HOW

1 INTRODUCTION

Visy Pulp and Paper Pty Ltd (Visy) is an Australian owned company which operates a pulp and paper mill in Tumut NSW. Visy has a controlled wood supply from a variety of softwood plantation sources within Australia for the production of paper products.

Visy obtains its wood from the following softwood plantation supplier districts:

1. Large suppliers with distinct Forestry Management Units (FMUs) who create their own Harvest Plan, e.g. Forests New South Wales (a NSW government trading enterprise) (FNSW), Hume Forests Ltd (HFL), Hancock Victorian Plantations Pty Limited (HVP) and PF Olsen (Aus) Pty Ltd (PFO).

2. Smaller suppliers where either Visy or a plantation manager prepares a harvest plan on behalf of the owner.

3. Sawmill residues originating from all sources including 1 and 2 above.

Visy has conducted a risk assessment on fibre supply as part of the verification program for controlled wood sources under Forest Stewardship Council Standard FSC-STD-40-005 (V2-1) Company Evaluation of Controlled Wood.

The Australian Forest Stewardship Council has published the FSC accredited national (Annex 2) risk assessment for Australia, and has a determination of low risk for New South Wales and Victoria at the Annex 2 level for controlled wood criteria. Visy's risk assessment is confined to an Annex 3 verification, focused on High Conservation Values (HCV) only.

The FSC Australia risk assessment found an unspecified risk for HCV for New South Wales and Victoria. Therefore, a verification process according to FSC-STD-40-005(V2-1) Annex 3 needs to be completed for Visy's wood supply. 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.

For the determination of a strong system of control for HCV the FSC Australia Draft 2 HCV guidelines have been used. These guidelines can be found at the following link: http://fscaustralia.org/sites/default/files/HCV%20draft%202.1_2011.pdf
## 2 ASSESSMENT OF SUPPLIER’S SYSTEM OF CONTROL FOR HIGH CONSERVATION VALUES.

### 2.1 Assessment of Supplier's System of Control for HCV: Large Suppliers

| HCV 1: Forest areas containing habitat for national or state-listed threatened species or species of high significance. | • Planted softwood forests (plantations), including FNSW, HFL and PFO plantations located in southern NSW, operate under the *Plantations and Reafforestation Act 1999. The Integrated Forestry Operations Approval 2002* (IFOA) does not apply because this legislation is not applicable to plantations.  
• However, similar planning steps to the IFOA are taken in relation to planted softwoods, and a plan is produced with the aim being to minimise the impact on any known threatened species in addition to a range of other values, such as old growth or rainforest.  
• In the preparation of Harvesting Plans, biodiversity geographical information systems (GIS), overlays and a due diligence process are used.  
• Prescriptions are included in the Harvest Plan from researched management actions. In addition, FNSW, HFL, HVP and PFO are required to carry out pre-harvest surveys to identify the habitat of threatened species, and must also undertake a pre-harvest mark up to protect riparian stream buffers, hollow-bearing trees and numerous other species with specific habitat features during harvesting.  
• All softwood plantation harvest plans are available at the plantation owners’ regional offices.  
• FNSW, HFL, HVP and PFO take additional measures to safeguard rare, endangered species and ecosystems, these include, but are not limited to:  
  ◦ Additional research to improve prescription. Research outcomes are fed back into the state's Environment Protection Authority and the Department of Primary Industries Plantation and Assessment Unit (during revision of license conditions to ensure current best practices are adopted into license conditions wherever possible). An example of this is water management in native forests and plantations. Research is being undertaken into utilising Light Detection and Ranging (LIDAR) technologies to improve landform and topography mapping, hence improving protection of environmental features. This information is summarised in the Harvest Plan, including the management of each |

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| 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. | • FNSW manages 6 million hectares in permanent reserves. FNSW conducts forestry operations in 2.2 million hectares, of which softwood plantations comprise approximately 220,000 hectares located primarily in three regions (Hume, Monaro, and Macquarie), and two Northern Districts (Walcha and Grafton). Maps of these are available from FNSW. All areas have been regionally surveyed and all ecotypes identified.  
  • Please see the [Department of Primary Industries maps](#) for details of the reserve and harvest areas.  
  • Measures to protect the HCV 2 values during harvest are part of the Harvest Plan prepared by each forestry operation.  
  • HFL, HVP and PFO plantations are not in areas with large intact native forests, or are they located on the edge of such forests. Where plantations are close to intact native forest consistent with the FSC Australia Directory of Information, sources are used to enable mapping of the areas. Most plantations will be a small part of such landscapes and as such will not impact on landscape values. Any measures taken to mitigate such impacts are recorded in the Harvest Plan. |
|---|---|
| HCV 3: Forest areas that are in or contain rare, threatened or endangered ecosystems. | • FNSW has produced an internal guide to assist the identification of Endangered Ecological Communities (EEC’s) in the absence of clear guidance from regulators - *A Field Guide for Ecological Vegetation Classes and Ecosystems (EVCs)*.  
  • In addition to the field guide, the items discussed in HCV 1 above, also address the management of this HCV. |
| HCV 4: Forest areas that provide basic services of nature in critical situations such as slope, erosion control, water catchment. | • These values are managed through meeting the requirements of the *Plantations and Reafforestation Act 1999*. The plantation planning process takes into account the minimisation of issues such as slope, erosion control and water catchment management.  
  • FNSW, HFL, HVP and PFO management of soil and water values involves site specific actions undertaken in each harvest unit to mitigate the impact to the soil and water environments. These requirements are formally audited by the EPA and the plantation owners.  
  • FNSW has undertaken research and modelling of the impacts of plantation operations on stream flow and turbidity to inform and improve water-shed management in the forestry industry.  
  • In FNSW, HFL, HVP and PFO plantations, water quality monitoring is carried out. |
undertaken regularly. FNSW are also involved in cooperative management with the local catchment management authorities.

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

- There are no known issues affecting basic needs of local communities in the plantations included in this assessment.

**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)

- All cultural and heritage issues are managed under a management plan that complies with applicable Commonwealth and State legislation. In addition all actions in level 2 of the FSC Australia guidelines are complied with. FNSW has established and uses agreements with a number of local Aboriginal groups.

### 2.2 Assessment of Supplier's System of Control for HCV: Small and Private Suppliers

Although private wood suppliers are generally within the Small Low Intensity Management (SLIMF) definition set by FSC Australia (less than 1,000 hectares), some are larger, i.e. HFL and PFO. Therefore, the SLIMF criteria cannot be used for all private suppliers. Since the legislation covering private wood suppliers (other than FNSW, HFL, HVP and PFO) is similar, the following actions are in place covering all smaller suppliers. However smaller suppliers will only be expected to carry out assessments consistent with their size and intensity.

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

- Plantation managers use publicly available data consistent with the FSC Australia Directory of Information Sources to determine the presence or absence of species in the plantation and in any immediately adjacent native vegetation.
- If threatened or species of high significance are found the information is included in the harvest maps and plans. An assessment is made as to the likelihood that the harvest activities will negatively impact on those species. Expert sources of information may be consulted. If there is a potential for impact, a management prescription will be implemented to protect the...
species. This is reflected in the Harvest Plan based on known information on those species e.g. avoiding harvest in the breeding season of that species.

<table>
<thead>
<tr>
<th>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.</th>
<th>Most plantations are not in areas with large intact native forests, or are they located on the edge of such forests. Where plantations are close to intact native forest consistent with the FSC Australia Directory of Information, sources are used to enable mapping of the areas. Most plantations will be a small part of such landscapes and as such will not impact on landscape values. Any measures taken to mitigate such impacts are recorded in the Harvest Plan.</th>
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<td>HCV 3: Forest areas that are in or contain rare, threatened or endangered ecosystems.</td>
<td>The items discussed in HCV 1 above, also address the management of this HCV. Ecological Vegetation classes and ecosystem values are interrogated from the same sources.</td>
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<td>HCV 4: Forest areas that provide basic services of nature in critical situations such as slope, erosion control, water catchment.</td>
<td>The aspects covered by HCV 4 are all considered and managed under the Plantations and Reforestation (Code) Regulation 2001. There is a pre-assessment for issues covered under the code. Identification of such issues impacting on basic service of nature are addressed in harvest maps and Harvest Plans.</td>
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- The Plantations and Reforestation (Code) Regulation 2001 also addresses water catchment related issues regardless of the presence or absence of a drinking water or irrigation catchment. |
- All harvest crews working under the requirements of the Code of Practice are formally trained and certified in soil and water issues. |
| HCV 5: Forest areas fundamental to meeting basic needs of local communities (water, food, firewood, shelter, income) with | Private and small plantations are not considered to be used by communities for basic needs. HCV 5 items¹ are not applicable in this situation, i.e. no one relies on these plantations for firewood or shelter. |

¹ Local people use the area to obtain resources on which they are critically dependent. (FSC Australia).
3 PROCEDURE FOR VERIFYING THE SUPPLIER (FSC ANNEX 3 LEVEL)

3.1 Controlled Wood Verification Program

Visy audits the following controlled material suppliers annually,

Supplier Type 1: Large suppliers with distinct FMUs who create their own Harvest Plan e.g. FNSW, HFL, HVP and PFO.

Supplier Type 2: Smaller suppliers where either Visy or a plantation manager prepares a harvest plan on behalf of the owner.

Supplier Type 3: Sawmill residues originating from all sources including 1 and 2 above.

For all suppliers, including private growers, detailed records are kept of supplying blocks. These are made available to FSC auditors. In the case of sawmill residue supply, Visy has confirmed the supplying sawmills source wood from the same suppliers as Visy.

Visy has adopted the FSC Australia Annex 2 Risk Assessment. Visy identified low risk for all controlled wood categories except HCV (3.1 and 3.2) which was undetermined at all IBRA bioregions in Australia. Visy has completed an Annex 3 verification audit on HCV for its supplied wood using the draft guidelines from FSC Australia as the benchmark. The “High Conservation Values (HCVs)” evaluation framework is used when implementing FSC Controlled Wood standards http://www.fscaustralia.org/sites/default/files/HCV%20draft%202.1_2011.pdf. Under this approach there is verification that appropriate ‘tools’ have been used to satisfy the six classes of HCV.

As a result of the Annex 2 risk assessment returning a result of undetermined risk for HCV items 3.1 and 3.2, the onus is on the supplier to demonstrate a strong system of control that Visy can confirm in its
verification audits. The system of control for each of the suppliers is set out in detail in this document (above).

3.2 Stakeholder Consultation
Visy has developed a stakeholder consultation process including non-government organisations (NGO) and local indigenous representatives. These stakeholders are consulted on the annual verification audits. Where issues are raised these are taken into account as practicable.

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

3.4 Controlled Wood Verification Audit Schedule
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.

4 SUPPLIER MATERIAL CATEGORIES AND SAMPLE PLANS

4.1 Districts and Sampling 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 minimise 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 three districts for the sampling plan. Supply from all of these districts is the same forest type, Pinus Radiata and other Pinus species plantations.

1. Large suppliers from NSW and Victoria with distinct FMUs who create their own Harvest Plan include FNSW, HFL, HVP and PFO.
2. Smaller suppliers made up of discrete FMUs where either Visy or a plantation manager prepares a Harvest Plan on behalf of the owner.
3. Sawmill residues originating from all sources including 1 and 2 above.

Note: in the first year audits were outsourced to a suitably qualified consultant. http://pinnaclebypinnacle.com/
Wood from private plantations is occasionally purchased on a spot market basis. As part of this verification process 100% of private wood sales from all regions is assessed by the owner or their agent. This is achieved by completion of a grower declaration requiring history of the plantation and any impacts on HCV that they are aware of.

Supplier Types 1 and 2 are considered separate districts for the purpose of sampling because they are represented by different sizes of operation and different FMU types.

Supplier Type 3 (sawmill residues) wood is supplied to Visy after processing by a sawmill. This is treated as a separate district for the purposes of sampling. Where the suppliers to the sawmill (Supplier Type 3) are the same suppliers as identified in Supplier Types 1 and 2, Visy has determined that the assessments completed under Supplier Type 1 and 2 are sufficient and will not complete additional assessments.

4.2 Sampling Plan

The sampling plan is calculated on the basis of the sampling equation in FSC-STD-40-005, Annex 3, section 1.8, where the sample frequency will equal at least 0.8 times the square root of the number of Forestry Management Units (FMUs).

For the purpose of the sampling plan, an FMU was defined by FSC International in 2011 as;

“Forest Management Unit (FMU): A clearly defined forest area with mapped boundaries, managed by a single managerial body to a set of explicit objectives which are expressed in a self-contained multi-year management plan”

FSC International later clarified the definition of an FMU in 2012;

“Forest Management Unit (FMU): A clearly defined forest area with mapped boundaries, managed by a single managerial body to a set of explicit objectives which are expressed in a self-contained multi-year management plan.

Where there is management planning documentation at different levels, FMU can be defined as the area at which the calculation is made of the yield which can be permanently sustained (as per criterion 5.6 and usually referred to as AAC (Annual Allowable Cut)).”

The term ‘management plan’ is key, and taken as equivalent to that which is described in FSC Principle 7 (FSC-STD-01-001 V4-0).

This important advice from FSC International means that for wood supplied from large suppliers only their plantation estate is considered as the FMU for the purposes of the sample. For example, the FNSW plantation estate has a different management personnel, management plans and objectives to the native forest estate and therefore the FMU is considered to be ONLY the FNSW plantation estate.

4.2.1 Sampling Approach for Supplier 1
All plantations managed by large forest managers\(^5\) meet the definition of a single FMU for the purposes of sampling. Therefore, for each of the three large FMU managers the required sample is one (1) audit.

However, in order to test that the management is consistent across all harvest coups, the sample size for the Supplier Group 1 has been increased to exceed requirements to ensure that the sample size reflects the size of the operations. A similar rule from the *Forest Management Evaluation Accreditation Standard* dictates that the auditor needs to visit a sufficient variety and number of sites within each FMU selected as to make direct factual observations as to conformity against the audit criteria. (See *FSC-STD-20-007 (V3-0)* s 5.4.2).

Therefore, the Supplier Group 1 audit sample chosen is:

- FNSW – Audit 5 active harvesting sites per annum\(^6\)
- HFL – Audit 3 active harvesting sites per annum
- HVP – Audit 1 active harvesting site per annum
- PFO – Audit 2 active harvesting sites per annum

**4.2.2. Sampling Approach for Supplier Group 2**

The sample frequency is based on the number of FMUs in the last calendar year. In order to meet the requirement of *FSC STD 40-005* only active harvesting sites are audited.\(^7\)

The Supplier Group 2 audit sample number for 2013 is 5.

**4.2.3. Sampling Approach for Supplier Group 3**

A determination is made that the number of FMUs supplying the sawmills, not included in district 1 and 2 is 0.

The Supplier Group 3 audit number for 2013 is 0 as all suppliers are covered by district 1 and 2.

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\(^5\) FNSW, HFL, HVP and PFO.

\(^6\) NOTE for FNSW the plantation estate has different management personnel, management plans and objectives to the native forest estate and therefore the FMU is considered to be ONLY the FNSW plantation estate. This is also supported in a couple of places (*FSC-STD-40-005*, annex 3 s. 1.7; *FSC-STD-20-007* s. 5.3.1) and clearly shows that natural and plantation forests should be considered separate FMUs. Each region has their own management plans (Hume Region from [http://www.forests.nsw.gov.au/management/sustainable-forest-management/esfm](http://www.forests.nsw.gov.au/management/sustainable-forest-management/esfm)).

\(^7\) 1.10. Verification audits should be conducted timely after receipt of the wood.