Forest Management
2016 Annual audit
Report for:

Hikurangi Forest Farm Ltd.
In
Gisborne, New Zealand

Report Finalized: 7 October 2016
Audit Dates: 25 - 28 July 2016
Audit Team: Addis Tsehaye
Graeme Gillies

Certificate code: RA-FM/COC-001605
Certificate issued: 23 August 2015
Certificate expiration: 22 August 2020

Organization Contact: Kim Murdie
Address: Cnr Derby Street & Gladstone Road, Gisborne, New Zealand
TABLE OF CONTENTS

1. INTRODUCTION .............................................................................................................................................. 3
2. AUDIT FINDINGS AND RESULTS .................................................................................................................. 3
   2.1. AUDIT CONCLUSION ................................................................................................................................. 3
   2.2. CHANGES IN FMEs’ FOREST MANAGEMENT AND ASSOCIATED EFFECTS ON CONFORMANCE TO
        STANDARD REQUIREMENTS: ....................................................................................................................... 4
   2.3. EXCISION OF AREAS FROM THE SCOPE OF CERTIFICATE ..................................................................... 4
   2.4. STAKEHOLDER ISSUES (COMPLAINTS/DISPUTES RAISED BY STAKEHOLDERS TO FME OR RAINFOREST
        ALLIANCE SINCE PREVIOUS EVALUATION): ............................................................................................. 4
   2.5. CONFORMANCE WITH APPLICABLE NONCONFORMANCE REPORTS ...................................................... 16
   2.6. NEW NONCONFORMITY REPORTS ISSUED AS A RESULT OF THIS AUDIT ............................................. 30
   2.7. AUDIT OBSERVATIONS ............................................................................................................................. 30
3. AUDIT PROCESS ............................................................................................................................................... 31
   3.1. AUDITORS AND QUALIFICATIONS: ............................................................................................................ 31
   3.2. AUDIT SCHEDULE ..................................................................................................................................... 32
   3.3. SAMPLING METHODOLOGY .................................................................................................................... 33
   3.4. STAKEHOLDER CONSULTATION PROCESS ............................................................................................. 34
   3.5. CHANGES TO CERTIFICATION STANDARDS .......................................................................................... 35
   3.6. REVIEW OF FME DOCUMENTATION AND REQUIRED RECORDS ....................................................... 35

APPENDIX I: FSC Annual Audit Reporting Form: ............................................................................................. 36
APPENDIX II: Rainforest Alliance Database Update Form .................................................................................. 39

Standard Conversions

1 mbf = 5.1 m$^3$
1 cord = 2.55 m$^3$
1 gallon (US) = 3.78541 liters

1 inch = 2.54 cm
1 foot = 0.3048 m
1 yard = 0.9144 m
1 mile = 1.60934 km
1 acre = 0.404687 hectares

1 pound = 0.4536 kg
1 US ton = 907.185 kg
1 UK ton = 1016.047 kg
1. INTRODUCTION

The purpose of this report is to document annual audit conformance of Hikurangi Forest Farms Ltd., hereafter referred to as Forest Management Enterprise (FME). The report presents the findings of Rainforest Alliance auditors who have evaluated company systems and performance against the Forest Stewardship Council™ (FSC®) forest management standards and policies. Section 2 of this report provides the audit conclusions and any necessary follow-up actions by the company through nonconformity reports.

The Rainforest Alliance founded its previous SmartWood program in 1989 to certify responsible forestry practices and has grown to provide a variety of auditing services. Rainforest Alliance certification and auditing services are managed and implemented within its RA-Cert Division. All related personnel responsible for audit design, evaluation, and certification/verification/validation decisions are under the purview of the RA-Cert Division, hereafter referred to as Rainforest Alliance or RA.

This report includes information which will become public information. Sections 1-3 and Appendix I will be posted on the FSC website according to FSC requirements. All other appendices will remain confidential. A copy of the public summary of this report can be obtained on the FSC website at http://info.fsc.org/.

Dispute resolution: If Rainforest Alliance clients encounter organizations or individuals having concerns or comments about Rainforest Alliance and our services, these parties are strongly encouraged to contact Rainforest Alliance regional or Headquarters offices directly (see contact information on report cover). Formal complaints or concerns should be sent in writing.

2. AUDIT FINDINGS AND RESULTS

2.1. Audit conclusion

<table>
<thead>
<tr>
<th>Certification requirements</th>
<th>Met, certificate maintenance recommended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upon acceptance of NCR(s) issued below</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Certification requirements</th>
<th>Not met:</th>
</tr>
</thead>
</table>

Additional comments: One (1) Minor NCR was raised during this audit.

Issues identified as controversial or hard to evaluate.
2.2. Changes in FMEs’ forest management and associated effects on conformance to standard requirements:
There was no change/s since the last re-assessment that has any effect on the FME’s forest management system covering silvicultural and harvesting operations and its environmental, and group scheme management. However, the General Manager presented the FME’s establishment of a log optimization and processing plant, known as Optilog NZ Ltd as follows:

HFF had invested in purchasing 30,000 m² of a land parcel to construct a plywood mill a decade ago. The plywood mill could not be constructed due to economic reasons. At present HFF has invested the land to be used as a log processing yard whereby full length logs will be digitally scanned and cut to optimal lengths to maximize value of log grades. Millions of dollars have been spent to establish this facility. The General Manager outlined that when the pant starts operating in September 2016 it will:

- be able to process up to 800,000 logs/year
- create huge advantage in value adding to the logs being handled;
- create a waste recovery mechanism; and
- initially create 22 new jobs and moving up to 44 jobs once it is producing at full capacity

The audit team visited the site and verified that the necessary infrastructure and buildings are completed, and machinery and equipment for the optimization process are being installed.

2.3. Excision of areas from the scope of certificate

Not applicable. Check this box if the FME has not excised areas from the FMU(s) included in the certificate scope as defined by FSC-POL-20-003. (delete the rows below if not applicable)

2.4. Stakeholder issues (complaints/disputes raised by stakeholders to FME or Rainforest Alliance since previous evaluation):
Stakeholders representing neighbors, local governments and other community members reflected positive comments about the FME. The local government environmental department representative who are dealing with the protection of natural resources (water, soil, and indigenous forests and reserves) and experts involved with FME in relation to archaeological sites studies, biodiversity and high conservation values forests (HCVF) and forest health studies expressed their appreciation of the FME’s high level cooperation and commitment to achieve results.

However, there was a formal complaint submitted against the FME and a summary of the results of the investigation by RA audit team about this complaint is presented in the table below:

Please note all the persons mentioned in this stakeholders issue analyses table are all known by the organization hence there is no a confidentiality requirement. Particularly Mr. Carrick Graham, Managing Director, Facilitate Communications Ltd and who already have published a copy of his complaint with his name on international and local newspapers. However, for all other stakeholders mentioned in this report only the names the organizations they are representing and their responsibilities in their respective organizations are included for clarity reason.

<table>
<thead>
<tr>
<th>Stakeholder comment</th>
<th>RA Response (investigation, findings and conclusion)</th>
</tr>
</thead>
</table>
A letter of complaint

On the 16 February 2016
A letter of complaint was submitted to the Forest Stewardship Council FSC Dispute Resolution Centre Via Email: dispute.resolution@fsc.org by Mr. Carrick Graham, Managing Director of an organization by the name of Facilitate Communications Ltd, based in Auckland, New Zealand.

The complaint letter outlines a number of concerns regarding HHF conformance with FSC standard requirements and includes the following statements:

- “We (Facilitate) have been retained by a client who has expressed concern about the Forest Management FSC Certification of Hikurangi Forest Farms Limited (HFF) in Gisborne, New Zealand”.
- “In terms of the observance of the principles of natural justice, we have also emailed a copy of this letter to the Samling Group of Companies, based in Malaysia”.
- “We seek an investigation of the complaint by the relevant certification body of the FSC”.
- “Specifically, we are aware of local stakeholder concerns about the forest management certification of HFF in respect of its current refusal to support the local stakeholder-backed initiative of a wood processing ‘cluster’ and centre of excellence at the Prime Sawmill site”.
- “As a result of this, local stakeholders are concerned that HFF may be in breach of its Forest Management Certification in terms of its ability to fully comply with the 10 internationally agreed FSC Principles and associated criteria of Responsible Forest Management”
- Following the above statements the letter outlines some Criteria within Principles 4 and 5 of the FSC Standard that HFF is supposed to be in breach.

The RA audit team was assigned to investigate this complaint during the FME’s current annual audit and the outcomes of the investigation, findings and conclusion are presented in this column as follows:

1. Prior to the audit the Lead Auditor contacted (via email on 11/07/16) and asked Mr. Graham to meet with the audit team in person or to send his representative either on the afternoon of Monday the 25th or any time after that until Wednesday the 27th of July 2016.

2. On his email of 13/07/16 Mr. Graham requested the meeting to be on 25 July at 2.30 pm, at his office located in Parnell, Auckland.

3. On the same day (13/07/16) the Lead Auditor responded, stating that the RA audit team planned the meeting with him in Gisborne and no travel arrangement or expenses to cover the trip to Auckland was allocated. Plus as the audit schedule is so tight to spare the travel time to Auckland, if he was unable to come to Gisborne, he need to delegate someone to meet with the Audit Team in Gisborne.

On his response (email dated 14/07/16), Mr. Graham stated that it would not be possible for himself or a delegate to meet with the audit team in Gisborne and a teleconference was scheduled with the audit team for Monday 25th July

4. A summary of the discussion during the teleconference (held Monday the 25th July at 2:30 pm) is summarized as follows:

   (a) Mr. Graham repeated almost what he stated on his letter of complaint on the 16th of February 2016 (Exhibit 1).

   (b) Based on the statements made in his letter of complaint the audit team asked if any of his clients have contacted the FME (HFF) at any time prior to or after his complaint letter was submitted to FSC.

   (c) Mr. Graham responded saying that he doesn’t know whether any of his clients have contacted the FME. The audit team noted that this contradicts the following statement included in the letter of complaint: “Specifically, we are aware of local stakeholder concerns about the forest management certification of HFF in respect of its current refusal to support the local stakeholder-backed initiative of a wood processing ‘cluster’ and centre of excellence at the Prime Sawmill site”.

The audit team requested Mr. Graham if he was willing to supply the names of his clients so that the audit team will be
In his email of 26th July 2016 Mr. Graham included the following points.

- He provided clarification that the FSC complaint has nothing to do with Bruno Manser Fonds, the Swiss based NGO. This was reported in the Gisborne Herald and the comment arose due to this particular NGO issuing a media release about the FSC complaint.
- Reinforced that his client’s concerns solely relate to the integrity of the FSC Certification process and the ability of certificate holders (in this case HFF) to meet, and live up to and the potential non-compliance with certain Principles.
- Stated that the complaint process arose as a result of HFF building and storing logs directly across the road from the locally funded Prime Sawmill site. Furthermore, that for the Prime Sawmill site to succeed as a local centre of excellence, provide training and career opportunities and be known as a regional economic development project, it would require the active support of the local forestry block owners (including HFF). And to the best of his knowledge, HFF has not shown any support for, or commented on the Prime Sawmill initiative.
- He indicated that he has asked the client if they would engage / talk directly with the Rainforest Alliance audit team, but despite his efforts, the client does not want to be identified. The email states that basis for this is that they have an involvement with the Prime Sawmill site and due to the very small-town Gisborne environment, and the local forestry sector, they view the risk of identification as too great.
- We (Facilitate & complainant) would have hoped that HFF would have responded to our initial email (17 February 2016) advising them of the FSC complaint, which would have opened dialogue channels with HFF. Despite a number of follow-up emails (25 February 2016, 7 March 2016 and 9 March 2016, at no stage has HFF acknowledged or even responded to Facilitate’s emails to them.
- The email raises the concern that “HFF seems to have a history of not following up on commitments made”, and makes able to communicate directly with them. The audit team also confirmed to him that their names and identities will be kept strictly confidential. His response was he will talk to them and get back to us by the next day (26/07/16).

5. As indicated in his email of 26/07/16 Mr. Graham was not able to supply the audit team the name/s of his client/s (local stake holder/s) who have contracted him to submit the letter of complaint against the FME on their behalf.

6. The audit team also interviewed the FME’s General Manager about this complaint. A summary of his response presented as follows:

(a) The audit team asked the General Manager if there had been any request or contact from any local stakeholder/s in relation log supply to the proposed ‘wood processing at the Prime Sawmill site’.
(b) The FME General Manager responded that nobody from the local stakeholders have had any contact with his company or no request from anyone about log supply was made to the proposed ‘wood processing at the Prime Sawmill site’.
(c) The FME General Manager of the FME also presented a copy of an email (dated 17 February 2016) from Mr Graham detailing the complaint. The email was sent to the FME’s Forest Planning Manager and included as an attachment a copy of the formal letter of complaint submitted to FSC.
(d) The FME General Manager of the FME added that that after receipt of this email the executive team of HFF decided to seek legal advice from the company’s lawyer. Upon the advice from the lawyer a decision was made not to respond to the email sent from Mr. Carrick Graham. He outlined that this decision to not respond was based on the following reasons:

- HFF has no knowledge of, nor have had any relationship with Mr. Carrick Graham;
- Mr. Graham is not a local (as he lives in Auckland) and was claiming to have complaint as a third party on behalf of his unknown ‘client/s’;
- No request or any contact was made with HFF by the alleged local stakeholders (‘client/s’) that he was claiming to represent.
- Further, the legal advice was to allow the process established by FSC to resolve and address complaints via the FSC system and therefore to be fully addressed as required during the current FSC FM audit.

7. The FME General Manager also presented the following evidence to the audit team.

(a) A copy of 1-page press release by Bruno Manser Fund on the 15th of March 2016 (See Exhibit 3). As
reference to a complaint raised by Labour’s Forestry Spokesperson Stuart Nash MP and provides a link to the media release.

- The email closes by stating that the “client would certainly welcome a more transparent approach to, and commentary from HFF about its business in the Gisborne region. While the client certainly appreciates HFF is a private commercial entity, there is local interest in its operations, and how the company operates in New Zealand.”

  can be seen the heading of the press release states: “Malaysian timber giant Samling may lose FSC certification in New Zealand”. It describes how the compliant by local stakeholders have been lodged by local stakeholders against HFF and a copy of the letter of complaint submitted to FSC had been presented as an attachment to the press release.

(b) A copy of local newspaper clip, from the Gisborne Herald, published and distributed in Gisborne on the 16th of March 2016. As can be seen the title of the article in the newspaper is: “HFF’s lack of support for Prime questioned’. The newspaper published the full content of the 15th March press release by Bruno Manser Fund in addition to the
response by the FME General Manager.

(c) A copy of a local newspaper clip from the Gisborne Herald, published and distributed in Gisborne on the 18th of March 2016, which provides a response to the claim made by Bruno Manser Fund in its press release on the 15th March.

(d) A copy of the New Zealand Forest Owners Association (FOA) media release (18th March 2016) from the FOA website. The media release details FOA’s opposition to the accusation made against HFF. The document states that the proposed processing facility by the Gisborne District Council, the Eastland Community Trust and Activate Tairawhiti, is still under negotiations and log supply is only at the scoping stage, with HFF being one of the suppliers to be considered in the future.

The General Manager also presented copies of email correspondence from the following:

(i) Emails (dated 15th and 18th March) from the General Manager, Eastland Community Trust, clearly stating that his company has nothing to do with the complaint presented to FSC; and

(ii) An email dated (9 May 2016) from the Chief Executive Officer, Activate Tairawhiti, clearly stating that his company has nothing to do with the complaint presented to FSC.

Please note that both of the above organizations are owners of the sawmill (which is the main subject in the letter of complaint by Mr. Graham).

(e) A copy of a 2-page letter (dated 8 April 2016) from the General Manager of East Coast Lumber Ltd, in support of the FME, and explaining that HFF has been supplying high quality pruned logs to his company for 13 years.

8. Inputs from other stakeholders

The audit team contacted and interviewed key stakeholders who jointly own the proposed sawmill as follows:

a. The Chairman, Activate Tairawhiti: He said that he is aware that HFF are a big contributor to the East Coast economy does not expect HFF to simply swap customers just because one is local. He appreciates that HFF have long term commitments and understands that if they (Eastland Community Trust etc.) prove reliable over time that they may be able to change that commitment. Has absolutely no issue with HFF and is not have any part to the
complaint made by Mr. Graham.

b. General Manager Eastland Community Trust: He confirmed that prior to the release of the complaint in the Gisborne news he had not had any communication with HFF, or other forestry companies, regarding log supply of logs to the proposed sawmill. He had no issues with HFF and appreciated they were a commercial business. He confirmed that neither he nor anyone else at ECT had anything to do with the complaint made by Mr. Graham.

9. **Audit team’s conclusion**

In addition to the above findings the audit team evaluated the alleged nonconformance by FSC standard requirement highlighted in the letter of complaint. The italicized text is extracted from the complaint letter.

**Note:** The complaint letter references indicator requirements from the Rainforest Alliance Interim Forest Management Standard for New Zealand. This standard was replaced by the FSC National Standard for Certification of Plantation Forest Management in New Zealand in September of 2013. The audit team evaluated the allegations against the applicable indicators from this new standard.

<table>
<thead>
<tr>
<th>Point # 1</th>
</tr>
</thead>
</table>

4.1.5 *The forest manager shall identify opportunities and implement actions appropriate to support regional industry and regional communities having due regard to the role of forestry in rural and regional development and the economic, social, environmental and cultural requirements of the FSC.*

Finding:
HFF have not been approached by anyone including the media to make a comment.
Furthermore, in relation to the ‘sawmill’ mentioned in the letter of complaint, due diligence has not been completed by the new owners of the mill and the mill is nowhere near ready to open.

The complaint states that HFF have ‘refused’ to support the mill. The audit team found no evidence of the alleged refusal. Aside from the complaint letter (third party complaint) by Mr. Graham the audit team has not identified any requests from any party or individual.

The complaint letter also states that HFF owns and operates a land parcel of 30,000 square meters opposite Prime Sawmill for which it intends to utilize as a temporary
log storage of a maximum of 12,000 ton of logs’. The audit team found no evidence showing the purpose of the land acquisition was as stated in the letter of complaint. Instead, records show that the land was initially purchased as the site of a proposed ply mill and that idea was not realized due to economic reasons. At present HFF has indicated the land is to be used as a log processing yard whereby full length logs will be digitally scanned and cut to optimal lengths to maximize value of log grades. Several million dollars has been spent to establish this facility which is not a ‘log storage yard’. The audit team visited the site and verified that the machinery for the log optimization system are being installed and the full operation expected to commence in September 2016. The plant will initially create 22 new jobs and moving up to 44 jobs once it is producing at full capacity.

Point # 2

4.2.7 Relevant policies, plans, records and operational procedures are in place: Managers, employees and contractors understand their responsibilities

Complaint comment: ‘Local stakeholders have questioned HFF’s commitment’.

Finding:
Apart from Mr. Graham’s letter of complaint to support this comment no evidence was found to support this. All stakeholders interviewed by the audit team had no issues at all with HFF and had not asked for any commitment at this stage.

Point # 3

4.4. Management planning and operations shall incorporate the results of evaluations of social impact. Consultations shall be maintained with people and groups directly affected by management operations.

Complaint comment: HFF has not published any ‘results’ of its social impact in terms of its log storage operation.

Finding:
The log optimization facility is not running yet so ‘results’ are not available. However, Resource consent was granted by the Gisborne District Council implying any social impacts were approved. During the site visit the audit team confirmed that as part of the resource consent approval process on impacts to the neighbors the FME was required to plant thousands of native plants around the boundary of the log optimization plant to create amenity and esthetic values.

Complaint comment: ‘Local stakeholders have questioned how HFF could maintain FSC certification’. Finding as per
Point #2 (above).

Point # 4

4.4.1 In conjunction with local stakeholders and other interested parties, the FMO shall evaluate socio-economic impacts associated with forest management activities. The evaluation shall be in accordance to the scale and intensity of operations.

Complaint comment: ‘Local stakeholders have questioned HFF’s commitment to 4.4.1’.

Finding:
Finding as per Point# 2 (above). Further, socio-economic impacts of forest management activities by HFF and the establishment of a sawmill by a different entity are completely unrelated.

Point # 5

4.4.2 FMO shall demonstrate that input from community participation was considered and/or responded to during management planning and operations.

Complaint comment: To have HFF management decide to located a log storage site across the road from one of the most positive economic development initiatives to occur in the Gisborne region, without any demonstration of considering, or responding to wider community or local stakeholder input is incredulous.

Finding:
The above points of complaint can be divided into the following:

(a) In relation to the statement: “To have HFF management decide to located a log storage site”. As described in Point #1 this is not a ‘log storage site’.

(b) In relation to the statement: “across the road from one of the most positive economic development initiatives to occur in the Gisborne region”. Based on the comments received during the audit the audit team could not verify the validity of this statement. The audit team do verify that the whole process is still undergoing due diligence review and has not commenced operation. This site has also had at least four different owners in recent years, the latest being an FSC certificate holder that closed this site as an uneconomic proposal despite being able to supply the logs from their plantations.

(c) In relation to the statement: “without any demonstration of considering, or responding to wider community or local stakeholder input is incredulous”. The audit team found no evidence of any community or local stakeholder input to
support this statement.

Point # 5

4.4.5  FMO has documented in writing formal (required for large operations) and/or informal processes (acceptable for other operations) that it will use to assess social issues and consult with affected stakeholders and adjoining landowners before, during and after forest management planning.

Complaint comment: Local stakeholders would welcome HFF publicizing the process the company uses to assess social issues.

Finding:
The process used is described in the HFF “Social Impact Assessment (SIA) Framework (September 2014)”. This is an internal document and is not public the same as all documents pertaining to the operational management of HFF. These are considered confidential to the HFF process and FSC standards to require that they be made public. However, the results of the framework are summarized on the HFF website. The adherence to assessment of social issues are audited under 7 indicators of criterion 4.4 of the ‘National Standard for Certification of Plantation Forest Management in New Zealand Approved Version 5.7’. These were all assessed as compliant as part of this audit.

Point # 6

4.4.6  The forest management shall facilitate and encourage meaningful participation of stakeholders in the development of the forest management plans or equivalent instruments.

Complaint comment: There are significant concerns about HFF’s commitment to this associated criterion.

Finding:
These concerns could not be verified during the audit as no concerns were raised by the numerous stakeholders interviewed by the audit team during the audit. The complaint was laid by a third party (Mr. Carrick Graham) on behalf of unknown client/s’. As shown above the auditors requested a confidential meeting with Mr. Graham’s ‘client/s’ but this was declined. The extent and or validity of the complaint was therefore unable to be fully substantiated. To date there is no evidence of any ‘Stakeholder concerns’ other than from the ‘client/s’ via Mr. Graham. All stakeholder comments to date have not supported the complaint in any way.

Further comment about HFF’s ‘refusal to support the local stakeholder-backed initiative’, is unfounded as support has
not been sought to date from the main affected parties who are the joint owners of the proposed sawmill, Activate Tairawhiti, Gisborne District Council and Eastland Community Trust.

Also, if taken as written the indicator above would be not be applicable as it concerns input into forest management systems by stakeholders.

Point # 7

4.4.9. FME shall effectively record and respond constructively to community or other stakeholder complaints or requests.

Finding:

To date there has been no community or other stakeholder complaints or requests other than the one in question. From legal advice HFF were advised not to respond to the letter of complaint already sent to FSC and Rainforest Alliance. Legal advice was to allow the process established by FSC to resolve and address complaints via the FSC system and therefore to be fully addressed as required by the RA audit team during current FSC FM audit.

HFF indicated that as a third party correspondent it was deemed that Mr. Graham was not the stakeholder and any comment should only be made through the appropriate process. If the complaint had been made by a stakeholder it would have been addressed as per the HFF process using their ‘Disputes Resolution Procedure’.

Point # 8

4.5 Appropriate mechanisms shall be employed for resolving grievances and for providing fair compensation in the case of loss or damage affecting the legal or customary rights, property, resources, or livelihoods of local peoples. Measures shall be taken to avoid such loss or damage.

Finding:

In the absence of any grievance other than that of an unidentified client HFF are unlikely to be able to resolve anything as the root cause of the grievance is not able to be identified.

The letter also asks the question "what measures HFF have taken to avoid such loss or damage, particularly due to the significant effort and costs (NZ$7.4 million)".

It is hard for the auditors to see what possible measures HFF could make in any respect of this initiative made by the concerned parties. Any costs involved are entirely the
responsibility of the investors and their own process of due diligence must be the arbiter of whether the initiative is sound or not. As part of the due diligence process the investors will in their own right need to assess, among numerous other criteria, whether there is sufficient resource (wood) available for the mill to operate. At the time of issuance of the complaint neither HFF, nor any other forestry company, had been approached concerning the availability of log supply. This was confirmed by key stakeholders (and joint owners of the proposed sawmill), consulted by the audit team during the audit process.

Point # 9

5.2 Forest management and marketing operations should encourage the optimal use and local processing of the forest's diversity of products.

Complaint comment: “HFF has been approached to support this initiative”.

Finding:

There has been no approach to HFF from the investors in the Prime sawmill initiative. This was confirmed during stakeholder interviews with the main affected parties who are the joint owners of the proposed sawmill, Activate Tairawhiti, Gisborne District Council and Eastland Community Trust.

Point # 10

5.4.2 FMO shall support local value added processing.

Finding:

HFF is the main provider of high end value logs to East Coast Lumber in Wairoa (please refer to Exhibit 9) and have been for over 13 years. HFF have also invested in a debarker and anti sapstain unit in a joint venture with Gisborne port. This facility is used by numerous exporters to add value to high end quality logs at the port.

Further, as shown above HFF have also invested heavily in purchasing land to house a plywood mill. Whilst this mill due to economic reasons has not proceeded as planned large sums of money have been spent in the region getting to the stage whereby the construction has been placed on hold. The site is now to be partly utilized by the installation of a log optimization facility that will ultimately employ up to 44 people and will be available for use by other forest producers in the area. This type of facility is one of only a few in New Zealand and apart for greatly increasing the optimal value of logs it will also contribute greatly towards Health and Safety compliance in the forest.
The complaint again claims that HFF does not support the initiative which is unsubstantiated. There is also comment that HFF will be ‘compensated at market rate, for their logs. This is a contentious argument as HFF has over the last few years (partly due to the previous failure of the Prime sawmill) established a very strong relationship with overseas buyers for their premium grade logs at premium prices. These are the same logs the complaint indicates would be required by the new mill. However, ‘market’ rates established in NZ in no way correlate with the premium rates now received with these hard earned and reliable clients overseas.

Another approach has been made to HFF from an associated party who is looking at leasing part of the Prime Sawmill site. This is a separate party and is in no way associated with the local initiative. This party was inquiring about the availability of lower grade logs in the region. HFF’s response to this inquiry was that there was ample supply of that resource from their own and all other forestry companies in the area.

Summary:

The audit team found that the complaint whilst being written with the intent of addressing the requirements of FSC certification it appears to be lacking in various aspects of actual information in regard to the actions or lack thereof of HFF.

There is continued emphasis on the log storage yard across the road which as detailed above is anything but a simple storage yard.

Claims are made that there has been no interaction, or a refusal to respond, with stakeholders. This is deemed to be unfounded as there has been no stakeholder interaction with regard to the Prime sawmill initiative other than via the letter of complaint presented by Mr. Graham. All stakeholders spoken to have been adamant that they do not have anything to do with the complaint and do not support it in any way.

The main Prime Sawmill stakeholders confirmed that no approach to HFF had been made in regard to availability of high value logs which on its own deems most of the points made regarding the lack of support by HFF to be spurious.

HFF have had their 5 year recertification and annual audit conducted since the announcement of the Prime Sawmill initiative. The re-assessment identified 2 minor non-conformances (not associated with the indicators mentioned in the complaint) in Principle 4 and Principle 5 had no non-conformances. The current (2016) FSC FM/COC audit has closed the 2 non-conformances from Principle 4 raised
2.5. Conformance with applicable nonconformity reports

The section below describes the activities of the certificate holder to address each applicable non-conformity report (NCR) issued during previous evaluations. For each NCR a finding is presented along with a description of its current status using the following categories. Failure to meet NCRs will result in nonconformances being upgraded from minor to major status with conformance required within 3 months with risk of suspension or termination of the Rainforest Alliance certificate if Major NCRs are not met. The following classification is used to indicate the status of the NCR:

<table>
<thead>
<tr>
<th>Status Categories</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed</td>
<td>Operation has successfully met the NCR.</td>
</tr>
<tr>
<td>Open</td>
<td>Operation has either not met or has partially met the NCR.</td>
</tr>
</tbody>
</table>

☐ Check if N/A (there are no open NCRs to review)

<table>
<thead>
<tr>
<th>NCR#:</th>
<th>01/15</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report Section:</td>
<td>Appendix II, 3.1.1</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Description of Nonconformance and Related Evidence:**

3.1.1 *Forest managers shall maintain an up to date list of tangata whenua or their appointed representatives who have legal rights of ownership and management of lands and/or forests contained within the management unit.*

The FME incorporates as part of their Stakeholder List the names and contact details of the Tangata Whenua or appointed representatives with legal rights of ownership and management of lands and/or forests within the FMU. However, there are names and contact details missing from the list; and many of the details were last updated in 2011 or 2012.

**Corrective Action Request:**

Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

**Timeline for Conformance:**

By the next annual surveillance audit

**Evidence Provided by Organization:**

A new Stakeholder List was supplied at the commencement of the audit

**Findings for Evaluation of Evidence:**

The updated Stakeholder List contains separate listings for Joint Ventures/ Neighbours/ contractors and others (includes Iwi). Details date last verified and who by (usually supervisor/ manager most closely associated with each forest/ area). Also what forest/ area stakeholders are interested in.

**NCR Status:**

CLOSED

<table>
<thead>
<tr>
<th>Comments (optional):</th>
</tr>
</thead>
</table>
4.4.2 The management plan for the defined forest area shall contain a section presenting the results of periodic social impact assessments, appropriate to the scale of operations.

Records show that FME had incorporated the social impact assessment results carried out in 2011. However, the FME’s management plan does not contain a section presenting the results of its social impact assessment.

Corrective Action Request: Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

Timeline for Conformance: By the next annual surveillance audit

Evidence Provided by Organization: FME presented its updated Management Plan (updated 15/07/16) which includes a summary of the most recent SIA results.

Findings for Evaluation of Evidence:

The auditor reviewed updated Management Plan and verified that the FME have implemented the appropriate corrective action.

Section 8.4: ‘Social Impact Assessments’ states: Social Impact Assessments (SIA) is an important management tool used to reduce business risk, and maintain good relationships within the community. The level of SIA undertaken will be determined by the scale of the operation, its location and the number of community members affected. Some HFF Operations have the potential for high social impacts, such as harvesting, earthworks and aerial spraying, and therefore may require a more detailed assessment”. In this Section examples of SIAs undertaken in the 2015/16 Financial year in relation to the FME’s harvesting and roading and logging truck route operations at the Wakaroa and Findlays Forests are presented.

NCR Status: CLOSED

Comments (optional):
occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

<table>
<thead>
<tr>
<th>Timeline for Conformance:</th>
<th>By the next annual surveillance audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evidence Provided by Organization:</td>
<td>FME presented its updated stakeholder list which also includes the Tangata Whenua and their appointed representatives.</td>
</tr>
<tr>
<td>Findings for Evaluation of Evidence:</td>
<td>The audit team examined the updated stakeholder list and verified that the Tangata Whenua and their appointed representatives and the names and address details of all other stakeholders are complete and up-to-date.</td>
</tr>
<tr>
<td>NCR Status:</td>
<td>CLOSED</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NCR#:</th>
<th>04/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>NC Classification:</td>
<td>Major</td>
</tr>
<tr>
<td>Report Section:</td>
<td>Appendix II, 6.6.7</td>
</tr>
</tbody>
</table>

**Description of Nonconformance and Related Evidence:**

6.6.7 Each of the chemical pesticide formulations used shall be justified for use based upon a documented comparative analysis of alternative chemical and non-chemical means of achieving the required result.

For each of the chemical pesticide formulations used, the FME did not provide the Audit Team with a documented comparative analysis of alternative chemical and non-chemical means of achieving the required result, as required by the Standard.

Corrective Action Request: Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

<table>
<thead>
<tr>
<th>Timeline for Conformance:</th>
<th>By the next annual surveillance audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evidence Provided by Organization:</td>
<td>The FME management representative presented a documented evidence to the audit team showing the following:</td>
</tr>
<tr>
<td></td>
<td>(a) The requirement of chemical derogation applications and has been done through the New Zealand FSC cluster group members; and</td>
</tr>
<tr>
<td></td>
<td>(b) A proof showing that Chemical Analysis was provided to RA for both Terbuthylazine and Hexazinone, and this was available during the 2015 audit.</td>
</tr>
<tr>
<td>Findings for Evaluation of Evidence:</td>
<td>The audit team reviewed the above shown documented evidence and concludes that this NCR was unnecessary during the 2015. Also, the audit team confirmed that the above chemicals are no longer on the FSC highly hazardous list. For all other chemicals being used by the FME at present are not on the highly hazardous list.</td>
</tr>
<tr>
<td>NCR Status:</td>
<td>CLOSED</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NCR#:</th>
<th>05/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>NC Classification:</td>
<td>Major</td>
</tr>
<tr>
<td>Report Section:</td>
<td>Appendix II, 6.9.2</td>
</tr>
</tbody>
</table>
### Description of Nonconformance and Related Evidence:

**6.9.2 Forest managers shall have in place a Wilding Prevention Decision Support System.**

The FME's Integrated Pest Management Strategy describes "Natural Regeneration of P. radiata and Douglas Fir" as a threat, with the objective to “Prevent the establishment and persistence of wildlings in PMA's". HFF’s Wildling Policy (dated 2006) applies to “…PMA’s and internal Company reserves on Hikurangi Forest Farms owned or managed lands”. Neither document describes the use of a wildling prevention decision support system; and FME staff advised that no such decision system was used by HFF.

**Corrective Action Request:** Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. 

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

**Timeline for Conformance:** By the next annual surveillance audit

**Evidence Provided by Organization:** An updated ‘Wilding policy’ was provided as part of the evidence folder at the entry meeting with the FME.

**Findings for Evaluation of Evidence:** The Wilding Policy was updated on 18/7/2016. The policy is a part of the EMS. The policy contains a well laid out decision system in the form of a flowchart model for use with pre-planting of cutover forest areas. The flowchart fully complies with the requirement to recognize and control wilding (regeneration) in these instances.

Where wildings occur in non-production (within the HFF estate) areas these are identified during the indigenous reserve monitoring surveys that are carried out on an annual basis.

For areas outside the estate there are 2 decision systems applicable dependent on whether the issue was identifies by HFF or if it has been notified by an adjoining stakeholder.

**NCR Status:** CLOSED

**Comments (optional):**

<table>
<thead>
<tr>
<th>NCR#</th>
<th>06/15</th>
</tr>
</thead>
</table>

### Description of Nonconformance and Related Evidence:

**6.9.3 Prior to planting of exotics Forest Managers shall use the system in 6.9.2 to assess the risk of wilding spread.**

The FME does not have in place a wilding prevention decision support system.

**Corrective Action Request:** Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. 

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

**Timeline for Conformance:** By the next annual surveillance audit

**Evidence Provided by Organization:** An updated ‘Wilding policy’ was provided as part of the evidence folder at the entry meeting with the FME.

**Findings for Evaluation of Evidence:** As described in NCR 05/15 above the Wilding Policy contains a well laid out decision system in the form of a flowchart model.
### Description of Nonconformance and Related Evidence:

**6.9.4 Where the risk is high the forest manager will not plant without implementing ongoing control procedures.**

During the audit, the Audit Team inspected a protected management area in Te Marunga forest, adjacent to a recently harvested compartment, and noted dozens of *Pinus radiata* wildlings of various ages within a few meters of the boundary with the harvested site: the youngest were very small (less than a year old) and the eldest estimated to be at least 30–40 years old.

Elsewhere during the audit the Audit Team inspected sites where wildling control had taken place, e.g. along roadsides in the Te Marunga forest. However, the Audit Team concluded that the FME is not consistently following its own policy and procedures with respect to control of pine wildlings.

**Corrective Action Request:** Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

**Timeline for Conformance:** By the next annual surveillance audit

**Evidence Provided by Organization:** Evidence of control actions was supplied as part of the evidence folder at the entry meeting with the FME. This include a new Decision support system and aerial photographs.

**Findings for Evaluation of Evidence:**

The decision support system and the annual Reserve area surveys now contain a clearer picture for forest managers of where, when and how to manage wilding issues within and outside the FME forest area.

In this instance, the trees in question have been sprayed by air and evidence of high mortality is visible in aerial photos taken since then.

However it was also noted by the auditors that this NCR was incorrectly addressing the issue as it is not possible that the wildings were resultant form the FME crop. With an age of 30 to 40 years these wildings are considerably older than the adjacent crop in question which was harvested at age 28.
On inspection of a protected management area in Te Marunga forest adjacent to a recently harvested compartment, the Audit Team noted dozens of pine wildings of various ages within a few meter of the boundary with the harvested site including some that were very small (less than a year old) and many that were older (estimated to at 30–40 years old). The Audit Team concluding that the FME was not following its own policy and procedures with respect to control of pine wildlings on adjoining properties, including prior to seed production.

Corrective Action Request:
Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

Timeline for Conformance:
By the next annual surveillance audit

Evidence Provided by Organization:
Evidence of control actions was supplied as part of the evidence folder at the entry meeting with the FME. This include a new Decision support system and aerial photographs.

Findings for Evaluation of Evidence:
As with NCR 07/15 this area was handled under the updated ‘Wilding Control Policy’ which includes actions for areas outside the FME boundary. For areas outside the estate there are 2 decision systems applicable dependent on whether the issue was identifies by HFF or if it has been notified by an adjoining stakeholder. In this instance the issue had been identified by the FME and during the 2015 re-assessment. In conjunction with the ‘Department of Conservation’ (the land owners), the trees in question were desiccant sprayed with an aerial application with very good visible success at the time of the audit.

It was also noted by the auditors that 3 other FME’s also border this PMA and although assistance was sought by the FME from these organizations none was forthcoming.

NCR Status: CLOSED

Comments (optional):

NCR#: 09/15  NC Classification: Major
Report Section: Appendix II, 8.1.1

Description of Nonconformance and Related Evidence:
8.1.1. The forest manager shall maintain a monitoring plan that describes:
• Elements to be monitored;
• Monitoring indicator(s) for each element;
• Rationale for the selection of each element and monitoring Indicator(s);
• Consistent and replicable monitoring procedures;
• The frequency and intensity of monitoring, consistent with the nature of the monitoring indicator(s), management activities, environmental sensitivity of the site, assessed risks, stakeholder concerns, performance history and changing environmental conditions; and,
Relevant baseline information – refer to Indicator 6.1.1.

The FME’s Monitoring Plan provides a list of elements to be monitored. The Plan does not describe ‘monitoring indicator(s)’ per se for each element; however each section refers to other documentation that provides further detail for the relevant methodology, pro forma etc. to be used. While there is a short section entitled Relevant baseline information in the Monitoring Plan (refer page 1), this appears to relate only to harvesting activities and in any case is written at a high level.

Corrective Action Request: Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

Timeline for Conformance: By the next annual surveillance audit

Evidence Provided by Organization: The FME has fully updated their Monitoring Plan (June 2016) and each element now includes a full list of indicators.

Findings for Evaluation of Evidence: Each element as bullet pointed in the requirement have now had a set of indicators added to provide baseline information. For example under the element heading ‘Growth Monitoring’ the indicators include:
- Growth Rate variability
- CAI
- MAI
- Site Index
- 300 Index
- Volumes
- Silviculture data

NCR Status: CLOSED

Comments (optional):

NCR#: 10/15
NC Classification: Major Minor X
Standard & Requirement: FSC-STD-NZL-01-2012 New Zealand plantations EN - National Standard for Certification of Plantation Forest Management in New Zealand, 8.2.4
Report Section: Appendix II, 8.2.4

Description of Nonconformance and Related Evidence:

8.2.4. The monitoring program shall be sufficient to identify unusual mortality, disease, insect outbreaks or adverse ecological impacts related to the planting of exotic species within the management unit.

The Audit Team considered the FME’s monitoring program robust enough to ensure that most instances of unusual mortality, disease, insect outbreaks or adverse ecological impacts related to the planting of exotic species are addressed within the FMU. An exception observed during the audit was the monitoring and management of wildlings, with the Audit Team observing large numbers of wildlings within a protected management area in Te Marunga forest.

Corrective Action Request: Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

Timeline for Conformance: By the next annual surveillance audit

Evidence Provided by An updated ‘Wilding policy’ was provided as part of the evidence folder at
Findings for Evaluation of Evidence: This issue has been fully addressed in NCR’s 05, 06, 07 and 08 above. Additionally these wildings had been identified during PMA surveys and control is now covered by the Wilding Policy. However as described in NCR 07 it is highly unlikely that these trees were a result of the FME’s planting activity.

NCR Status: CLOSED

Findings for Evaluation of Evidence: The Social Impact Assessment Framework is now incorporated into the Environmental Management Systems. The framework requires SIA’s to be conducted as per requirements and includes a template to be used for the assessment. The SIA template includes:
Description of Operation or Project
Potentially Affected Community Members/Groups/Stakeholders
Consultation Feedback/Comments from Affected Community Members/Groups
Description of Alternatives for Meeting Project or Operation Objectives
Preferred Alternative
Monitoring
Evaluation

NCR Status: CLOSED

NCR#: 11/15  NC Classification: Major Minor X
Standard & Requirement: FSC-STD-NZL-01-2012 New Zealand plantations EN - National Standard for Certification of Plantation Forest Management in New Zealand, 8.2.7L
Report Section: Appendix II, 8.2.7L

NCR#: 12/15  NC Classification: Major Minor X
Report Section: Appendix II, 8.2.13
### Description of Nonconformance and Related Evidence:

8.2.13. **The forest enterprise shall have a documented programme for collecting data sufficient to demonstrate the maintenance (or otherwise) of any High Conservation Values (see Criterion 9.1.1, 9.1.2) within the management unit.**

The FME advised the Audit Team that their HCV monitoring programs (and indeed some programs to determine what HCVFs are present on HFF’s estate) are in their early stages, with the Audit Team concluding that the systems are not sufficient to demonstrate the maintenance of HCVFs within the FMU.

#### Corrective Action Request:

Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

#### Timeline for Conformance:

By the next annual surveillance audit

#### Evidence Provided by Organization:

The PMAs/HCV monitoring program procedures and results for multiple surveys over recent years were provided to the auditors during the audit.

#### Findings for Evaluation of Evidence:

HCVF areas are all PMAs, PMA surveys have been renamed PMAs/HCV surveys or HCV surveys and have been undertaken since 2005 with either title used. These were undertaken on a biennial basis but have changed recently to annual surveys. So all past PMA survey information also becomes HCV survey information if the PMAs are also identified as HCV.

This classification of HCV areas has been done and all surveys and maintenance requirements are fully up to date are sufficient to demonstrate the maintenance of HCVFs within the FMU.

#### NCR Status:

CLOSED

#### Comments (optional):


### NCR:

<table>
<thead>
<tr>
<th>NCR#</th>
<th>14/15</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report Section:</td>
<td>Appendix II, 9.1.4L</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Description of Nonconformance and Related Evidence:

9.1.4L. **The assessment procedure and its results (including the comments and suggestions of stakeholders in response to consultation) shall be fully documented.**

FME’s HCVs assessment procedure and its results including the comments and suggestions of stakeholders in response to the consultation were not documented.

#### Corrective Action Request:

Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

#### Timeline for Conformance:

By the next annual surveillance audit

#### Evidence Provided by Organization:

The FME presented the following:

(a) Evidence of its communication with stakeholders relating to the assessment High Conservation value forests (refer to file E60-5054-03).

(b) An example of the consultation letter sent to Stakeholders; and

(c) Copies of responses from stakeholders

#### Findings for Evaluation of Evidence:

The audit team examined the documented evidence presented and...
Evidence: confirmed that FME have implemented the appropriate corrective action. The following were examined: (a) The latest communication relating specifically to the recent assessment to determine the presence of High Conservation value forest (reference file E60-5054-03); (b) an example of the consultation letter sent to stakeholders and response provided by experts from the Gisborne District Council (GDC) in relation to the protected management areas (PMA); and (c) a copy of feedback and report by experts from the local Department of Conservation (DOC) with a list of recommended areas for protection that now make up the FME’s protected management areas/possible HCV forests.

NCR Status: CLOSED

<table>
<thead>
<tr>
<th>NCR#</th>
<th>15/15</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report Section:</td>
<td>Appendix II, 9.1.5</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Description of Nonconformance and Related Evidence:

9.1.5 The results of the assessment shall have been reviewed by individuals with expert knowledge of the listed High Conservation Values and local knowledge of the area in which the management unit is located.

FME was unable to demonstrate that the results of its HCVs assessment have been reviewed by individuals with expert knowledge of the listed HCVs and local knowledge of the area in which the FMU is located.

Corrective Action Request: Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

Timeline for Conformance: By the next annual surveillance audit

Evidence Provided by Organization: The FME presented documented evidence showing that it has contacted experts for review of its HCV assessments from the local Department of Conservation (DOC), Gisborne District Council (GDC), Ecoworks and the local QE II representative.

Findings for Evaluation of Evidence: The audit team examined the documented evidence presented by FME and confirmed that the consultation letters sent to stakeholders and responses provided by experts from the Gisborne District Council (GDC) in relation to the protected management areas (PMA); a copy of feedback and report by experts from the local Department of Conservation (DOC) with a list of recommended areas for protection that now make up the FME’s protected management areas/possible HCV forests (also refer to NCR# 14/14, above).

NCR Status: CLOSED

<table>
<thead>
<tr>
<th>NCR#</th>
<th>16/15</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report Section:</td>
<td>Appendix II, 9.2.3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Description of Nonconformance and Related Evidence:
9.2.3. Stakeholders consulted with under Indicator 9.2.1 shall have been invited to submit any further comments and amendments in respect of the proposed management.

FME has consulted with experts regarding the known HCVs within its FMU. However, the comments and amendments about the proposed management were not provided during the audit.

<table>
<thead>
<tr>
<th>Corrective Action Request:</th>
<th>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Timeline for Conformance:</strong></td>
<td>By the next annual surveillance audit</td>
</tr>
</tbody>
</table>

**Evidence Provided by Organization:**

FME presented a documented evidence showing that:

(a) It has reviewed the identification and classification of HCVs within the estate; and
(b) Part of the process of the review was to contact local experts to specifically ask them to comment and/or make recommendations on the identification, classification and management of HCVs present within the HFF estate.

**Findings for Evaluation of Evidence:**

The audit team confirmed that the FME has implemented the appropriate corrective action as follows:

(a) the FME has reviewed the identification and classification of HCVs within the estate; and
(b) Part of the process of its review was to contact local experts to specifically ask them to comment and/or make recommendations on the identification, classification and management of HCVs present within the HFF estate and it has sent out consultation letters sent to stakeholders;
(c) The FME has received responses provided by experts from the Gisborne District Council (GDC) in relation to the protected management areas (PMA); a copy of feedback and report by experts from the local Department of Conservation (DOC) with a list of recommended areas for protection that now make up the FME’s protected management areas/possible HCV forests (also refer to NCR# 14/14 and NCR# 15/15, above).

**NCR Status:** CLOSED

**Comments (optional):**

---

**NCR#:** 17/15  
**NC Classification:** Major  
**Standard & Requirement:** FSC-STD-NZL-01-2012 New Zealand plantations EN - National Standard for Certification of Plantation Forest Management in New Zealand, 9.2.4

**Report Section:** Appendix II, 9.2.4

**Description of Nonconformance and Related Evidence:**

9.2.4. The forest enterprise shall maintain a complete and up to date file of all stakeholder comments submitted in relation to its management of High Conservation Values.

FME has already started stakeholder consultation on its HCVs, however, a complete and up-to-date file of all stakeholder comments submitted in relation to HFF's management of HCVs was not made available to the Audit Team during the audit.
Corrective Action Request: Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

Timeline for Conformance: By the next annual surveillance audit

Evidence Provided by Organization:
FME presented a documented evidence showing that consulted local experts to comment and/or make recommendations on the identification, classification and management of the HCVs identified within its estate.

Findings for Evaluation of Evidence:
The audit team reviewed the responses provided by experts and confirmed that the FME have kept a complete and an up-to-date file of stakeholders comments. The file contains responses supplied from experts within the Gisborne District Council (GDC) and a copy of feedback and report by experts from the local Department of Conservation (DOC) (also refer to NCR# 14/14, NCR# 15/15 and NCR# 16/15, above).

NCR Status: CLOSED

<table>
<thead>
<tr>
<th>NCR#</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>18/15</td>
<td>FSC-STD-NZL-01-2012 New Zealand plantations EN - National Standard for Certification of Plantation Forest Management in New Zealand, 9.3.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Description of Nonconformance and Related Evidence:

9.3.4. Measures mentioned in 9.3.1 and 9.3.2 shall be specifically included in the publicly available management plan summary.

The FME's relevant documents do not include the measures as required by the Standard; and the measures have not been specifically included in the publicly available management plan summary.

Corrective Action Request: Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

Timeline for Conformance: By the next annual surveillance audit

Evidence Provided by Organization:
FME presented its updated Management Plan Public Summary (Updated 16/06/16)

Findings for Evaluation of Evidence:
The audit team reviewed the updated Management Plan Public Summary (Updated 16/06/16) and verified that the FME have implemented the appropriate corrective action.

Section 11 (page 12) of the HFF Management Plan Public Summary states:

“HFF recognises it has an obligation and commitment to incorporate into its management practices protocols for the identification and protection of rare, threatened and endangered species. It also recognises the importance of Indigenous biodiversity and the need to protect remaining areas of indigenous vegetation from destruction as much as possible.

The HFF resource contains a number of PMA’s (Protected Management Areas), at least half of which are also HCVF (High Conservation Value...
Forests). All PMAs are identified in the local government district plan, riparian and indigenous forest fragments which contain New Zealand’s indigenous biodiversity (even though many of them are very small remnants left from land clearance dating back to the 1890’s). HFF has no intention to undergo logging of indigenous species on its estate and further, has an interest in enhancing and protecting the remaining indigenous areas on the estate, allowing them to restore themselves as fully as possible. As a plantation forestry company it also views its managed exotic plantations as a contributor to reducing pressures on the harvesting of native forests in New Zealand (and therefore globally) and as potential refuges and ecological corridors for rare, threatened or endangered species.

HFF will manage indigenous biodiversity in the estate under the guidelines of local government authority and it’s Indigenous Biodiversity Management Plan. HFF have also developed management priorities for its indigenous Biodiversity forest areas including increased pest and weed control.

For new land development any indigenous forest remnants will be managed under the provisions outlined in the New Zealand Forest Accord, which HFF is party to.

HFF has also liaised with the Department of Conservation on how best to manage the remaining fragments of indigenous vegetation within its resource. DOC is working on documenting the rare, threatened and endangered species of the East Coast region. However they have identified a number of species that they are currently interested in from a rare, threatened or endangered perspective. The main species being:

- NZ Falcon (*Falco novaeseelandiae*)
- Kiwi (*Apterygidae* spp)
- Weka (*Gallirallus australis*)
- Kaka-beak (shrub) (*Clianthus puniceus*)

To monitor rare, threatened and endangered species within its plantations, including those listed above, HFF has developed a survey methodology for use with inventory operations.”

<table>
<thead>
<tr>
<th>NCR Status:</th>
<th>CLOSED</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>NCR#:</th>
<th>19/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>NC Classification:</td>
<td>Major</td>
</tr>
<tr>
<td>Report Section:</td>
<td>Appendix II, 9.4.2</td>
</tr>
</tbody>
</table>

**Description of Nonconformance and Related Evidence:**

9.4.2. Annual monitoring of High Conservation Values within the FMU shall be sufficient to identify mortality, disease, insect outbreak or adverse ecological impact on High Conservation Values related to planting exotic species in the FMU (criterion 8.2c)

The annual monitoring of High Conservation Values within the FMU does not sufficiently identify mortality, disease, insect outbreak or adverse ecological impact on High Conservation Values related to planting exotic species in the FMU.

**Corrective Action Request:** Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific
occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

<table>
<thead>
<tr>
<th>Timeline for Conformance:</th>
<th>By the next annual surveillance audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evidence Provided by Organization:</td>
<td>FME presented documented evidence showing annual monitoring of HCVs within its FMU have been completed.</td>
</tr>
<tr>
<td>Findings for Evaluation of Evidence:</td>
<td>The audit team examined the FME’s annual monitoring reports of HCVs and confirmed they sufficiently identify, disease and insect outbreak or any other ecological impacts as follows:</td>
</tr>
<tr>
<td></td>
<td>(a) The audit team confirmed that HFF had in place a PMA/HCV monitoring program since its FSC first certification;</td>
</tr>
<tr>
<td></td>
<td>(b) Since 2013 the monitoring program has gone from biennial to annual, and introducing the annual surveys divided into alternating seasons between spring and autumn.</td>
</tr>
<tr>
<td></td>
<td>(c) A copy of the 2013-15 &amp; 2015-16 PMA maintenance monitoring record system, prior to the HCV classification system. This has been updated to include the PMAs HCV status, the required number of maintenance visits per year and actual number of visits per year (refer to 2015-16 PMA maintenance monitoring record).</td>
</tr>
<tr>
<td></td>
<td>(d) A PMA database has been set up to monitor and record all surveys data, all survey information backlog has now been updated. Reporting is underway, and reports developed so far include pests and weeds identified and management priority. Pest and weed control identified as having the highest priority (Refer to reports attached separate lists for pests and weeds). Weeds include Wildling Pines, and recent evidence of wildling pine removal in native areas includes the HCV/PMA WR25, photographic evidence provided (also refer to NCR# 07/15 and NCR# 08/15, above);</td>
</tr>
<tr>
<td></td>
<td>(e) The audit team also confirmed that the FME’s Annual Forest Health Surveys also undertaken by an external specialist contracted through the New Zealand Forest Owners Association (FOA) A copy of an invoice was presented by an external pest control contractor showing pest and weed control was undertaken in PMA and/or HCV native areas, and wilding pine removal was undertaken in/around the native covenant area of Arowhana in the Wairangi Forest.</td>
</tr>
</tbody>
</table>

NCR Status: CLOSED

Comments (optional): 

<table>
<thead>
<tr>
<th>NCR#:</th>
<th>20/15</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report Section:</td>
<td>Appendix II, 10.6.2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Description of Nonconformance and Related Evidence:

10.6.2. Soil and/or foliage sampling is undertaken to determine nutrient availability and the results and implications are interpreted into management planning.

FME undertakes foliage sampling on its plantations annually and the records were presented during the audit. However, the results of the foliage sampling and their implications are not interpreted into the management planning.

Corrective Action Request: Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above.

Note: Effective corrective actions focus on addressing the specific
### Timeline for Conformance:
By the next annual surveillance audit

### Evidence Provided by Organization:
Stand report # 176/8/2 was provide at the entry meeting as evidence of compliance with this NCR.

### Findings for Evaluation of Evidence:
All results of foliage sampling are recorded both in a spreadsheet and on the Geomaster stand record system. All results are compared with previous measurement, especially if any marginal or deficient results come back. Field visits are then conducted by FME Planning and/or Operations staff in areas that are deficient. Extreme deficiencies, large areas and/or repeat deficiencies if deemed necessary will be given fertilizer application. The results of all these operations are then recorded in The Stand Report as provided for evidence. Report # 176/8/2 contains details of foliage samples, in this instance for 9 different elements, and the ongoing requirements. This is then translated into updated Management Plan information.

### NCR Status:
CLOSED

### Comments (optional):

#### 2.6. New nonconformity reports issued as a result of this audit

<table>
<thead>
<tr>
<th>NCR#</th>
<th>01/16</th>
<th>NC Classification:</th>
<th>Major</th>
<th>Minor X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard &amp; Requirement:</td>
<td>FSC-STD-NZL-01-2012, 8.3.2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report Section:</td>
<td>Appendix II, 8.3.2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Description of Nonconformance and Related Evidence:

8.3.2 “A trademark licence agreement with FSC shall be signed. Use of the Trademark shall be in accordance with the signed agreement”.

The FME has a trademark licence agreement with FSC. However, it is using the FSC trademark without approval from RA.

### Corrective Action Request:
Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.

### Timeline for Conformance:
3 months from report finalization

### Evidence Provided by Organization:
During writing of this draft report the FME supplied the audit team the trademark approval from RA.

### Findings for Evaluation of Evidence:
The audit team reviewed the trademark approval certificate from RA and confirmed that it was approved on the 9th of August 2016.

### NCR Status:
CLOSED

### Comments (optional):

#### 2.7. Audit observations

---

FM-06 24Jul13  Page 30 of 39
Observations can be raised when issues or the early stages of a problem are identified which does not of itself constitute a nonconformance, but which the auditor considers may lead to a future nonconformance if not addressed by the client. An observation may be a warning signal on a particular issue that, if not addressed, could turn into a NCR in the future (or a pre-condition or condition during a 5 year re-assessment).

No Observation

3. AUDIT PROCESS

3.1. Auditors and qualifications:

<table>
<thead>
<tr>
<th>Auditor Name</th>
<th>Addis Tsehaye</th>
<th>Auditor role</th>
<th>Lead Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifications:</td>
<td>Has PhD and M.For.Sc (Distinction) Degrees from the University of Canterbury, New Zealand and a B.Sc (Honors) Degree from the University of Wales, UK.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Is currently working as a Senior Auditor with AsureQuality Ltd. He is a professional forester and specialist in wood products processing industries with over 25 years experience in the field.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Has completed ISO 2200 Lead Auditor Training in 2007 and ISO 9001 Lead Auditor Training in 2011, and has been an Auditor and Lead Auditor with Rainforest Alliance for 34+ Forest Management (FM) and for 100+ COC audits in New Zealand and Australia since 2008.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Auditor Name</th>
<th>Graeme Gillies</th>
<th>Auditor role</th>
<th>Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualifications:</td>
<td>Forester, NZCF, NCFPI, Dip. Rur. Stud. Graeme has been in forestry since 1977, specializing in establishment and silvicultural management.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>He has been a Forest Manager and Consultant to private and commercial owners before starting as the lower North Island Forestry officer with AsureQualty.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Graeme has a wide range of experience in Harvesting, Silviculture, Forest Quarantine, Quality Assurance, Sawmilling and Timber Processing.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>He has successfully completed a QMS Lead Auditor course accredited by IRCA and IATCA. Graeme has also recently studied full time to attain the Diploma in Rural Studies (specializing in Natural Resource Management) from Massey University.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>He has been involved in 20+ FSC Forest Management assessments/audits as well as numerous Chain of Custody assessments and/or audits.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## 3.2. Audit schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Location /main sites</th>
<th>Main activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 July 2016</td>
<td>HFF Office, Gisborne</td>
<td>Opening meeting. Planning of Field visit sites. Document review to closeout NCRs from the 2015 reassessment and communication and interview with stakeholders in relation the letter of complaint.</td>
</tr>
<tr>
<td>26 July 2016</td>
<td>Various forestry sites within the HFF FMU</td>
<td>Evaluation of sample sites (Audit team divided into 2 groups)</td>
</tr>
<tr>
<td>27 July 2016</td>
<td>HFF Office, Gisborne</td>
<td>Document review and evaluation (contd.)</td>
</tr>
<tr>
<td>28 July 2016</td>
<td>HFF Office, Gisborne</td>
<td>Document review and evaluation (contd.)</td>
</tr>
<tr>
<td>28 July 2016</td>
<td>HFF Office, Gisborne</td>
<td>Closing meeting</td>
</tr>
</tbody>
</table>

Total number of person days used for the assessment: 8

= number of auditors participating 2 \* average number of days spent in preparation, on site and post site visit follow-up including stakeholder consultation 4.
3.3. **Sampling methodology:**

The audit team applied a comprehensive strategy to achieve results through documents review, direct observation in the field and interview of staff and contractors and other stakeholders. The documents reviewed include the forest management plan policies and procedures covering land preparation and plantation establishment; silvicultural operations (including weed and pest control and fertilization); logging and transportation; road and bridge construction; environmental management (natural vegetation and reserves, monitoring of water quality and pest management strategy); employment policy and contracts and financial documents. The audit team reviewed and examined all documents which are closely related to the FSC Principles and criteria for this assessment.

The audit team interviewed the FME’s management staff and employees and several contractors; neighbors and representatives of the regulatory bodies within the local government offices and experts. Stakeholders were selected from the stakeholder register supplied by HFF.

The audit team visited a total of four the FME’s forests + a chemical store and the construction site of the log optimization plant, Optilog NZ Ltd.

The following sampling criterion was applied to select the sample FMUs:

\[ 0.8 \times \sqrt{17} = 3.30 \text{ or (rounded up to next whole number = 4 FMUs).} \]

However, the audit team managed to visit a total of five (5) FMUs.

Representative sites selected for assessment contain multiple facets of the plantation forest management activities including land preparation, plantation establishment, silvicultural management, harvesting and log extraction and transportation and infrastructure such as road and bridge construction; Environmental management - sites that can be assessed against management practices affecting the soil and water and the management of riparian zones, reserves, HCVF and fauna and flora (including RTE species).

A summary of the sites visited is presented in Section 2.5.1 below.

### 3.3.1 List of FMUs selected for evaluation

<table>
<thead>
<tr>
<th>FMU/Group Member Name</th>
<th>Rationale for Selection</th>
</tr>
</thead>
</table>
| 1. Mangarara Forest   | • Assessment of various age-class plantation forests  
                        | • Assessment of native vegetation including reserves, HCVs, RTEs, riparian vegetation, wetlands and native vegetation restoration;  
                        | • Assessment of active operation sites, covering harvesting, skidding and forwarding operation, thinning to waste operations and interview of logging, forwarding and transportation contractors and employees;  
                        | • Assessment of post-harvest sites  
                        | • Assessment of road and bridge construction and culvert installation and soil drainage systems;  
                        | • Assessment of silvicultural activities (including land preparation, plantation re-establishment, weed and pest management).  
                        | • Examine environmental impacts (including soil, water and plants) caused by the FME forest operation activities; assessment of riparian zone management;  
                        | • Assessment of chemical storages |
| 2. Waimanu Forest     |                         |
| 3. Wakaroa Forest     |                         |
| 4. Huanui Forest      |                         |
| 5. Te Marunga Forest  |                         |
Chemical store, located within the 'Firestore', South of Gisborne

Visit and assessment the chemical storage, inventory and field management (mobile chemical distribution unit) Firefighting equipment and infrastructure

3.4. Stakeholder consultation process

The purpose of the stakeholder consultation strategy during the audit was threefold:
(a) To ensure that the public is aware of and informed about the audit process and its objectives;
(b) to assist the audit team in identifying potential issues; and (c) to provide diverse opportunities for the public to discuss and act upon the findings of the audit.

The Rainforest Alliance Asia Pacific Regional Office (APRO) office distributed a Public Briefing Note via email providing details about the audit 60 days prior to the audit. The notice was distributed by e-mail to all registered stakeholders in New Zealand. It included information about the scope, the audit team and the timing of the audit and encouraged interested persons or organizations to contact the lead the APRO office, to provide written comments or to arrange for a meeting or interview with the audit team during the audit period.

The distribution list was compiled from lists of interested parties and stakeholders held by Rainforest Alliance. As there was no feedback from the notice distributed by the APRO office, a public meeting was not held with stakeholders. The audit team contacted individuals, government representatives, experts and contractors from the list of stakeholders held within the FME’s stakeholder register.

The process of stakeholder interaction and communication continued after the field visits. The RA audit team encouraged interested stakeholders to send their comments any time until the completion of this draft report.

<table>
<thead>
<tr>
<th>Stakeholder type</th>
<th>Stakeholders notified (#)</th>
<th>Stakeholders consulted or providing input (#)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>NGOs</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Local inhabitants (including contractors)</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Indigenous group representatives</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>
### 3.5. Changes to Certification Standards

<table>
<thead>
<tr>
<th>Forest stewardship standard used in audit:</th>
<th>FSC-STD-NZL-01-2012 New Zealand plantations EN - National Standard for Certification of Plantation Forest Management in New Zealand; FM-35 Rainforest Alliance Chain of Custody Standard for Forest Management Enterprises (FMEs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revisions to the standard since the last audit:</td>
<td>☑ No changes to standard. □ Standard was changed (detail changes below)</td>
</tr>
<tr>
<td>Changes in standard:</td>
<td></td>
</tr>
<tr>
<td>Implications for FME:</td>
<td>Not applicable - no new requirements</td>
</tr>
</tbody>
</table>

---

### 3.6. Review of FME Documentation and required records

**a) All certificate types**

<table>
<thead>
<tr>
<th>Required Records</th>
<th>Reviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaints received by FME from stakeholders, actions taken, follow up communication</td>
<td>Y ☑ N □</td>
</tr>
</tbody>
</table>

Comments: FME has appropriate mechanism and procedures in place to resolve disputes. Upon receiving complaints from stakeholders a ‘Disputes Resolution Form’ is completed. The Disputes Resolution Form contains a reference File No., the name and title of FME employee dealing with the dispute (usually senior management staff), date when the form was filled, nature of dispute, action taken to resolve the dispute, progress towards resolution.

| Accident records | Y ☑ N □ |

Comments: FME follows Incident Recording Incident System (IRIS) which is an international and national online accident reporting system. This system is used as a benchmark for health and safety records in other organizations, and enables identifying trends. The IRIS contains the records of all accidents and incidents. Each incident/accident register shows the person involved incident/hazard description and what remedial action had been taken about the accident/incident. Also, a health and safety compliance audit system is in place on a quarterly basis to ensure that employees are aware of the site conditions and possible hazards particular to their operation environment. No major accidents were recorded during the audit period.

| Training records | Y ☑ N □ |

Comments: The audit team reviewed FME’s training records and verified that FME’s employees and contracting companies’ employees have completed annual refresher training in the following areas: Fire Training - National Certificate in Vegetation Firefighting; ‘Harvesting Crew FSC Road Show’; ‘FSC Road Show’ for Operation crew; ‘FSC Road Show’ for Inventory Crew which includes understanding of Historical/Archaeological sites, Biodiversity Guide and Reporting System; FSC Chain of Custody’ training; FSC Induction for contracting staff. From the training records reviewed, the audit team also verified that most contractor employees have completed training on the nationally recognized Unit standards required to work in the forest.

| Operational plan(s) for next twelve months | Y ☑ N □ |

Comments: The audit team reviewed the operational plan for the next 12 months which comprises the major areas of activities: land preparation, establishment, tending, maintenance and protection and safety and environment. The audit team also reviewed the next 12 months financial budget, allocated to each operational activity and confirmed that the budget is in line with the expected output.

| Inventory records | Y ☑ N □ |

Comments: The audit team reviewed the inventory records. The inventory data supplied includes information about growth and condition of the plantation forest, basal area, volume...
and yield. The standing stocked area (ha) and wood flow (m³) in the last 12 months (July 2015 to June 2016).

Harvesting records: Y ☒ N ☐

Comments: The harvesting records show the total volume of (m³) of wood harvested between in the last 12 months (July 2015 to June 2016). The records show that the total volume of wood harvested was from Radiata pine species.

APPENDIX I: FSC Annual Audit Reporting Form:

(NOTE: form to be prepared by the client prior to audit, information verified by audit team)

### Forest management enterprise information:

<table>
<thead>
<tr>
<th>FME legal name:</th>
<th>Hikurangi Forest Farms Ltd</th>
</tr>
</thead>
<tbody>
<tr>
<td>FME Certificate Code:</td>
<td>RA-FM/CoC – 001605</td>
</tr>
<tr>
<td>Reporting period</td>
<td>Previous 12 month period</td>
</tr>
<tr>
<td>Dates</td>
<td>July 2015 to June 2016</td>
</tr>
</tbody>
</table>

1. **Scope Of Certificate**

<table>
<thead>
<tr>
<th>Type of certificate: multiple FMU with single group of like FMU-s</th>
<th>SLIMF Certificate: not applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>New FMUs added since previous evaluation</td>
<td>Yes ☒ No ☐</td>
</tr>
</tbody>
</table>

Group Certificate: Updated of FMU and group member list provided in **Appendix VII-a**

Multi-FMU Certificate: List of new FMUs added to the certificate scope:

<table>
<thead>
<tr>
<th>FMU Name/Description</th>
<th>Area</th>
<th>Forest Type</th>
<th>Location</th>
<th>Latitude/Longitude¹</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ha</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ha</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ha</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. **FME Information**

<table>
<thead>
<tr>
<th>Forest zone</th>
<th>Temperate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certified Area under Forest Type</td>
<td>4166 hectares</td>
</tr>
<tr>
<td>- Natural</td>
<td></td>
</tr>
<tr>
<td>- Plantation</td>
<td>25459 hectares</td>
</tr>
<tr>
<td>Stream sides and water bodies</td>
<td>1422 Linear Kilometers</td>
</tr>
</tbody>
</table>

3. **Forest Area Classification**

<table>
<thead>
<tr>
<th>Total certified area (land base)</th>
<th>35013 ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Total forest area</td>
<td>29625 ha</td>
</tr>
<tr>
<td>a. Total production forest area</td>
<td>25459 ha</td>
</tr>
<tr>
<td>b. Total non-productive forest area (no harvesting)</td>
<td>4166 ha</td>
</tr>
<tr>
<td>- Protected forest area (strict reserves)</td>
<td>2820* ha</td>
</tr>
<tr>
<td>- Areas protected from timber harvesting and managed only for NTFPs or services</td>
<td>0 ha</td>
</tr>
<tr>
<td>- Remaining non-productive forest</td>
<td>1346* ha</td>
</tr>
<tr>
<td>2. Total non-forest area (e.g., water bodies, wetlands, fields, rocky outcrops, etc.)</td>
<td>5388* ha</td>
</tr>
</tbody>
</table>

* The change in the size of these areas from the figures recorded in 2015 was due to land re-classification.

¹ The center point of a contiguous FMU or group of dispersed properties that together comprise a FMU in latitude and longitude decimal degrees with a maximum of 5 decimals.
### 4. High Conservation Values identified via formal HCV assessment by the FME and respective areas

<table>
<thead>
<tr>
<th>Code</th>
<th>HCV TYPES(^2)</th>
<th>Description:</th>
<th>Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>HCV1</td>
<td><strong>Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).</strong></td>
<td></td>
<td>193.1** ha</td>
</tr>
<tr>
<td>HCV2</td>
<td><strong>Forest areas containing globally, regionally or nationally significant 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.</strong></td>
<td>Classified as significant PMAs</td>
<td>550** ha</td>
</tr>
<tr>
<td>HCV3</td>
<td>Forest areas that are in or contain rare, threatened or endangered ecosystems.</td>
<td>N/A</td>
<td>0** ha</td>
</tr>
<tr>
<td>HCV4</td>
<td>Forest areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control).</td>
<td>N/A</td>
<td>0 ha</td>
</tr>
<tr>
<td>HCV5</td>
<td>Forest areas fundamental to meeting basic needs of local communities (e.g. subsistence, health).</td>
<td>N/A</td>
<td>0 ha</td>
</tr>
<tr>
<td>HCV6</td>
<td>Forest areas critical to local communities’ traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).</td>
<td>Historical sites located within the planation forests</td>
<td>8.6 ha</td>
</tr>
</tbody>
</table>

Number of sites significant to indigenous people and local communities: 64

** = The classification and the areas of HCVs have changed from the figures recorded in 2015. This was due to the re-assessment undertaken after further consultation with experts in the past 12 months.

### 5. Workers

Number of workers including employees, part-time and seasonal workers:

| Total number of workers | 241 workers |
| - Of total workers listed above | Male 233, Female 9 |
| Number of serious accidents | 2 |
| Number of fatalities | 0 |

### 6. Pesticide Use

- FME does not use pesticides. (delete rows below)
- FME has a valid FSC derogation for use of a highly hazardous pesticide

<table>
<thead>
<tr>
<th>Name</th>
<th>Quantity</th>
<th># of Hectares Treated</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>N/A</td>
<td>N/A ha</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>Quantity</th>
<th># of Hectares Treated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terbutylazine</td>
<td>1505.8</td>
<td>1188.6 ha</td>
</tr>
<tr>
<td>Hexazinone</td>
<td>358.4</td>
<td>1188.6 ha</td>
</tr>
</tbody>
</table>

\(^2\) The HCV classification and numbering follows the ProForest HCVF toolkit. The toolkit also provides additional explanation regarding the categories. Toolkit is available at [http://hcvnetwork.org/library/global-hcv-toolkits](http://hcvnetwork.org/library/global-hcv-toolkits).
APPENDIX II: Rainforest Alliance Database Update Form

**Instructions:** For each FSC certificate, Rainforest Alliance is required to upload important summary information about each certificate to the FSC database (FSC-Info).

1. Review your organisation’s information at FSC-Info at [http://www.fsc-info.org](http://www.fsc-info.org) to verify all fields are accurate.
2. If changes are required (corrections, additions or deletions), note only the changes to the database information in the section below.
3. The changes identified to this form will be used by the RA office to update the FSC database.

Is the FSC database accurate and up-to-date?  **YES ☐  NO ☒**  
(if yes, leave section below blank)

**Client Information** (contact info for FSC website listings)

<table>
<thead>
<tr>
<th>Organization name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Contact</td>
<td>Kim Murdie</td>
</tr>
<tr>
<td>Primary Address</td>
<td>Telephone</td>
</tr>
<tr>
<td>Address</td>
<td>Fax</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:kim.murdie@hff.co.nz">kim.murdie@hff.co.nz</a></td>
</tr>
<tr>
<td></td>
<td>Webpage</td>
</tr>
</tbody>
</table>

**Forests**

<table>
<thead>
<tr>
<th>Change to Group Certificate</th>
<th>☐ Yes ☐ No</th>
<th>Change in # of parcels in group</th>
<th>total members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total certified area</td>
<td></td>
<td>Hectares (or)</td>
<td>Acres</td>
</tr>
</tbody>
</table>

**Species**  (note if item to be added or deleted)

<table>
<thead>
<tr>
<th>Scientific name</th>
<th>Common name</th>
<th>Add/Delete</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Products**

**FSC Product categories added to the FM/CoC scope (FSC-STD-40-004a)**

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Level 2</th>
<th>Species</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>