process has been updated to be consistent with FSC ADVICE-40-005-14 and FSC Australia guidance on controlled wood implementation

<http://www.fscaustralia.org/policies-and-standards/controlled-wood/guidance-on-controlled-wood-implementation>

Midway Ltd completes an annex 3 risk assessment on HCV for its suppliers using the draft *High Conservation Values (HCVs) evaluation framework* from FSC Australia as the benchmark. (Draft 3.1 Published May 2012) http://www.fscaustralia.org/sites/default/files/HCV_draft_3.1_20.5.12.pdf

2. Assessment of the HCV control system

2.1 Examination of the HCV control system at Midway:

All of Midway's forest operations are certified according to ISO standards for Environment, Safety and Forestry. Every activity is thoroughly assessed using a risk assessment process to identify risks related to safety, environment and regulatory compliance. Risk assessments and related work instructions ensure that control measures are adopted to minimise risk.

In addition to field compliance monitoring, internal audits and certification audits of the system, Midway must comply with the Victorian Code of Practice for Timber Production which outlines principles, goals, mandatory actions, legal requirements and guidance for providing acceptable environmental outcomes in undertaking harvesting and other operations.

http://www.dse.vic.gov.au/_data/assets/pdf_file/0019/101395/Code_of_Practice_for_Timber_Production.pdf

HCV 1. Forest areas containing habitat for national or state-listed threatened species or species of high significance.

A desktop assessment for the likely presence of threatened floral communities and threatened fauna is completed by foresters before harvest of each site using publicly available information from a variety of sources including: 1) Victorian Department of Sustainability & Environment; 2) Department of Primary Industries; 3) Department of Planning and Community Development; and 4) the Commonwealth Department of Sustainability, Environment, Water, Population and Communities. The site assessment reviews significant biodiversity values, cultural heritage,

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stakeholders, noxious weeds, fire protection, soil and water resources and safety. Significant items are recorded in a hazards database that is reviewed by staff and contractors for each operation thereafter; items are geo-referenced wherever possible and displayed on operational maps. A field inspection for planning the harvesting operation is undertaken by area managers using the site assessment as a reference.

Results from the field inspection are incorporated into the site assessment. Items from the site assessment are reviewed in preparation of the Timber Harvest Plan (THP) and instructions outlined for the protection of significant values.

Contractors are inducted to the THP at each site prior to commencement of operations. Midway supervisors inspect operations periodically each week and identify potential problems with compliance and develop solutions jointly with contractors. Each site is inspected at the end of operations for compliance; any necessary site rehabilitation is undertaken 1) prior to equipment leaving the site, and/or 2) noted for re-establishment operations.

HCV 2. Forest areas containing large landscape level forests, contained within, or containing the management unit, where viable populations of most, if not all, naturally occurring species exist in natural patterns of distribution and abundance.

National parks, state parks, conservation reserves and state forests are often nearby or adjoining many large plantations while smaller plantations are often surrounded by farmland. Plantations generally occupy a small percentage of the landscape. Any issues that could impact on the landscape are noted in the harvest plan. For example the harvest plan may include access restrictions avoiding crossing native forest areas. Large forest managers such as Parks Victoria and the Victorian Department of Sustainability & Environment are notified of operations and consulted where operations could potentially affect forest or park values.

HCV 3 Forest areas that are in or contain rare, threatened or endangered ecosystems.

The site assessment (described for HCV 1) notes the potential presence of threatened floral communities by using the 1) Victorian Department of Sustainability & Environment's state wide mapping of Ecological Vegetation Classes (EVC) and their Bioregional Conservation Status, and 2) the Commonwealth's assessment of the likelihood of national matters of significance including threatened vegetation communities and species.

As for HCV 1, instructions are outlined for the protection of significant values which are communicated to contractors and compliance monitored by Midway staff.

HCV 4. Forest areas that provide basic services of nature in critical situations such as slope, erosion control, water catchment.

The site assessment process (described in HCV 1) notes the presence of water catchments for urban and rural drinking water either surrounding or adjacent to plantations. Potential for land degradation hazards assessed by the former Soil Conservation Authority using geology, landform, climate, soils and native vegetation mapping are also noted. Slope class, elevation contour and watercourse mapping are used in field inspections to develop prescriptions in THPs to protect water quality. Nominal harvesting buffers from watercourses are increased with steepness, soil erodability, rainfall erosivity and the proximity to public water supply sources. This information is also utilised in planning the design and maintenance of roads and water crossings.

HCV 5. Forest areas fundamental to meeting basic needs of local communities (water, food, firewood, shelter, income) with no readily available alternative.

The provisions of HCV5 are not applicable in this situation since the wood supply is from private land, and no one relies on these forests for fire wood or shelter.

HCV 6. Forest areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities)

In the site assessment process, Aboriginal Affairs Victoria (AAV) and Heritage Victoria (HV) certificates are sought to identify registered sites of Aboriginal or European heritage, respectively. Instructions for protection of these sites are communicated through the THP and monitored (similarly to biodiversity values in HCV 1 or 3). Areas with higher potential for cultural heritage artefacts or places are identified in THPs.

A cultural heritage management plan can be required by AAV if there is soil disturbance to certain depths in areas of cultural heritage sensitivity; this is prepared by archaeologists and traditional owners. Generally, routine harvest activities do not trigger this requirement.

Often areas with large-scale cultural values are located within national parks and other reserves. These managers are notified of operations and consulted where operations could potentially affect forest or park values.

2.2 Examination of the HCV control system for Private suppliers:

General

For private supply physical ownership of the wood is taken at either the stump or the Mill gate. A supply agreement between Midway and the supplier warrants that the supplier will meet requirements for legal ownership and regulatory compliance. In Victoria there is a legal requirement for a timber harvest plan that, as a minimum, complies with The Code of Practice for Timber Production 2007.

Normally a supplying company will self-harvest or use a harvest contractor. Larger companies have their own procedures to cover HCV, and may carry other certifications. Some are FSC certified (therefore out of scope for controlled wood certification), and a small percentage is sourced from small farm forest type plantations.

All coupes may be audited by local councils for compliance with The Code of Practice for Timber Production 2007.

HCV 1. Forest areas containing habitat for national or state-listed threatened species or species of high significance.

Private suppliers are required to make a grower declaration in the Verification of origin declaration, and Midway or the supplier assesses HCV issues for the wood supply using publicly available information from the sources described under 2.1 HCV1 above.

The Code of Practice for Timber Production 2007 audits conducted by local councils assess compliance with provisions relating to conservation of biodiversity including protection of native vegetation within and adjacent to the harvesting coupe.

HCV 2. Forest areas containing large landscape level forests, contained within, or containing the management unit, where viable populations of most, if not all, naturally occurring species exist in natural patterns of distribution and abundance.

These are mainly small and disparate coupes on farmed land and therefore not in areas of concern. The Code of Practice for Timber Production 2007 audits conducted by local councils assess compliance with provisions relating to protection of retained native vegetation and adherence to specified harvesting boundaries.

HCV 3. Forest areas that are in or contain rare, threatened or endangered ecosystems.

Private suppliers are required to make a grower declaration in the Verification of origin declaration, and Midway assesses HCV issues for the wood supply using public information overlays using publicly available information from the sources described under 2.1 HCV3 above.

The Code of Practice for Timber Production 2007 audits conducted by local councils assess compliance with provisions relating to conservation of biodiversity including protection of native vegetation within and adjacent to the harvesting coupe.

HCV 4. Forest areas that provide basic services of nature in critical situations such as slope, erosion control, water catchment.

Private suppliers are required to make a grower declaration in the Verification of origin declaration, and Midway assesses HCV issues for the wood supply using public information overlays using publicly available information from the sources described under 2.1 HCV3 above, including the presence of water catchments for urban and rural drinking water either surrounding or adjacent to plantations

The Code of Practice for Timber Production 2007 audits conducted by local councils assess compliance with provisions relating to drainage, protection of soil and water quality. Permits or other approval requirements apply for instances such as a designated water course.

HCV 5. Forest areas fundamental to meeting basic needs of local communities (water, food, firewood, shelter, income) with no readily available alternative.

The provisions of HCV5 are not applicable in this situation since the wood supply is from private land, and no one relies on these forests for fire wood or shelter.

HCV 6. Forest areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities)

Private suppliers are required to make a grower declaration in the Verification of origin declaration, and Midway assesses HCV issues for the wood supply using publicly available information from Aboriginal Affairs Victoria (AAV) and Heritage Victoria (HV).

3. Procedure for verifying the supplier's at the Annex 3 level.

Controlled Wood Verification Program

Midway Ltd audits the following controlled material suppliers annually.

- Midway Plantations and Midway managed plantations;
- Private suppliers from the Ballarat/Upper Goulburn and Otway regions.



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For all suppliers including private growers detailed records are kept of supplying blocks and these are made available to FSC auditors.

Midway Ltd has adopted the FSC Australia Annex 2 risk assessment. It identified low risk for all controlled wood categories except HCV (3.1 and 3.2) which was undetermined at all IBRA bioregions in Australia.

Therefore Midway Ltd completes an annex 3 risk assessment on HCV for its suppliers using the draft *High Conservation Values (HCVs) evaluation framework* from FSC Australia as the benchmark. (Draft 3.1 Published May 2012) - http://www.fscaustralia.org/sites/default/files/HCV_draft_3.1_20.5.12.pdf

Under this approach there is verification that appropriate 'tools' have been used to satisfy the 6 classes of HCV. The assessments have been completed for suppliers using the *High Conservation Values (HCVs) evaluation framework*. Under this there is verification that appropriate 'tools' have been used to satisfy the 6 classes of HCV, for example publically available ecological maps of rare/threatened/endangered species and ecosystems for HCV 1 and HCV 3.

In the Annex 2 risk assessment under items 3.1 and 3.2 risk is classified as undetermined. Therefore the onus is on the supplier to demonstrate a strong system of control that Midway Ltd can confirm in their verification audits. The system of control for each of the suppliers is set out in detail in this document (above).

Stakeholder consultation

Midway Ltd has developed a stakeholder consultation process including neighbours of forest operations, NGOs and local indigenous representatives. On an annual basis these stakeholders are consulted on the verification program. Where issues are raised these are taken into account if possible and practical.

Auditor training

Midway Ltd personnel conducting field verification audits have had appropriate training against the requirements of the FSC Australia HCV framework. Training records are kept.

Audit timing

Audits will occur at a timing that prevents uncontrolled wood passing through the supply chain. In practical terms this means audits will be on active harvesting blocks just before or just after the wood is harvested.

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4. Summary and rationale for Districts and sample plans.

FSC STD 40 005 Annex 3 states:

1.7. The company shall classify the FMUs as sets of 'similar' units for the purpose of sampling. The sets shall be selected to minimize variability within each set. "Similarity" in the contents of this standard is meant in terms of:

- a) forest type (e.g. natural forest, plantation);
- b) geographical location (district);
- c) size of operation (e.g. SLIMF).

There are 2 districts for the sampling plan. Supply from both districts includes *Eucalyptus globulus*, *Eucalyptus nitens* and *Pinus radiata* plantations. These are considered 2 separate districts for the purpose of sampling because they are not under the same management control.

District 1. Plantations under the management of Midway.

District 2 Plantations under private ownership and sourced on behalf of Midway Ltd.

Note that any full FSC certified supply is outside the scope of the Midway Ltd controlled wood certification, and is therefore excluded from the calculation of the sampling plan.

Private Wood is sometimes purchased on a spot market basis. As part of this verification process 100% of private wood sales from all regions the owner or their agent completes a grower declaration in the Verification of origin declaration, and Midway assesses HCV issues for the wood supply as described above.

Districts and FMUs within each district are defined as follows:

	District	
	Midway controlled	3rd party
FMU	Ballarat / Upper Goulburn MW Gippsland MW Otways MW Green Triangle Vic MW	Ballarat / Upper Goulburn P Gippsland P Otways P Green Triangle Vic P
n FMUs	4	4
Sample size	2	2

The sampling plan is calculated on the basis of the number of:

$$\text{Sample frequency} = 0.8 \times \sqrt{n\text{FMUs}}$$

For the purpose of the sampling plan an FMU is a forest area within the district as listed above.

This results in the following audit frequency for the 2013 audit.

$$\text{District 1 Midway controlled} = 4 \text{ FMU} > 2 \text{ samples}$$

$$\text{District 2 3rd party} = 4 \text{ FMU} > 2 \text{ samples}$$