Forest Management Public Summary

for

PF Olsen and Company Limited

Certification Code: SW-FM/COC-190
Date of Certification: June 1, 2002
Date of Public Summary: May 2002, updated for 2003, 2004 expansion audit, 2004 audit, 2005 audit

This document was produced according to the guidelines of the Forest Stewardship Council (FSC) and the SmartWood Program. No part of the report should be published separately.

Certifier:

SmartWood Program1
c/o Rainforest Alliance
65 Bleecker Street, 6th Floor
New York, New York 10012 U.S.A.
TEL: (212) 677-1900 FAX: (212) 677-2187
Email: info@smartwood.org
Website: www.smartwood.org

---

1 SmartWood is implemented worldwide by the nonprofit members of the SmartWood Network. The Network is coordinated by the Rainforest Alliance, an international nonprofit conservation organization. The Rainforest Alliance is the legally registered owner of the SmartWood certification mark and label. All uses of the SmartWood label for promotion must be authorized by SmartWood Network headquarters. SmartWood certification applies to forest management practices only and does not represent endorsement of other product qualities (e.g., financial performance to investors, product function, etc.). SmartWood is accredited by the Forest Stewardship Council (FSC) for the certification of natural forest management, tree plantations and chain of custody.
INTRODUCTION

To earn SmartWood certification, a forest management operation must undergo an on-site field assessment. This Public Summary Report summarizes information contained in the initial assessment report, which is produced based on information collected during the field assessment. Annual audits are conducted to monitor the forest management operation’s activities, to review the operation’s progress toward meeting their certification conditions, and to verify compliance with the SmartWood standards. Addenda providing the updated information obtained during these annual audits are included as attachments to the Public Summary Report.

This report presents the findings of an independent certification assessment conducted by a team of specialists representing the SmartWood Program of the Rainforest alliance and CERTENZ/Agriquality, N.Z. The purpose of the assessment was to evaluate the ecological, economic and social sustainability of P.F. Olsen & Company forest management.

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

1.1. **Name and Contact Information**

Source Name: PF Olsen & Company Ltd.
Contact Person: Peter Clark, Chief Executive
Address: 430 Ngongotaha Road
          PO Box 1127
          Rotorua, New Zealand
Tel: +64-7-357-4135
Fax: +64-7-357-5185
E-mail: peter.clark@pfolsen.co.nz

1.2. **General Background**

A. **Type of operation**
PFO is a professional forest management and consulting firm, managing plantation forests of primarily exotic species for forest owners, landowners, and trusts based on agreements for management services. Ownership is vested with staff, a small amount in the Olsen family estate, and some retired staff. There are no external shareholders.

PFO is New Zealand’s largest forestry management company. PFO has branches throughout New Zealand, from Dunedin in the south, to Kaitaia in the north. They also manage forests throughout New Zealand but their main blocks of forestry land are in the North Island. While the company manages approximately 51,000 ha of plantation forest, a little over 4,526 ha of managed forest was within the certified pool assessed for FSC certification. Similarly to PFO’s other forest concerns, the bulk of these forests are based in the central North Island, around Rotorua and in the East Coast region around Gisborne. Other smaller blocks can be found in the North Island in south Wairarapa, Rodney and Napier, and in the South Island, in the Marlborough region.

The company focus on sustainable forest management led to the development of the PF Olsen FSC Group Scheme with the purpose of providing small-scale forest owners with a cost effective environmental management system appropriate for FSC certification. PFO designed a group certification scheme that is consistent with SmartWood policies and procedures for Resource Manager certification. PFO full management clients and casual clients that have agreed to undertake FSC certification via the Olsen FSC Group Scheme make up the certified pool. For the purposes of the PFO scheme, these are named as Resource Members and Group Members, and the scheme enable both types of Olsen clients to access FSC certification. Both types of clients must meet all FSC P&C.

*The distinction with these two types of members is:*

**Resource Members are:** those clients whereby the group manager (PFO) is directly responsible for managing the forest plantation on the owners behalf, also known as Olsen full-management clients.

**Group Members are:** those clients whereby the group member manages their own forest plantation with the group manager providing co-ordination and monitoring of members, also known as non-Olsen managed members or casual clients.

B. **Years in operation**
The late P F Olsen founded P F Olsen & Company Limited in 1971 as a privately owned forest management company. The company has maintained incremental growth over 30 years. Some clients are still with PF Olsen since the early 1970s. There is limited client turnover, although clients can dismiss PF Olsen at any time for breach of contract. Clients may leave at any point for no reason, with a 3-month warning.

PF Olsen expects more full clients to enter after they receive certification. Decided to offer FSC membership to forests that are not Olsen clients, because there would be those forest owners who, for
various reasons, would undertake their own management of a property. Many landowners have joined with young plantations.

C. Date first certified
June 1, 2002

D. Latitude and longitude of certified operation
PFO’s head office is located in Rotorua, New Zealand (38°09’ S 176°15’ E). Forests of both Resource Members and Group Members are located throughout New Zealand from North Auckland (36°5’ S 174°5’ E) to Marlborough (41°16’ S 173°9’ E) in the South.

1.3. Forest and Management System

A. Forest type and land use history
PFO manage exotic forests of predominantly *Pinus radiata*, but also includes Redwood, Lusitanica, Douglas Fir, and *Eucalyptus spp.* The land type prior to planting was predominantly farmland, which included some land covered in regenerating scrub. PFO have a range of forests included in the forest estate for which they are seeking certification. These blocks range from new plantations through to harvesting mature stands.

The prime objective of the management of the plantations is profitable wood production. Management is comprehensive and includes a high level of interaction with the landowner. The silvicultural regimes used include pruning and thinning regimes that are geared to the landowner’s specific requirements, with clearfelling at ages between 20 and 35 years.

Planting and silvicultural regimes are targeted at specific sites. The level of tending is dependant on the quality of the site and the seedlings used. PFO have a policy of pruning to produce butt logs with high quality clearwood. The production of pruned logs increases the range of log grades produced and increases their diversity in the market and is believed to maximize the return to the landowner.

The overall PFO objectives could be summarized as:
- Replant after harvesting
- Land preparation and weed control
- Planting improved seedlings
- Maintaining vigor throughout the rotation
- Tending (thinning & pruning) to produce crop trees
- Harvesting on time to achieve results specified in the Management Plan
- Maximizing return to the landowner

B. Size of management unit and area in production forest, conservation, and/or restoration
At the time of the assessment, the area under consideration for certification was that shown in Table 1 as the Total FSC Area. This area is comprised of the stocked forest area + reserve area + non-forest area, and these fall under the defined managed forest covered by the PFO Group Scheme. The category of "other non-forest area" is land that is part of the forest, but not stocked or in reserve, e.g. roads, setbacks, powerline corridors, yet which are managed by PFO or the Group Member. Where there is land not managed by PFO, these grazing, farming, forest or non-forest areas are mostly leases or joint ventures subject to part of the title, and would make up the remainder of the total legal area.

Table 1: PFO Certified Pool Forest Summary Information:

<table>
<thead>
<tr>
<th></th>
<th>Resource Members</th>
<th>Group Members</th>
<th>FSC Group Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Forest Owners</td>
<td>11</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>Number of Parcels</td>
<td>13</td>
<td>3</td>
<td>16</td>
</tr>
<tr>
<td>-------------------</td>
<td>----</td>
<td>---</td>
<td>----</td>
</tr>
<tr>
<td>Total Legal Area</td>
<td>10,080.9</td>
<td>698.1</td>
<td>10,779.0</td>
</tr>
<tr>
<td>Reserve area (conservation)</td>
<td>866.8</td>
<td>15.4</td>
<td>882.2</td>
</tr>
<tr>
<td>Stocked area (production)</td>
<td>3,322.4</td>
<td>155.3</td>
<td>3,477.7</td>
</tr>
<tr>
<td>Other non-forest area (e.g. roads, fireponds, setbacks, etc)</td>
<td>157.4</td>
<td>9.3</td>
<td>166.7</td>
</tr>
<tr>
<td>Farming/Grazing, &amp; Other non-PFO managed Lands</td>
<td>5,734.3</td>
<td>518.1</td>
<td>6,252.4</td>
</tr>
<tr>
<td><strong>Total FSC Area</strong></td>
<td><strong>4,346.6</strong></td>
<td><strong>180.0</strong></td>
<td><strong>4,526.6</strong></td>
</tr>
</tbody>
</table>

As this is a Resource Manager Certification, PFO will be able to add forests to the certified pool, over time. PFO members will be permitted to begin receive the benefits of certification as soon as requirements for pool entrance have been approved by PFO. At each year’s annual audit, SmartWood will evaluate the entrants or exits from the certified pool and update totals within the database. Maintenance of performance to the standard of FSC is required for all members of the certified pool.

PFO has well-documented processes in the manuals that are developed for both Resource Members and Group Members. The scope, obligations, policies, and membership responsibilities and agreements are thoroughly articulated within these manuals.

Candidates for membership into the FSC scheme can join at any time. New members are required to:
- Complete an application form (and become a registered applicant)
- Completely demonstrate that they can meet the requirements of the FSC (involves on-site initial audit by PFO forest manager).
- Upon successful completion of the initial audit, and/or satisfactory compliance with Corrective Action Requests identified in the audit, the registered applicant can become a member
- Sign the FSC group scheme contract with PFO for a 5-year period.

PFO will then undertake to manage the forests (for RMs) or ensure that management is taking place (for GMs) to the specified requirements of the Olsen FSC scheme, in accordance with the FSC P&C, with regular audits being carried out.

PFO has defined the terms of membership as a period of five years. The GM and RM manuals define what constitutes grounds for removal or voluntary withdrawal from the pool, and establishes an appeal process for members removed for reasons of non-compliance.

PFO and SmartWood will monitor the movement of members into or out of the FSC Group Scheme.

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

The annual harvest depends on a number of criteria: the age of the forest, supply and demand, and the price of wood when the forest is ready for harvesting, as well as owner objectives.

The annual harvest objectives are developed in Forest Management Plans & Annual Plans, between PFO and the RM/GM. Harvesting, in nearly all cases, involves clear felling according to operational evaluations of site-specific features prior to logging operations. The clearfelling signifies the end of one crop rotation and the start of a new plantation.

The current certified pool would have a sustainable harvestable volume of 75,000 m³ annually. This figure is based on assumptions of site Index of between 30 to 40 meters and an MAI of approx 22 m³/ha. Current harvesting rate of PFO forests is at about 1/3 of potential yield, because the most of the managed forests are younger and mid-rotation plantations.
At the time of the assessment, only one PFO certified pool member had any harvesting carried out. The yields from this forest support the annual sustainable harvest mentioned above.

Growth and yield data is measured by a mix of: Permanent Sample Plots, Quality Control Plots, Mid Rotation Sampling, and MARVL. Standpak or Micro MARVL software are used to predict/model harvest volumes.

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

P F Olsen & Company was founded in 1971 as a forest management company. Management planning for its clients is a cornerstone function of the business. PFO is ISO 9002 certified for a Quality Management System, to ensure that management planning protocols are up to date, and operations scheduled and undertaken according to the plan. PFO has received ISO 14001 certification, and for PFO full managed clients the management is subject to the Olsen Environmental Management System (EMS). The EMS is to ensure that high standards of environmental management are recognised and integrated into all facets of forest planning and operations.

For all members of the PFO certified pool, a management plan has been developed. These plans are based upon a template plan that will be available from the PFO website and is part of the materials which applicants to the scheme receive. The template forest management plans include, at a minimum:

- Management objectives.
- Land ownership and/or tenure status.
- Description of forest resources (timber, non-timber, forest types and plant and animal species, etc.).
- General environmental conditions.
- Forest management prescriptions and their silvicultural rational.
- Rate and quantity of harvest of forest products.
- Map(s) describing the forest including forest types, compartments, roads and skid locations, protected areas, streams, riparian areas, archaeological sites and other features of significance.
- A description and justification for use of different harvesting techniques.
- Monitoring plans and procedures.
- A fire management plan.

The forest management plans will be updated every five years and information on receiving public summaries of these plans will be available on the PFO website. There is one client manager from PFO for every property. The client manager is usually the forest manager.

Group Certification Systems

PFO have developed comprehensive manuals for both Resource and Group Members. The manuals contain all appropriate information, requirements and checklists, including the administrative, legal, and statutory framework for forest management.

PFO procedures for members to join or leave either the group or resource schemes are documented fully in the Resource Member or Group Member Manuals. Membership to either scheme is achieved by the completion of an application and demonstration that the requirements of the FSC Principals and Criteria can be met. Members sign a contract with PFO for an initial term of membership in the group scheme of five-years.

Members can be removed from the scheme if they fail to commit sufficient resources to comply with the requirements of PFO schemes. The procedures promote discussion between PFO and the member to resolve issues, however if the issues cannot be resolved the member will be served a “Removal Notice” and they are then removed from the scheme. An appeal process enabling the member to appeal his removal is well documented. Voluntary withdrawal from the schemes has been allowed for and is documented in PFO’s manuals.
PFO maintain an oversight function through auditing and monitoring of both Group and Resource Members. Internal monitoring of Resource Members will take place in conjunction with ISO 14001 audits of relevant branches. Group Members are routinely audited to ensure continued compliance, with monitoring audits undertaken once every five years. A mixed random and non-random sampling procedure is used to select those members to be annually audited. Up to 50% of the annual audit shall comprise those members that have had a major complaint, received a CAR, undertaking harvesting, roading, spraying, or other high risk operations, or have not been audited for five years. The remaining 50% of Group members shall be selected at random.

PFO also stipulate that Group members carry out a self-monitoring function at the appropriate stage of the forest development, with a self audit being carried out each year, which is evaluated by PFO manager responsible for the forest. Monitoring audits of Resource Members are carried out at a frequency determined by the potential risk associated with forest activities, operation schedules and audits raised from internal audits. Resource Members are audited at a minimum of once every year. Audits as a minimum include documentation and filing, risk assessment, field operations, practices, and the impact on stakeholders.

PFO has recently instituted formal consultation with local communities and stakeholders. This began with PFO identifying and collecting contact information on national, regional, and local stakeholders, especially organizations and individuals that would be affected by PFO management. PFO has notified contacts on these stakeholder lists of the FSC Group Scheme, PFO’s bid for FSC certification, and other information on the certification process and goals/objectives of PFO management. Notification has been conducted formally through written letters and working with local iwi, and informally through communications by and from PFO managers. PFO has developed a Stakeholder Feedback form to make it easier for the public to provide comment and a Stakeholder Consultation Register, which is to record comments and indicate required follow-up action. Information on the FSC Group Scheme will be periodically updated on the PFO website. PFO recognize that in many cases, consultation is legally required under the RMA.

1.4. Environmental and Socioeconomic Context

Forestry in New Zealand is based mainly around exotic plantations. The total planted forest estate is approximately 1.77 million ha or 6.5% of the total land area. The Central North Island, East Coast and Nelson-Marlborough regions comprise approximately 50% of the total planted area. At 90.3%, radiata pine (Pinus radiata) is the predominant species within planted forests.

Generally plantings of exotic forests since the early 1990’s has occurred almost exclusively on previously cleared agricultural land. Similarly most of the land managed by P. F. Olsen has originally been cleared for agriculture and bounded within an agricultural landscape. In some cases, P.F. Olsen have inherited land already converted to forest, and/or forests that have gone through at least one rotation.

PFO’s managed forests are not grouped into large contiguous blocks, but fragmented, with plantation forests located in different geographical regions of New Zealand, from Hudson forest (Rodney) in the north to BFL forest (Marlborough) in the south. The largest areas of plantation are located between Rotorua and Gisborne. Forests in the central North Island plateau region experience a mild temperate climate. The rainfall in this region varies from 1200mm to 1800mm. Forests on the coast and those of lower elevation are unlikely to experience snow, but frost can occur. The soil type of this central region is mainly derived from volcanic pumice but there is a mixture of clay in blocks closer to the coast. In the Nelson-Marlborough region of the South Island the main soil type is derived from limestone and siltstone. Rainfall is less than 1000mm and the average temperature ranges from 2 degrees Celsius in the winter to 23 degrees Celsius during summer. Forests are likely to experience snow and frost even, those close to the coast.

Within many of PFO’s managed forests are indigenous forest enclaves, remnants and riparian areas. These indigenous areas can range in size from < 1 hectare to several hundred hectares. Many of the plantation forests are bounded by other forestry blocks, both exotic and indigenous. Normally the indigenous forests are under the control of the Department of Conservation (DoC), while the exotic blocks can be controlled by a myriad of agencies. PFO’s managed forest lands are also set within the pastoral landscape throughout New Zealand, thus is subject to the influence of different land management practices.
Indigenous areas within PFO’s managed forests have protection under many of New Zealand’s laws and important agreements (e.g. Resource Management Act, Conservation Act, New Zealand Forest Accord). In the past this was not the case and much of New Zealand’s indigenous flora was cleared for forestry, agriculture and urbanisation. This removal and degradation of habitat has undoubtedly caused declines and endangerment of several species. All forest owners within the PFO Group Scheme are required to follow the NZ Forest Accord.

Within PFO’s managed forests, “Best Management Practices” (BMPs) have been set in place to control adverse effects of forestry practices on indigenous areas. Harvesting and planting methods now ensure a buffer around significant waterways. While in the past trees have been planted and felled right up to waterways, PFO has adopted the practice of setting-back from these areas. PFO is also identifying and protecting riparian areas and providing riparian management zones within their forests. Other wetlands areas have been identified through their GIS and FIPs system and given a protection designation. PFO has also classified some indigenous forest as areas of special conservation value (e.g. within Paroa forest), while others have been protected by covenants and identified within PFO’s mapping system as such.

PFO while trying to protect the indigenous biodiversity within its forest also tries to ensure that other important values are protected, such as customary rights. These rights can include the right for an owner to graze within the forest, harvesting of flax for medicinal use, utilisation of the manuka enclaves for honey, harvesting of eels and the right to hunt. These local uses are important but it is also important that conflict between the laws of the land and such customary use are controlled. For example eel harvesting is controlled by the Ministry of Fisheries and governed by specific regulations directed at customary use. Harvesting of kereru, once a customary right is now prohibited under New Zealand law. Other harvesting ventures may be restricted by overseas conventions, for example the Convention in Trade of Endangered Species (CITES). It is PFO’s responsibility to ensure that where harvesting and use of forest products occur that all the regulations and laws are met.

Historically there has been a trend to concentrate conservation management almost entirely to indigenous forest within New Zealand. But, there are many native birds living in or utilising exotic forests including robin (Petroica australis), tomtit (P. macrocephala), fantails, grey warblers, silvereyes, riflemen, cuckoos, morepork, falcons, and even tui, bellbirds, kaka and pigeons (Reid, 1983). Only relatively recently has it been recognised that exotic plantations can have relatively high plant species richness and have a value in maintaining populations of indigenous fauna (Clout and Gaze, 1984; Allen et al., 1995; Ogden et al., 1997). The exotic monocultural appearance of PFO forests commonly obscures the fact that they harbour a wide range of indigenous plant, bird and invertebrate species. Within these exotic ecosystems the key to biodiversity is the presence of relatively high levels of invertebrate abundance (Hutcheson et al., 1999). This abundance of food coupled with the reduced competition from facultative hole nesters species means that some species can get a “boost”. Additionally, much of the forest understorey beneath exotics commonly comprises native shrub and fern species (Gibb 1961, Clout and Gaze 1984; Allen et al 1995). These assemblages often contain nectar and fruit bearing species, which are particularly important for some species of indigenous birds (Ogden et al., 1997). Part of the enhancement of exotic forests for indigenous species, such as the kereru, could be the retention or planting of such understorey species. In other cases the provision of artificial nest or bat roost sites may also provide cost-effective indigenous biodiversity enhancement.

Another potential target area that can provide benefits to both the exotic forest and the indigenous biodiversity is the role of pest management. PFO base much of their mammalian pest operations on the control of possums. Some control is undertaken at the time of crop establishment and for two years thereafter, also if major damage occurs later in the rotation, further control may become necessary. In areas where there is a risk of TB infection possum control is also carried out by the Animal Health Board. In addition, PFO undertake goat control, and pests such as deer, wallabies, rabbits and hares are also controlled where high populations may effect the forest crop.

While it is important to control possums New Zealand's ecological communities are vulnerable to many more introduced mammals. At present PFO does not undertake any significant control specifically aimed at predators. This vulnerability stems from the fact that most of New Zealand’s biodiversity has evolved in the absence of mammalian predators and browsers for over 80 million years. Consequently our native biota are especially vulnerable to possums, feral house cats, stoats, rats and mice. (Holdaway, 1989). Several of these introduced mammals, including stoats, ferrets, weasels (Mustela nivalis), cats, mice, hedgehogs (Erinaceous europeaus) and possums have been identified as predators of native birds, bats, lizards and/or invertebrates (see Gibb and Flux, 1973; King, 1990; Lovegrove, 1992; Brown et al., 1993; Innes et al., 1994).
So far there has been very little study of predator prey relationships in exotic forests but what studies there have been have shown that the diet of introduced mammals is similar in both indigenous and exotic forests (Daniel, 1973; Badan, 1986, 1986; Innes, 1979; Clout, 1980). It is possible that the predation pressures on indigenous species are similar in indigenous and exotic forests. Thus, all Category A and B bird species (kiwi, kokako, kereru, kaka, blue duck, brown teal, and possibly NZ falcon) may be unlikely to recover in the estate without some form of predator control.

As exotic forests are particularly valuable habitats for insectivorous birds and omnivores, effective predator control in exotic plantations is likely to bring large increases in abundance of many native bird species and may provide species' reservoirs that can have positive flow-on effect for neighbouring indigenous areas. Further development of an integrated pest management programme by PFO could therefore provide cost-effective enhancement for indigenous biodiversity while protecting the forest health values of the exotic estate.

Plantation forestry is strong in New Zealand, with both large, medium, and small scale producers. The landscape is characterized also by the dominant industry of the region, which is agriculture, with most land having been cleared over the past 100 years. Sheep farming dominated until 1993, while recent changes in government policy that reduced subsidies for sheep farming, have led farmers to dairy and other agricultural crops. It is quite common for small farmers to have farms with dairy, sheep, tree plantations and natural forest. The plantation forestry mosaic is therefore interspersed amidst rural and small urban communities, who may be active in the forestry economy, or affected by its operations, particularly on lifestyle, recreation, or other land uses.

As forest operations have the potential to affect local populations, PFO recommends consultation with neighbors with respect to operations that may: cause noise, alter the visual quality of the landscape, increase traffic use, in particular logging trucks on district or shared roads, cause dust or air pollution, affect reserve areas, affect water quality and quantity in catchments, and impact on cultural values, including archaeological and historic sites. PFO is also sensitive to the opportunities that forest plantations may provide for recreational uses and wish to maintain access for uses that are appropriate and do not damage the property, crops, and forestland. Wherever possible, forest owners are encouraged to make the forest areas available to recreational uses, such as biking, tramping, fishing, hunting, nature watching, four wheel driving, etc., customary uses, botanical collecting. There is some limited customary harvesting of cabbage tree (Cordyline australis) and flax (Phormium tenax) in the estate although this is generally low key and without significant impacts. There may be customary harvesting of kereru, although illegal, and would fall under the Department of Conservation (DOC), who has statutory responsibility under the Conservation Act 1987 for the management of protected wildlife and fish species.

PFO managed forestlands may represent interests (ownership or use rights) of the Maori. PFO recommends a similar approach to consultation with Maori as that generally required by the RMA. Under the RMA, consultation is required to be undertaken with: tangata whenua, iwi authorities, and the tribal runanga. PFO wants to see that the appropriate iwi is identified and initial contact is made with an iwi representative. However, it is acknowledged that it may be difficult to identify the appropriate iwi (there may be more than one) and spokes person. PFO suggests that the following sources will be used to assist with identification of the iwi and contact person(s): Marae committees, Maori Trust Boards, District or Regional Council, Historic Places Trust, Te Puni Kokori, Maori consultants, Maori Land Court, and Department of Conservation.

1.5. Products Produced and Chain of custody
   A. Species and volumes covered by the certificate

<table>
<thead>
<tr>
<th>Species</th>
<th>Scientific name</th>
<th>Actual Production from All Olsen Clients 2001</th>
<th>Volume (m³ per yr)</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pine</td>
<td><em>Pinus radiata</em></td>
<td></td>
<td>44,732</td>
<td>Pulp</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>112,602</td>
<td>Unpruned Domestic Sawlogs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,277</td>
<td>Pruned Export Sawlogs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>164,985</td>
<td>Unpruned Export Sawlogs</td>
</tr>
<tr>
<td>Eucalyptus</td>
<td><em>Eucalyptus spp</em></td>
<td></td>
<td>1,018</td>
<td>Pulp</td>
</tr>
</tbody>
</table>
### Actual Production from FSC Pool 2001*

<table>
<thead>
<tr>
<th>Species</th>
<th>Scientific name</th>
<th>Volume (m³ per yr)</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pine</td>
<td>Pinus radiata</td>
<td>0</td>
<td>0 Pulp</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0</td>
<td>0 Unpruned Domestic Sawlogs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0</td>
<td>0 Pruned Export Sawlogs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0</td>
<td>0 Unpruned Export Sawlogs</td>
</tr>
<tr>
<td>Other Softwoods</td>
<td>P. menzii, S. sempervens, T. Placata, Poplar.sp</td>
<td>1,634</td>
<td>Unpruned Domestic Sawlogs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,556</td>
<td>Unpruned Export Sawlogs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>605</td>
<td>Pulp</td>
</tr>
<tr>
<td></td>
<td></td>
<td>269</td>
<td>Unpruned Domestic Sawlogs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,180</td>
<td>Unpruned Export Sawlogs</td>
</tr>
</tbody>
</table>

### Estimated Potential Production from FSC Pool 2002

<table>
<thead>
<tr>
<th>Species</th>
<th>Scientific name</th>
<th>Volume (m³ per yr)</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pine</td>
<td>Pinus radiata</td>
<td>15,500</td>
<td>15,500 Pulp</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5,000</td>
<td>5,000 Unpruned Domestic Sawlogs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,000</td>
<td>1,000 Pruned Export Sawlogs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>21,500</td>
<td>21,500 Unpruned Export Sawlogs</td>
</tr>
</tbody>
</table>

### Estimated Potential Production from FSC Pool 2003

<table>
<thead>
<tr>
<th>Species</th>
<th>Scientific name</th>
<th>Volume (m³ per yr)</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pine</td>
<td>Pinus radiata</td>
<td>15,060</td>
<td>15,060 Pulp</td>
</tr>
<tr>
<td></td>
<td></td>
<td>24,020</td>
<td>24,020 Unpruned Domestic Sawlogs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,600</td>
<td>3,600 Pruned Export Sawlogs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>39,380</td>
<td>39,380 Unpruned Export Sawlogs</td>
</tr>
</tbody>
</table>

* No harvest from PFO FSC Pool properties occurred in 2001.

B. **Description of current and planned processing capacity**

PFO provide forest management services to their clients and are not involved in the processing or export of logs produced from their forests. PFO sell logs produced from their forests to log buyers i.e. sawmills, pulp mills, plywood mills, and log exporters.

However, PFO has and does play an active role in promoting the development of processing facilities in Gisborne to utilize the resource coming on stream and thereby provide increased options for the sale of logs produced from these forests.

2. **CERTIFICATION ASSESSMENT PROCESS**

1.1. **Assessment Dates**

- **January 10, 2002**: Stakeholder public notices distribution starts (email, FAX, newspaper and mail)
- **February 17, 2002**: Initial team planning
- **February 18, 2002**: Public stakeholder meeting at Springfield Golf Club, Rotorua, NZ
- **February 18 – 21, 2002**: Field assessment at sites in Rotorua and Gisborne
- **February 20, 2002**: Public stakeholder meeting at Poverty Bay Club, Gisborne, NZ
- **February 22, 2002**: Begin report write-up and continue stakeholder interactions (emails and interviews)
- **March 28, 2002**: Draft report to P.F. Olsen for initial review & fact-checking/comment
- **April 7, 2002**: Comments received from P.F. Olsen & Company
April 10, 2002  Draft report to peer reviewers
April 25, 2002  Comment back from peer reviewers
April 29, 2002  Final draft submitted to SW Certification Committee
May 29, 2002  Certification Contract signed and received by SmartWood

1.2. Assessment Team and Peer Reviewers

Jeffrey Hayward, Team Leader, Forester, is Asia Pacific Regional Manager, SmartWood Program of the Rainforest Alliance. M.Sc. Forestry, (Univ. of British Columbia, Canada); B.Sc. Latin American Development and Forestry (Univ. of Washington, USA). He has conducted silviculture and ecology research for the B.C. Ministry of Forests and UBC Alex Fraser Research Forest in Canada. In Oregon State, he worked for the federal government in the U.S. Bureau of Land Management in forest inventory and timber sale administration. Three years as U.S. Peace Corps community forester in Guatemala, providing technical extension services in a tripartite agroforestry and conservation of natural resources program. Private forestry consulting for the B.C. Ministry of Forests, the FSC and IIED. Publications include research on forest certification and forest silviculture. He has conducted 15 forest management assessments, scopings, and/or audits; conducted over 40 chain of custody assessments and/or audits; and been an instructor of four assessor-training courses (US, Malaysia, Japan, and Fiji).

Allen Fraser, Forester and SocioEconomics, BS, Forestry. Forest Ranger with 25 years experience in forestry, including forest management (NZ), forest surveys (PNG), Forestry Quarantine, Chain of Custody certification, Project Management, sawmilling, timber manufacturing, timber treatment. Trained as a external auditor. Allen is the head of the Forestry Department in AgriQuality and has several years of experience in New Zealand in auditing protocols in forestry.

Dr. Billy Hamilton, Ecologist, BSc Honours 1st Class (Zoology), University of Otago; PhD, University of Otago. Billy has 10 years experience in ecological work, with emphasis on animal behaviour; ecology of indigenous freshwater fish species; life history characteristics; parasitology; predator prey interactions; aquatic habitat assessment, management of native species within forest ecosystems, and predator control. Recently, he was involved in Timberlands West Coast’s (TWC) Resource Management Act (RMA) application to sustainably log beech forest and has been contracted to develop TWC’s individual species management plans, and oversee their endangered species monitoring and assessment protocols, as per FSC certification conditions. Currently he is comparing the effects of aerial and control station poisoning techniques on avian species within native forests and serving as an assessor on a SmartWood certification assessment of PF Olsen.

Two peer reviews with ecological expertise were sought for this assessment due to majority of issues raised in the findings related to the ecological planning and management of PFO forest operations. The peer reviewers include:

1. PhD Ecology, with Department of Conservation, 7 year career in research, private consultancy, and governmental work.


1.3. Assessment Process

During the field phase of the assessment process, the team conducted the following steps as part of the normal SmartWood certification process:

Pre-Assessment Analysis – Prior to beginning the assessment, PF Olsen & Company submitted to SmartWood drafts of their FSC group certification manual, template forest management plans, the Conservation and Ecology Management Plan, stakeholder lists and stakeholder comments, and information tables on the properties to be included in the certified pool. Assessors evaluated this information and received updates of the group certification manual as developed. SmartWood staff and assessors communicated with PFO for clarification of documents provided and to request updated documents as these were available.

Selection of Sites – PF Olsen & Company manages forest properties on the North and South Island of New Zealand, with FSC sites primarily situated around Rotorua, Gisborne, the East Cape, Napier, Marlborough, and Nelson. The
assessment team made a stratification of the forests currently within the certified pool and under PFO management, and chose sites both randomly and based upon information regarding the location, history, treatment, forest type, harvesting activity, etc., that could be observed through field visit during the assessment. The selection of sites emphasized those in the area around Rotorua and Gisbourne, as this was where most certified pool member forests were located and where most management activity has taken place. The largest forest areas within the pool were chosen, as were those that had the most active management, especially with respect to harvesting, thinning, pruning, and road construction operations occurring. It was equally important to visit some sites that were recently established, with a long time horizon before harvest, those with reserve areas, culturally significant sites, or other forest uses.

Table 3. Summary of Forest Areas & Areas Visited by SmartWood Assessors

<table>
<thead>
<tr>
<th>Forest/Block Name</th>
<th>Property Location (e.g. town, county)</th>
<th>Property Size (ha or acres)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paroa</td>
<td>Gisborne</td>
<td>1616.8</td>
</tr>
<tr>
<td>Waipaoa Station</td>
<td>Gisborne</td>
<td>1085.5</td>
</tr>
<tr>
<td>Torlesse PC</td>
<td>Waikato</td>
<td>25.5</td>
</tr>
<tr>
<td>Te Pua Pua</td>
<td>Opotiki</td>
<td>40.1</td>
</tr>
<tr>
<td>Endean</td>
<td>Rotorua</td>
<td>Not in pool</td>
</tr>
</tbody>
</table>

Field Interviews and Site Reviews – The assessment team met with various management staff, field supervisors, and fieldworkers during the assessment. In the field, the team met with forest owners as well as contractors and their crews. Site visits were planned using maps, supporting documentation, and input from managers to determine field inspection areas. Of particular interest was visiting forest stands of varied age classes and silvicultural treatments, riparian zones, indigenous forest areas, sites of cultural significance, road/stream crossings, and active harvest. Due to the timing of the visit, it was not possible to visit active harvesting on an RM or GM forest, therefore, the team inspected an active harvesting operation on a forest that is not yet a member of the certified pool. Future audits will visit active logging on member forests. The forest managers for both the Rotorua and Gisborne Office were interviewed and accompanied the team to field sites. One day was spent at the head office reviewing company plans, planning documents, the computerized database (FIPS), the GIS system and maps, chemical stores, OSH records, log tracking documents, etc. One half day was spent at the Gisborne office conducting a similar document review. Most interviews were conducted over the phone with a variety of stakeholders. There were four stakeholders who attended the public meetings held in Rotorua and Gisborne, who were consulted in person.

Assessment Report Development – The assessment report was developed over five days (not consecutive) after the fieldwork was completed. On the morning of the last day of the assessment, the team met to assign scores for each certification criterion, to reach consensus on findings, and to suggest conditions and recommendations that would apply to the certification. Throughout the write-up period the assessors continued to conduct stakeholder interviews, supplementary research, and document review.

Peer and Candidate Operation Review of the Report – The final draft report was reviewed by PF Olsen & Company and two independent peer reviewers (the normal FSC requirement is two).

Certification Decision – The certification decision was taken by SmartWood headquarters. This was completed after review of comments made on the draft report by operation and peer reviewers.

1.4. Guidelines

The PF Olsen & Company certification assessment was conducted using the SmartWood certification standards as described in the SmartWood Certification Interim Standard For Assessing Forest Management in New Zealand (Fourth Draft, February 2002). These guidelines should be regarded as the fundamental "starting point" for SmartWood certification field assessments and certification decisions, applicable in New Zealand. These criteria and guidelines are based upon the Forest Stewardship Council’s Principles and Criteria and the SmartWood Generic Guidelines for Assessing Forest Management, which have been approved by the FSC.
The FSC currently has twenty-eight (28) national initiatives that are developing region-specific guidelines for forestry certification in natural forests and plantations. There is now a New Zealand National Initiative. There have also been numerous plantation certifications in New Zealand and one small indigenous forest certification (Gowan Hill Forest) in the FSC system.

In September 1999, SmartWood distributed the first draft SmartWood Generic Guidelines to New Zealand stakeholders, as part of the certification assessment process taking place at Gowan Hills Forest in the Southland. This assessment was at the request of the Gowan Hills Trust; a family forest management trust managing a little over 500 hectares of indigenous silver beech-dominated forest near Winton, Southland. As a relatively small landowner, there have been very limited financial resources with which to conduct this assessment. SmartWood used this opportunity to develop guidelines that to be used for assessments in New Zealand.

Since then, revisions to SmartWood draft regional standards have continued to be made (three other drafts), based on public and private input from stakeholders. This version is the fourth draft and we have been able to capitalize on the “Draft National Standards for Plantation Forest Management in New Zealand, Draft 3”, developing by an FSC standards development group in New Zealand.

In developing this Interim Standard, a number of other documents have also been reviewed and considered, including:

- “Principles and Criteria for Forest Stewardship”, January 1999;
- Three versions of the “New Zealand Indigenous Forest Management Standards”, Discussion Draft, including “Compliance Level: Forest Amendment Act Part IIIA”, “Level One Forest Stewardship Council Certification” and “Provisional Forest Stewardship Council Certification”;
- Agreements such as the New Zealand Forest Accord, Forest Act 1993 and Resource Management Act 1991; and,
- Public summaries for various FSC plantation certifications in New Zealand implemented by other FSC-accredited certifiers.

In these Interim Standards, there are situations where SmartWood distinguishes certification requirements for small and medium versus large operations. Determining the scale of an operation will occur at the beginning of an assessment or during pre-evaluation (i.e. scoping). SmartWood is exploring the most efficient and effective methods for developing explicit standards for different size operations. These Interim Standards represent one of our initial efforts to clarify such differences, depending on scale of operation.

Of special note in terms of Principle 9, High Conservation Value Forests (see below), stakeholders should be aware that the FSC is conducting work to explore efficient and effective systems for more consistently implementing this principle. Some New Zealand stakeholders (e.g. Greenpeace) are involved in this process and we would suggest direct communication with those stakeholders as to the implications and application of Principle 9 within the New Zealand context.

1.5. Stakeholder consultation process and results

The purpose of the stakeholder consultation strategy for this assessment was threefold:

1) to ensure that the public is aware of and informed about the assessment process and its objectives;
2) to assist the field assessment team in identifying potential issues; and,
3) to provide diverse opportunities for the public to discuss and act upon the findings of the assessment.

This process is not just stakeholder notification, but wherever possible, detailed and meaningful stakeholder interaction. The process of stakeholder interaction does not stop after the field visits, or for that matter, after even a certification decision is made. SmartWood welcomes, at any time, comments on certified operations and such comments often provide a basis for field auditing.

In the case of PF Olsen & Company, prior to the actual assessment process, a public consultation stakeholder document was developed and distributed by email, FAX and mail. The public notice was sent by CERTNZ/Agriquality to over 100 stakeholders. These individuals and organizations were identified from stakeholder lists submitted by the company (national and local stakeholders) and was supplemented by lists of contacts developed by SmartWood vis a vis previous assessment work in New Zealand. The public notification,
inviting participants to public meetings, was also posted in the local Gisborne and Rotorua newspapers and ran for a period of 5 days.

A list of stakeholders that were notified, and those interviewed, is available at the end of this public summary.

Two public meetings were held, in which local stakeholders were invited to come and provide feedback and input to the assessment team. These meetings, were publicly announced well in advance, and PFO also sent invitation letters out to stakeholders and clients, however, only two persons attended each of the meetings. Due to the limited input that could be gathered from such public meetings, the assessment team made approximately 30 phone calls to forest owners, adjacent landowners, representatives of Maori Trusts, local recreational clubs and groups, government agencies involved in natural resource management issues, etc.

**Issues Identified Through Stakeholder Comments and Public Meetings**

The stakeholder consultation activities were organized to give participants the opportunity to provide comments according to general categories of interest based upon the assessment criteria. The table below summarizes the issues identified by the assessment team with a brief discussion of each based upon specific interviews and/or public meeting comments.

**Table 3: Stakeholder Comments**

<table>
<thead>
<tr>
<th>FSC Principle</th>
<th>Stakeholder Comments</th>
<th>SmartWood Response</th>
</tr>
</thead>
</table>
| **P1: FSC Commitment/ Legal Compliance** | 1. Stakeholder was worried that the FSC scheme would be just another “flash in the pan” and the money invested in attaining certification would be lost.  
2. There was concern that PFO does not always meet its commitments under New Zealand’s Forest Accord especially in relation to scrubland that contain kanuka and manuka species.  
3. Several stakeholders have asked to be kept informed of the FSC process and the role of SmartWood | 1. FSC certification has demonstrated considerable growth in the past five years. SmartWood will do all it can to continue to promote and develop FSC certification globally so that it becomes the most widely recognized and accepted standard in forest certification.  
2. SmartWood has continuing audits of PFO progress and compliance with such acts and accords.  
3. SmartWood will pass on the necessary information to the interested parties and will provide them with updates via their website. |
| **P2: Tenure & Use Rights & Responsibilities** | There was concern that staff members who were also forest owners may not always show good forest stewardship in the future.                                                                                           | SmartWood continues to audit both PFO’s Resource and Group Members to ensure that FSC certification guidelines and criteria are met.                                                                                         |
| **P3 – Indigenous Peoples’ Rights**     | Land Owners use of land for customary use was discussed at the Rotorua public meeting. Overall, PFO were credited with maintaining customary use, and the land owner wanted to emphasize the importance. The land owner gave an overview of activities carried out by trust members. | SmartWood explored this topic with both PFO and a landowner. Both parties indicated strong desire to support customary use.                                                                                              |
| **P4: Community Relations & Workers’ Rights** | Stakeholders indicated a preference for locals to be employed to carry out forest tending.  
Stakeholders indicated concern that PFO would not continue to communicate with neighbors and Government Agencies                                                                 | SmartWood identified that PFO have a policy of employing locals provided they are suitably skilled  
SmartWood identified that PFO does have a long-term plan for communicating with stakeholders that have indicated that they want on going communication.                                                                 |
PFO staff are lacking in experience with respect to the importance of Maori archaeological sites. Stakeholders commended PFO highly for conducting true consultation with respect to Maori special cultural identity sites. SmartWood has recommended that PFO develop a company policy on the importance and protection of Maori archaeological sites.

**P5: Benefits from the Forest**

Forest owners were pleased with the professionalism of the management and spoke highly of their credibility to manage in a sound financial and silvicultural manner their investment. Access for local recreational groups has been maintained well and relationship is strong.

No comments.

**P6: Environmental Impact**

Concern expressed that PFO could plant and harvest trees in areas of high erosion potential.

Discussion with PFO have indicated that their policy is to only plant and harvest on lands that are designated LUCVII and below. Where they are operating on lands with a LUC VII rating they have to apply for resource consent and therefore meet any requirements under the act.

**P7: Management Plan**

No comment

No comments.

**P8: Monitoring & Assessment**

Pest control within PFO forests may only continue during period of high risk to the plantation forest, e.g. goat control. These PFO forest can then become pest reservoirs for migration into other bordering areas.

PFO has been recommended to develop an integrated pest management strategy that can be used to enhance the biodiversity values of the exotic and indigenous forests under their control. This IPM strategy could be extended to provide “good neighbour” benefits.

**P9: Maintenance of High Conservation Value Forest**

No comments.

No comments.

**P10 – Plantations**

Stakeholders supported the growing of radiata.

No comments.

3. RESULTS, CONCLUSIONS AND RECOMMENDATIONS

1.1. General Discussion of Findings

This section provides a summary of the findings of the assessment of PFO. Comments by assessors are organized by FSC Principle and attempt to demonstrate to the public that the operation has successfully “passed” all of the principals. There were few major weaknesses to the PFO operations, so this section focuses on weaknesses that resulted in a condition or recommendations to the certification.

<table>
<thead>
<tr>
<th>Principle/Subject Area</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1: FSC</td>
<td>PFO is firmly committed to the FSC and communication.</td>
<td>PFO’s system and procedures for</td>
</tr>
<tr>
<td>Commitment and Legal Compliance</td>
<td>has a strong reputation for obeying laws compliance need improvement in relation to CITES, and responsibilities under the provision of customary fishing rights.</td>
<td></td>
</tr>
<tr>
<td>---------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td><strong>P2: Tenure &amp; Use Rights &amp; Responsibilities</strong></td>
<td>PFO has complete and up to date legal rights to conduct forest management activities. No weaknesses identified</td>
<td></td>
</tr>
<tr>
<td><strong>P3 – Indigenous Peoples’ Rights</strong></td>
<td>PFO has ensured that archeological sites have been identified on sites due to be logged. Iwi and archeologists have been consulted to verify the importance of the sites. Plans have been developed to protect the sites during harvesting and reforestation. PFO need to identify archeological sites in all forest blocks prior to harvesting. Checks should be carried out prior to establishment to identify archeological sites. No major weaknesses were noted.</td>
<td></td>
</tr>
<tr>
<td><strong>P4: Community Relations &amp; Workers’ Rights</strong></td>
<td>PFO is generally perceived as a good corporate citizen. Contractors are paid good rates and paid on time. PFO need to obtain the use of training assessors to enable workers to more quickly pass relevant training modules. PFO is pro-active in promoting local employment. PFO also encourages forest trustees to provide employment for their iwi. PFO has developed an important rapport with local iwi on the subject of Maori archaeological sites. PFO has not developed an effective two-way consultation process. They also lack a follow-up process in consulting with stakeholders. PFO has not always consulted interested parties before they have commenced aerial spraying, pest control operations and/or poison operations.</td>
<td></td>
</tr>
<tr>
<td><strong>P5: Benefits from the Forest</strong></td>
<td>PFO has been a leader in promoting increased processing on shore. Within their budget constraints PFO is actively trying to provide the necessary conservation investment from forest owners. PFO do not fully know the range of forest services and resources available within their forests. This is especially true of the rare species, representative ecosystems, and traditional Maori resources available.</td>
<td></td>
</tr>
<tr>
<td><strong>P6: Environmental Impact</strong></td>
<td>PFO is taking steps to provide conservation of unique ecosystems and the protection of rare, endangered and threatened species. PFO have not developed assessment protocols that allow them to identify rare, endangered, threatened species present within their forest estate. There is also a lack of information on the indigenous ecosystems present, species composition within these areas. This leads to an inability on PFO to identify representative ecosystems within their estate and therefore they are not able to develop management plans for the protection of these ecosystems and/or key conservation species. PFO’s chemical disposal methods and security of chemicals do not comply with the relative codes of practice.</td>
<td></td>
</tr>
<tr>
<td><strong>P7: Management Plan</strong></td>
<td>PFO has a management plan in place that meets SmartWood Standards. Management plans need to be more closely tailored to the specific forest blocks as dependence on the templates has lead to rather generic plans. There are not sufficient plans for the protection and identification of rare,</td>
<td></td>
</tr>
</tbody>
</table>
endangered or threatened species contained within PFO forests

<table>
<thead>
<tr>
<th>P8: Monitoring &amp; Assessment</th>
<th>Fundamental plans exist for monitoring and assessment of indigenous flora and fauna. Standard monitoring and assessment tools for the crop species are utilized. PFO has commenced a stream quality-monitoring programme on the effects of harvesting.</th>
<th>Monitoring plans need to be developed to more fully identify indigenous species of flora and fauna. Monitoring programmes to assess the effect of forestry management practices on rare, endangered and threatened species have not been formulated.</th>
</tr>
</thead>
<tbody>
<tr>
<td>P9: Maintenance of High Conservation Value Forest</td>
<td>PFO has identified certain areas as having high conservation value, even within small forest plantations.</td>
<td>Planning, monitoring, and delineation of areas of higher conservation value within forest ownerships needs to be improved, as per conditions for Principles 6, 7, and 8.</td>
</tr>
<tr>
<td>P10 – Plantations</td>
<td>Plantation management demonstrates a high level of adherence to best management practices.</td>
<td>The PFO Integrated Pest and Weed Management Strategy needs to become truly integrated. This means an integration of pest control covering several species at the same time and/or timing the control effort to take into account the most vulnerable time for the species to be protected.</td>
</tr>
</tbody>
</table>

1.2. Certification Decision

Based on a thorough field review, analysis and compilation of findings by this SmartWood assessment team, PF Olsen & Company Limited is recommended to receive joint FSC/SmartWood Forest Management and Chain of Custody (FM/COC) Certification with the stipulated conditions (or contingent upon successful completion of the preconditions listed below).

In order to maintain certification, PF Olsen & Company Limited will be audited annually on-site and required to remain in compliance with the FSC principles and criteria as further defined by regional guidelines developed by SmartWood or the FSC. PF Olsen & Company Limited will also be required to fulfil the conditions as described below. Experts from SmartWood will review continued forest management performance and compliance with the conditions described in this report, annually during scheduled and random audits.

1.3. Conditions and Recommendations

Conditions are verifiable actions that will form part of the certification agreement that PF Olsen & Company Limited will be expected to fulfill at the time of the first audit or as required in the condition. Each condition has an explicit time period for completion. Non-compliance with conditions will lead to de-certification.

**Condition 1:** By the end of year 1, PFO shall make themselves more aware of CITES and also review the list of CITES species relevant to their forestry management. (Criterion 1.3)

**Condition 2:** By the end of year 1, PFO managers shall make themselves aware of their responsibilities under the law of customary, commercial and recreational harvesting of indigenous species. Such harvesting (e.g. eel fisheries) should be formalised with permit. (Criterion 1.5)

**Condition 3:** By the end of year 1, PFO shall develop a formal stakeholder list that is used for ongoing consultations with people and organisations directly affected by forestry operations such as pest control, aerial spraying, harvesting, land preparation, roading and weed control. PFO procedures for consultation must allow time for the stakeholders’ responses to be incorporated into management decision processes and acted upon by PFO where necessary,
and must provide follow-up communication from PFO to interested stakeholders. (Criterion 4.4)

Condition 4: By the end of year 1, PFO shall develop a database that contains the range of forest services and resources available within their forests. This database should be developed to ensure that important resources such as rare species, representative ecosystems, and traditional Maori resources are included. (Criterion 5.5)

Condition 5: By the end of Year 1, PFO shall provide instruction to field staff and contractors of the rare, endangered or threatened species likely to be present within their managed forests. PFO should provide a basic forest field guide that can be used by field staff and contractors in the identification of these species. Incident sightings compiled by contractors and other forestry staff must be documented. (Criterion 6.1)

Condition 6: By the end of Year 3, PFO shall develop survey protocols to identify the presence and relative abundance of rare, endangered or threatened bird and bat species present both within its exotic forests and the indigenous enclaves contained within. (Criterion 6.1)

Condition 7: By the end of Year 2, or prior to future harvesting in any block, PFO shall upgrade topographic maps showing buffer zones for riparian areas/patch margin buffers, and conservation reserves at a scale useful for guiding field work. Group Member maps must be of sufficient quality and rendering so that operations avoid damage to important ecosystems. (Criterion 6.1)

Condition 8: By the end of year 1, PFO shall conduct an assessment survey to quantify the status of the wood rose at the site specified in the certification report, and to identify sites and provide protective management where necessary. (Criterion 6.2)

Condition 9: By the end of year 1, bat surveys for both short-tailed and long-tailed bats shall be started at the Paroa forest. Throughout the certification period, prior to harvesting in forests where bats have been detected, PFO shall identify and protect bat roosting sites. (Criterion 6.2)

Condition 10: By the end of year 3, representative indigenous forest areas shall be protected from domestic grazing by fencing and/or removal of grazing rights. (Criterion 6.4)

Condition 11: By the end of Year 1, PFO shall document that all staff and contractors have the necessary current certificates and module training for chemical/poison application. (Criterion 6.6)

Condition 12: By the end of Year 1, PFO shall ensure all chemicals/poisons and their containers are kept in secure facilities and only available under the supervision of trained designated staff (e.g. improved key security). These staff would be responsible for checking chemicals in and out and keeping an up to date record of stock held in store, stock held in field, and where stock is used. (Criterion 6.6)

Condition 13: By the end of Year 1, PFO shall develop a check out and check in system for chemicals and chemical containers used off site. Containers must be cleaned and any chemical residue and used containers disposed of in compliance with the Code of Practice for the Management of Agrichemical NZS8409:1999. (Criterion 6.7)

Condition 14: By the end of year 1, PFO shall make publicly available summary management plans and monitoring plans for each forest in the group scheme. (Criterion 7.4)

Condition 15: By the end of year 2, PFO shall develop protocols to monitor the environmental effects of forestry management practices on rare, endangered and threatened species both within its exotic forests and the indigenous enclaves contained within its estate. (Criterion 8.1)

Condition 16: By the end of year 1, PFO shall document in writing its monitoring system, based in part of the elements in the approved management. The plan must describe objectives to be
monitored, the data to be collected and methodology of collection, a system for analysing
information, and how and when management prescriptions will be changed to recognise new
and existing information. (Criterion 8.2)

Condition 17: Prior to the sale of any certified product or by the end of year 1, PFO shall develop
and implement chain of custody procedures to improve the traceability of certified wood
through improved log marking and modifications to the WoodTrack system to enable tracking
of certified loads. (Criterion 8.3)

Condition 18: By the end of year 1, PFO shall develop a stream classification system to make more
systematic the Riparian Management Zone best management practices. (Criterion 10.2)

Condition 19: Throughout the certification period, PFO shall demonstrate that it is reducing the
use of chemicals and that they are successfully achieving integrated IPM methods. (Criterion
10.7)
1.1 Audit Process

A. Audit year: 2003

B. Dates of Audit: June 23 – 26, 2003

C. Audit Team:

Jeffrey Hayward, is Asia Pacific Regional Manager. M.Sc. Forestry, (Univ. of British Columbia, Canada); B.A. Latin American Development and Forestry (Univ. of Washington, USA). He has conducted silviculture and ecology research for the B.C. Ministry of Forests and UBC Alex Fraser Research Forest in Canada. In Oregon State, he worked for the federal government in the U.S. Bureau of Land Management in forest inventory and timber sale administration. Three years as U.S. Peace Corps community forester in Guatemala, providing technical extension services in a tripartite agroforestry and conservation of natural resources program. Private forestry consulting for the B.C. Ministry of Forests, the FSC and IIED. Publications include research on forest certification and forest silviculture. He has conducted 15 forest management assessments, scopings, and/or audits; conducted over 40 chain of custody assessments and/or audits; and been an instructor of four assessor-training courses (US, Malaysia, Japan, and Fiji).

Graeme Gillies, Forester, NZCF, Dip. Rur Stud. Graeme has been in forestry since 1977, specialising in establishment and silvicultural management. He has been a Forest Manager and Consultant to private and commercial owners before starting as the lower North Island Forestry officer with AgriQuality. Graeme has a wide range of experience in Harvesting, Forest Quarantine, Quality Assurance, Sawmilling and Timber Processing. 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 (specialising in Natural Resource Management) from Massey University.

D. Audit Overview:

This was the first annual audit for PF Olsen and Company Ltd. (PFO), which is a SmartWood resource manager certification, whereby a group or pool of properties are under the umbrella of PFO’s forest management certificate. PFO were first certified in June 2002. Compliance with 13 conditions up for monitoring in the first year were reviewed. (PFO had a total of 17 conditions issued in the original certification contract) By years two and three, all certification conditions (and subsequent Corrective Action Requests) will be reviewed by SmartWood auditors.

This was the first inspection by SmartWood auditors of each of the forest sites visited. Forest plantation sites for evaluation were chosen as a sample of the total pool of certified members, and sites were selected to include younger aged stands, new members, and pre-existing members not visited in the original assessment. The sites were all located on the Central North Island, in the region of Napier and Rotorua (see list below, section E). The sites had pre-commercial thinning (thin to waste), but no active timber felling was observed during this year’s audit. PFO has added 11 new forests (average area < 85ha) to their certified pool in the period since the start of certification. In the main, the company has not undergone any significant changes that would impact the implementation of the certified system evaluated in the original assessment. One notable change in the first year, was that the previous Environmental Manager, responsible for coordinating PFO certification activities, Colin Maunder, had left PFO and been replaced by the Gisborne Forest Manager, Jason Blair.

As a result of the audit, however, some corrective actions were issued.
E. Sites Visited:

Monday June 23, 2003
PF Olsen Head Office, Rotorua

Tuesday June 24, 2003
PF Olsen Napier Branch Office, Napier

Atiamuru Forest, Rotorua (50.75 hectares)
- 1992 radiata stand, thinned to waste;
- 1993 radiata stand, thinned to waste;
- 1993 Acacia melanoxylon, partly pruned
- riparian reserve;

Tutukau Forest, Rotorua (70.5 hectares)
- 1995 radiata planting, thinned to waste;
- reserve grazing zone

Mission Forest, Napier
- 1993 planting eucalyptus
- 1975 planting radiata
- 1983 planting radiata
- 1989 planting radiata
- 1995 planting radiata, to be thinned in July

Wednesday June 25, 2003
PF Olsen Napier Branch Office, Napier

Puna Mara Forest, Napier
- 1978 planting radiata
- 1977 planting radiata
- 1976 planting radiata
- 1975 planting radiata
- riparian area
- wetland
- gully, indigenous reserve

Thursday June 26, 2003
PF Olsen Head Office, Rotorua
F. Personnel Interviewed:

The following people were consulted during this audit:

<table>
<thead>
<tr>
<th>Person interviewed</th>
<th>Position/Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Clark</td>
<td>CEO</td>
</tr>
<tr>
<td>Colin Maunder</td>
<td>Formerly Environmental Manager</td>
</tr>
<tr>
<td>Jason Blair</td>
<td>Environmental Manager/Forest Manager, Gisborne Branch</td>
</tr>
<tr>
<td>Steve Lee</td>
<td>Forest Manager, Rotorua Branch</td>
</tr>
<tr>
<td>Bob Pocknall</td>
<td>Forest Manager, Napier Branch</td>
</tr>
<tr>
<td>Ross Larcombe</td>
<td>Rotorua Branch Manager</td>
</tr>
<tr>
<td>Grant Alexander</td>
<td>Computing Systems Manager</td>
</tr>
</tbody>
</table>

G. Documentation reviewed:

- Forest Health Inspection Report, for Napier Branch forests 2002.
- Tree Crop Valuation, Mission Forest, November 2000.
- Forest Management Agreement, Puna Mara Forest, (signed by both parties) June 2001.
- PFO Website;
- PFO FIPs;
- Stakeholder Letters
- PFO Harvesting and Marketing Services Brochure
- International Legislation and Agreements
- Environmental Reference handbook
- PFO FSC Group Scheme Member Manual
- PFO FSC Group Scheme Member Support Documents
- Environmental Manual
- Short tailed bat letter from DOC East Coast Conservancy 23 October 2002
- Short and long-tailed bat letter from DOC East Coast Conservancy 29 August 2003
- Chemical spot releasing contract
- Summary of Dispute resolution in a case on Heritage forest 15 July 2003
- Stakeholder List
- Stakeholder notification letters for use of Cyanide poison in Paroa Forest 12 March 2003
- Forest Management Plans for:
  2. Onewhero Forest (2003-2008)
  3. Tukukau Road Forest (2003-2008)
  4. Dodds Road Forest (2003-2008)
1.2 General Audit Findings and Conclusions

It was apparent that PFO had undertaken to close out most of its conditions in the period immediately following certification. PFO entered 11 new forests into the certified pool during 2002-2003. The total certified area has expanded to 5,448.90 hectares.

Since certification, there have been many improvements in the PFO management system and practices. PFO has made an all-encompassing stakeholder list for the whole company, which can be sorted by branch or by forest. These stakeholder lists are kept as word documents. These are organized by forest, so that the relevant stakeholders, especially neighbors are identified.

In one of the final harvest sites, the Paroa forest, harvesting began with an opening blessing ceremony by the local Kaumatua, and discussion about forest issues with stakeholders. The consultation with the iwi on this forest had been so well-received that it was written up in Maori News Magazine as a case study of an effective consultation process with Maori.

PFO made various promotional talks and engagements over the year. There were numerous write-ups in the local press and industry journals regarding their accomplishments. PFO applied for various environmental awards. PFO made a presentation on FSC at Hawkes Bay Farm Forestry Seminar on October 22, 2002 and PFO made a presentation to the NZIF Rotorua Section on April 10, 2003.

PFO sent out an FSC survey in June 2002 to all clients and all of their FSC stakeholders. Basic summary information from the results was sent around to company personnel in an internal email. Apparently received about 40 to 50 responses to the 4-page survey. One of the findings was that, in general, most people are supportive of PFO and of radiata pine plantation management and do not have significant concerns with either.

The Gisborne office worked together with DOC in Gisborne, following suggested DOC survey methodology for woodrose in one of the forests. PFO gathered scientific information and literature together on survey techniques and then surveyed the area of note. DOC suggested that the use of possums as a surrogate is preferable to trying to find the plant/blossom itself.

PFO have developed a method for managers to do ‘five-minute bird surveys’ and for contractors and staff to include wildlife sightings in forms that all contractors and staff regularly fill out. While the company has held off on developing a basic forest field guide for the identification of Rare, Threatened, and Endangered (RTE) species, it has done so because PFO is supporting an initiative led by the Forest Owners Association (FOA), who have put into the NZ Government ‘Biodiversity Advice Fund’ to develop such a guide that would be a consistent RTE approach for the industry.

PFO continues to be checking with contractors to ensure that operator certificates were present. For poisons application, PFO requests that the staff or contractor provides the copy and number of their registration number. Copies of these are taken and kept on file. Will have the prime contractor demonstrate these documents. The two key operators possessed grow safe certificates. Contractors and staff are required to have minimum amounts of training. As part of their control system there is a check in and check out system for chemicals used. Empty containers are kept on site until sufficient numbers are accumulated.

Not all of the new integrants to the program had new Forest Management Plans prepared and ready, available on-site at the head office for auditors’ review. Five of the new forests in the pool did not have management plans complete at the head office, though these were in process of completion. PFO did not have these prepared during the time that the team was on-hand for the audit.
Website functionality was not up to date as it was supposed to be. Pages were not complete. Was not possible to access the section including the monitoring indicators and summary management plans. The site does not currently convey to the user how they would find out more detailed information about the current forests certified. The certified pool list was not up to date.

PFO executives were slow to notify SmartWood about the key staffing change, when the primary contact person has changed. This needs to come directly from the company as a request to change the information in our database, so that we can make the change to the SW website.

Group Member or Resource Manager Manuals have not changed in a significant way, other than to include the sections related to conditions. The Group Member Manual revisions/addendums were sent out in October/November 2002. SmartWood was informed of these changes. It was the only change to manuals communicated to members during the first year of certification.

1.3 Status of Conditions and Corrective Action Requests (CARs)

A. Compliance Summary of Previously Issued Conditions and CARs

CLOSED:
Conditions 1, 2, 4, 8, 11, 12, 13

PARTIALLY MET:
Condition 3 – issued CAR 2.2003
Condition 5 – issued CAR 3.2003
Condition 14 – issued CAR 5.2003
Condition 16 - issued CAR 5.2003
Condition 17 – issued CAR 6.2003

NOT MET:
Condition 9 – issued CAR 4.2003

B. New CARs Issued in this Audit

CAR 1-2003: Effective immediately, and documented within three months of receiving this report, PFO shall submit for and receive approval from SmartWood for the use of the FSC trademark and any off-product claims regarding FSC in all advertising, promotional, and public information.

CAR 2.2003: Within three months of the receipt of this report, PFO shall provide written documentation to SmartWood that is evidence that stakeholders who could potentially be effected by baiting through poison traps are notified in writing in advance of the baits being set in the forest.

CAR 3.2003: By the time of the next annual audit, PFO shall demonstrate progress towards continued improvement among staff and contractors to complete the sitings section of H&S Sheet.

CAR 4.2003: Within six months of the receipt of this report, PFO shall determine if any Paroa forest areas have characteristics of potential long-tail bat trees, and then PFO will conduct bat surveys on a sample of these likely sites.

CAR 5.2003: Within one month of receipt of this audit report, PFO shall provide a clear statement to SmartWood that details the standard public summary management plans and monitoring plans as well as the manner in which these will be made available to the public.
CAR 6.2003 – Within three months of receipt of this report, PFO will provide to SmartWood updated sections of FSCG03 and FSCG09, which clearly state the RMZ classification system.

CAR 7. 2003: Within three months of receipt of this report, PFO will have hard and electronic copies of forest management plans at each corresponding branch office and the main office. The company will ensure that these are available for auditors. Furthermore, PFO shall not consider any forest to be a member until they have received a copy of their forest management plan, for which PFO will maintain correspondence to evidence that the FMP has been provided to the forest owner.
1.1. Audit Process

A. Audit year: 2004

B. Dates of Audit: February 24 -27, 2004

C. Audit Team:

Graeme Gillies, Forester, NZCF, Dip. Rur Stud. Graeme has been in forestry since 1977, specialising in establishment and silvicultural management. He has been a Forest Manager and Consultant to private and commercial owners before starting as the lower North Island Forestry officer with AgriQuality. Graeme has a wide range of experience in Harvesting, Forest Quarantine, Quality Assurance, Sawmilling and Timber Processing. 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 (specialising in Natural Resource Management) from Massey University.

Joanna Stewart, Sociologist, Bachelor of Social Science Degree, Massey University. National Certificate in Business Studies, NZ Certificate in Direct Marketing, Diploma Applied Sport. Joanna has 5 years experience in managing the organisation and implementation of training programmes and events for a National Sales force. She has spent four months researching the social impact of forestry and farm/forestry operations on the East Coast. Also 7 years commercial business experience gained as project and administrative coordinator for two prominent Auckland boat building companies. During the past 6 years Joanna has been involved in the design, implementation and analysis of customised leadership behaviour and company cultural surveys for commercial clients. As well as the reporting and feedback to clients on strategic change recommendations, and specific people and training development improvements.

D. Audit Overview:

This was an extraordinary audit of PF Olsen & Company Ltd (PFO, or “Olsens”) arranged by SmartWood to expand the scope of the existing FSC certificate. It was precipitated by the appointment of Olsens to manage the newly acquired forest estate of PruTimber Ltd that was part of Fletcher Challenge Forests (FCF). PruTimber officially assumed responsibilities for the estate on February 27th 2004, the last day of the audit, upon which time PFO took over the forest management. The second annual audit for Olsens will take place in June 2004 to further evaluate the expanded scope of the certificate.

The FCF forest estate transferred to PruTimber were FSC certified up to the day of changeover. This audit focused primarily on ensuring that each company’s systems and procedures for compliance with FSC P&C would remain intact during the changeover and that the integrity of the individual systems would not be compromised. The addition of the PruTimber estate will add some 66,000 Ha to the PFO certified pool. Additionally, it is noted that 1 forest left the original pool since the last PFO audit in June 2003.

PruTimber is the agent in NZ for the owners of the estate. These are the Ontario Teachers Pension Plan (OTPP) and Viking Global NZ, the New Zealand subsidiary of Prudential Financial, Inc of the USA. Olsens has been appointed as Property Managers by PruTimber to manage the forests. The bulk of the estate is in the Rotorua region of the central North Island, with small forests in the East Coast and Hawkes Bay.
As this was an expansion audit of Olsens, forest site inspections were only made to FCF forests in the Rotorua area. The inspections involved two harvesting operations and a production thinning operation. The previous Olsens audit had concentrated on silviculture and management practices as no harvesting was occurring in the certified pool at that time. The June 2004 annual audit will target operational processes in detail.

SmartWood auditors reviewed compliance with 7 Corrective Action Requests (CARs) with a time line for monitoring at the second annual audit. Similarly, 7 CARs that had been raised in the 3rd Annual Audit of FCF were reviewed in their context. These were seen as management issues now beneath Olsens purview and a viable starting point to test the management.

E. Sites Visited:

Tuesday 24 February 2004
PF Olsen & Company Head Office, Rotorua

Wednesday 25 February 2004
PF Olsen & Company Head Office, Rotorua

Gammons 3462
Total Harvestable Area = 14.5 Ha
Galaxy North
Blue Tui Crew 14 - Machine Harvesting Operation

Gammons 3496
Total Harvestable Area = 38.2 Ha
Galaxy North
SNI Crew 76 - Swing Yarder Harvesting Operation

MAMT 4332.1
Total Harvestable Area = 89 Ha (incl. Waste thinning)
Galaxy North/ Airstrip
Kaimahi Crew 77 - Production Thinning

Thursday 26 February 2004
PF Olsen & Company Head Office, Rotorua
FCF Head Office, Rotorua

Friday 27 February 2004
PF Olsen & Company Head Office, Rotorua

F. Personnel Interviewed:

The following company staff, contractors, workers, and resource people were consulted during this audit:

<table>
<thead>
<tr>
<th>Person interviewed</th>
<th>Position/Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Galbraith</td>
<td>General Manager PruTimber</td>
</tr>
<tr>
<td><strong>PFO staff:</strong></td>
<td></td>
</tr>
<tr>
<td>Peter Clark</td>
<td>CEO</td>
</tr>
<tr>
<td>Peter Keach</td>
<td>Forestry Manager</td>
</tr>
<tr>
<td>Peter Weblin</td>
<td>Harvesting &amp; Marketing Manager</td>
</tr>
<tr>
<td>Gary Inman</td>
<td>Harvesting &amp; Sales Manager</td>
</tr>
<tr>
<td>Jason Blair</td>
<td>Environmental Manager</td>
</tr>
<tr>
<td>Don Robinson</td>
<td>Transition Project Co-ordination</td>
</tr>
<tr>
<td>Kit Richards</td>
<td>Environmental Manager PruTimber BC</td>
</tr>
</tbody>
</table>
Overview of Stakeholder Consultation during the Audit:

The purpose of the stakeholder consultation strategy for this verification audit was:

4) To ensure that the public is aware of and informed about the expansion of the PFO certificate;
5) To assist the audit team in identifying potential issues; and,
6) To provide opportunities for the public to discuss and act upon the findings of the audit.

With this expansion audit, prior to the evaluation work commencing, a public stakeholder announcement was distributed by mail by CERTNZ/Agriquality to over 200 stakeholders. These individuals and organizations were identified from stakeholder lists submitted by the company (national and local stakeholders) and also supplemented lists developed by SmartWood through previous assessment work in New Zealand.

SmartWood received very few replies to the mail out. Of the fifteen responses, eleven referred to changes to the database details only and four responses were to provide feedback on PFO’s current forest management practices. Two replies contained written comments regarding the company’s environmental practices, and these will be followed up by an ecologist during the upcoming June audit.

The focus of discussions that took place during the transition phase of the expansion was with critical company staff, contractors, workers, and business partners. Since Olsens had not yet assumed operational responsibility for the forest estate, local and regional government agencies, central government agencies, forest users and recreational groups, local Tangata Whenua groups, environmental organizations, local community representatives and neighbours would be approached in the June audit, when they would have had some time to experience PFO management of the ex-FCF lands.

Generally, comments received by the auditors regarding the sale of FCF’s forests and the transition to forest management by PruTimber and Olsens were positive. Respondents felt this would bring an end to a very unsettled and uncertain four-year period and that Olsens are recognized by the public as a reputable company. The main issues raised were that the hand over of information be smooth and that FCF would ensure that nothing was left out, and that the transition would be managed so that all affected parties would continue to receive the necessary information. Contractors wanted assurances that they would be guaranteed ongoing work. FCF staff and contractors spoken to were in favour of the changeover, stating their main concern being continuity of employment.

G. Documentation reviewed:

SmartWood Olsens Annual Audit Report 2003
Forest area and ownership tables
Forestry Management Agreement
Kiwi Consortium Transition information Master List
FCF Forest Estate Management Plan
1.2 General Audit Findings and Conclusions

The main objective of this audit was to focus on those forestlands that are to be harvested in 2004, and therefore, would concentrate largely on systems and procedures, with a limited field component. As this is a transition period, SmartWood wanted to highlight auditing on the institutional aspects of the transition, how the management will bridge the elements of outgoing and ongoing FCF systems, staffing transitions, training, and capacity, and short to mid-term planning objectives for the estate and for stands. SmartWood initial evaluations of the 2003 forest audit by SCS for the FCF estate indicated that key issues to emphasize would be with respects to worker training, stakeholder consultation, and Maori outreach.

Olsens have undertaken to progress with or close out all Corrective Action Requests (CAR’s) raised during their last annual audit. FCF have done likewise, although their annual audit report was only completed in December 2003.

At the time of the audit, it was apparent that staff from Olsens and FCF was disciplined to ensure a smooth transition from one manager to another. There was evidence of goodwill between staff of the two companies and the transfer of information was cooperative, and with limited, only minor glitches. FCF have been FSC certified since 2000, Olsens since 2002 and all staff are very aware and dedicated to the Principles and Criteria of the FSC.
A. Management Summary:

Overall, the auditors were able to verify that Olsens have a clear intent to manage the PruTimber forest estate to FSC certification standards. Olsens have employed FCF staff to ensure that the knowledge of the forest resource and management to FSC principles is continued and assured. The creation of a new key position of the National Environmental Manager, with responsibility for maintaining FSC compliance for all PruTimber operations, reinforces the expressed commitment.

PruTimber as land managers have given a clear intent that they will continue to manage the contractual relationships and consultation with all joint venture and Maori lease owners by employing valuable expertise from FCF’s Community Relations team. These resources are valuable to ensure that the good relations are maintained and strengthened in the longer term.

From March 1st 2004 Olsens will become Forest and Property Managers with operational management responsibilities for the forest estates managed by PruTimber.

The key objective for the transition and change over process is for “rational change”. Auditors determined that there are people and systems in place to permit a smooth transition. Current systems would not be abandoned, rather they will be maintained and more complex transitional issues will be worked through over the next few months. Olsens stated that they intend to manage the FCF forests under many of the same policies, practices and prescriptions that have been employed by FCF. In the break up of the FCF estate, almost all contractors have been offered continued employment either by PFO or the managers appointed by the Kiwi Forests Group, who have taken responsibility for the other FCF forests. Many FCF staff has been employed by Olsens or KFG, however some staff redundancies have occurred.

Olsens is a private company, established in Rotorua over 30 years ago. It is now owned and controlled by shareholding staff while retaining their founder’s legacy, which management describes as ‘based on a commitment to forestry, a strong value system and a belief in its ability to benefit all stakeholders’. The company culture of a family orientated business has endured, combined with a specifically client orientated business discipline. New staff joining the company will experience a culture defined by a flat management structure and a team approach. Because of the need to be fully operational from day one, Olsens have employed FCF staff with the most appropriate experience and skills. FCF staff will retain their functional roles but will go from a specialized focus to a broader base. FCF staff will have a broader range within their job and greater responsibility and accountability for their own actions in line with Olsens’ culture.

Health and Safety is an important part of Olsens’ quality system. Both Olsens and FCF have a high level of health and safety standards. The Olsens’ Health and Safety system will be reviewed during 2004 and is planned to become the single system for all forests once the transition has been completed. Until this is possible the FCF Health and Safety policies and procedures and management of contractors will prevail for operations on PruTimber forests.

B. Social Summary:

Olsens Group Scheme is designed and certified to take on additional and multiple properties; however the management of the PruTimber estate at 66,000 hectares will be a large increase in planned management responsibilities and complexities for Olsens.

From a social perspective Olsens will now be operating mostly in the Bay of Plenty region, one that has significant cultural and historical heritage. Compared with the rest of New Zealand, the region has a higher than average proportion of Maori, above average unemployment, lower levels of education and below average incomes. It is the most developed forestry region, with approximately 22% of the population employed in the forestry sector. Over the past few years, the region has experienced a number
of social impacts attributed to the downturn in the international forestry sector, as well as the FCF forest sale process. A substantial impact has been the number of layoffs and redundancies affecting people working for FCF, contractors and processing workers.

The downturn in the industry and the associated change experienced by FCF with the sale of its forest estate has put the spotlight on FCF in terms of expectations for performance and commitment to FSC social principles. In particular, the combined effects over the past few years on staff, contractual workforce and the surrounding communities led to Corrective Action Requests (CARs) issued by Scientific Certification Systems (SCS), the FSC accredited certification body that awarded the certificate to FCF. These CARs have emphasized expectancy for company to manage social impact assessments obligations.

Olsens is under closer scrutiny because of its new responsibilities. Olsens are expected to demonstrate the capability to handle transitional information such as pertinent conditions of contracts with joint venture owners and leasehold owners, knowledge of the contracts with preferential employment rights clauses, identification of local iwi customary rights, familiarity with the different types of tenure arrangements and related implications for forestry management. PFO had to get itself rapidly be up to date with the resource management and consent process for all new properties. Olsens were working to maintain open lines of communication to ensure that up to date and timely information is provided to Maori, contractors and other relevant business partners. Olsens are expected to have a presence and relationship with leaseholders and joint venture owners to discuss management issues and manage the transfer from an operational perspective.

C. Principle Level Compliance Summary:

The following is a summary of the performance of Olsens in implementing management systems and practices in compliance with FSC principles and criteria. The section presents a summary of auditor observations for each principle.

PRINCIPLE #1: FSC COMMITMENT AND LEGAL COMPLIANCE

Forest management shall respect all applicable laws of the country in which they occur, and international treaties and agreements to which the country is signatory, and comply with all FSC Principles and Criteria.

A legal agreement, the Transitional Operating Plan, has been drawn up between the vendor and the purchasers, to ensure the continuation of management and business practices from the time of the agreement until the principal completion date.

Olsens have maintained a good state of legal compliance with all their operations. Overall, commitment to FSC is excellent and was a condition of sale that the new Forest Manager would be fully certified. The complexities of land ownership within the PruTimber estate will involve issues not encountered by Olsens to date. As turnover happened on the final day of the audit, compliance in this regard will be monitored in the June 2004 audit.

There are no new CARs or conditional requirements raised in this audit that relate to Principle 1.

PRINCIPLE #2: TENURE AND USE RIGHTS AND RESPONSIBILITIES

Long-term tenure and use rights to the land and forest resources shall be clearly defined documented and legally established.

On February 27, 2004, the final day of the audit, the PFO CEO confirmed that the sale and transfer of FCF forests to OTTP and Viking had gone through. A formal contract had been signed engaging PF
Olsen Ltd as technical Forest Managers with PruTimber as land management consultants. In the role of land managers PruTimber and not Olsens are responsible for issues of tenure.

PruTimber, under the rationale of the investors, want to maintain control of the complex relationship that exists between FCF, leaseholders and joint venture owners. Two key FCF staff has been engaged in the process of assignment of all contracts with land, joint venture and leasehold owners. Although the bulk of contracts have been assigned they expect that as of March 1st leases covering approximately 20,000 hectares would still be in process and would take another 2 to 3 months to complete. Progress to date had been good, though it was recognized that the speed of the process was dependent upon moving at a pace acceptable to the Maori owners. Especially as the business relationship developed between FCF and the joint venture owners is reliant on trust. The managers intend to retain the services of Ian Hinton and Nu Callaghan to continue the management of contracts and maintain the consultation process.

There are 100 different owners, 85 are a mixture of joint venture and leasehold owners. All joint ventures are set up differently, with different people involved who have very different perspectives. 60 of the 85 owners hold single rotation cutting rights where the decision to replant will be determined by the owners at the end of harvesting. Agreements are in place for the transfer of ownership at the end of harvesting along with the return of the land in plant-able condition.

Tenure and use rights issues have the potential to impinge directly on Olsens day to day operations and therefore must be considered. A clear plan on how to manage the overlap in roles and responsibilities between PruTimber and Olsens on a day-to-day basis, in particular the handling of disputes and disagreements relating to harvesting operations, still need to be worked through.

PruTimber representatives have met with all trusts and joint venture owners to inform them of the sale and the hand over process. Questions raised at these meetings were assurances that the preferential employment clauses in some contracts would continue to be honoured. Some joint venture owners were interested in shortening or buying out of their rotation, and others wanted a greater involvement in the management and harvesting of their forests. As yet no cases have been dealt with to agree to special requirements during the contract assignment process.

As some joint venture owners are expressing intent for self-determination, this could raise a series of issues for Olsens: 1) lease shortening, which could impact long-term dedication to forest management; 2) increased initiatives for owner run operations, which could challenge Olsens’ ability to monitor environmental and safety standards; and, 3) the possible conflict with merit based management if joint venture owners are heavily involved in harvesting operations.

The auditors recommend that these issues be considered in more depth during the next audit, given the situation that the contract assignment process is yet to be completed.

PRINCIPLE #3: INDIGENOUS PEOPLES’ RIGHTS

The legal and customary rights of indigenous peoples to own, use, and manage their lands, territories, and resources shall be recognized and respected.

The PruTimber General Manager, John Galbraith, stated that it is the intention of PruTimber to employ the services of the valuable consultation resources already in place by FCF. PruTimber will ensure the continuation of this consultation work with joint venture owners and Maori leaseholders achieved to date by FCF. For example, Nu Callaghan, as Community Relations Manager for FCF has provided a steady resource as liaison with Maori stakeholders and Tangata Whenua groups. Mr. Callaghan has developed relationships with individual trustees and has established a very good level of trust in his kaumatua role. At the time of the audit an offer of intent had been made to the key FCF staff whom had been involved in
such processes.

Within the PruTimber and Olsens contract, Olsens are to provide technical input into the resource consent process, however staff spoken to indicated that there were a number of processes still to be determined and would be worked through as needed during the months ahead.

The audit team identified possible issues that would likely require greater attention in the future to maintain compliance with FSC criteria. These were:

- Clearer definition of the roles and responsibilities, and lines of decision-making required for the resource consent process and the stakeholder consultation process. Currently, it is the role of Olsens environmental managers to drive the consultation process and liaisons with appropriate district & regional councils, and other affected stakeholders. PruTimber stated that they have the responsibility of consulting and reporting back to all joint venture owners and members. The lines of communication must be very well delineated between PruTimber and Olsens if they are to be effective.
- A clear commitment from Olsens that the company will maintain the same level of respect and procedures for the protection of archaeological sites and those significance to Maori.
- A clear understanding by Olsens of the existence of any customary use rights and rights of access and how these could impact on forestry operations.

FCF have given a strong focus to the active protection of sites of significance for Maori, including archaeological and other waahi tapu sites, by implementing policies and procedures supported by appropriate best management practice’s. In the past sites have been blessed and marked before harvesting operations, with appropriate tangata whenua brought in and consulted on significant sites. Contractors have been brought into the culture and are now much more respectful and cautious during harvesting operations.

**CAR 1. 2004**  
*By the time of the 2005 audit, Olsens and PruTimber will develop a written policy and documented process for the handling of resource consents with clear definition of the roles and responsibilities, lines of communication, and reporting functions for the appropriate staff involved.*

**CAR 2. 2004**  
*By the time of the 2005 audit Olsens, shall demonstrate a commitment to maintain and uphold an appropriate level of respect for and procedures for the protection of archaeological sites and sites of Maori significance within the PruTimber forest estate.*

**CAR 3. 2004**  
*By the time of the 2005 audit, Olsens shall undertake an inventory of the customary rights and rights of access within the newly acquired PruTimber forests and how these will impact on forestry operations.*

**PRINCIPLE #4: COMMUNITY RELATIONS AND WORKERS RIGHTS**

*Forest Management operations shall maintain or enhance the long-term social and economic well being of forest workers and local communities.*

FCF have had a number of agreements with Timber Management Company (TMC) to share resources and systems. Olsens will continue this relationship with TMC and are in the process of working through and assigning over the current formal agreements from FCF to themselves. The resources that are to be shared with TMC include fire protection responsibilities, transport and the off highway road network, railway yards at Kawerau, communications via the radio trans-receiver network, and the same local suppliers. They will both use FDL as their main transport supplier, with FDL responsible for the distribution based
on the weekly schedules submitted. FDL is one of the largest transport companies in the area with a fleet of approximately 600 trucks.

Olsens also have an existing relationship with TMC. At the start up of TMC last year, they brought computer systems from Olsens and the current TMC Environmental Manager had worked for Olsens.

Olsens will be dependent on TMC for access through TMC lands and forests so that logging trucks can travel off highway in the areas around Rotorua and Taupo. This will provide both social and economic benefits in terms of cost savings for Olsens in using off highway trucks that can carry larger loads, and it will also reduce the logging traffic on public roads in the district. Agreements are in place to secure this relationship.

The test for Olsens over the next few months is how well the company’s systems can be adapted to manage the significant change in the size of the business. Olsens are used to dealing with one contractor and the harvesting of one block at a time. With the gain of PruTimber as a client they will now have 20 contracting crew to manage and 5,000 tonnes of timber per day to track. Olsens are aware that this could be a weakness and will be looking at putting in place a medium term modeling system to match contractors to resource to market. Olsens confirm that their immediate focus will be to ensure that the tracking of completed work and the paying of customers and suppliers is a major priority.

**CAR 4. 2004** By the time of the 2005 audit, Olsens shall demonstrate that appropriate systems are being put in place to ensure that timely payment to contractors matches the work completed.

Olsens have retained all the contractors currently working for FCF. The intention is to continue as normal without disruption to the current short-term work plans. Contractors will continue to use all the FCF systems that they have trained under. The monthly contractors meetings will continue and will be used as the main communication link to convey messages to the crews, and cover all health and safety, production and environmental issues. New changes will be implemented as required through these meetings.

FCF have made significant progress over the past few years to set up systems and educate workers on health and safety. A high standard has been achieved. Olsens have employed FCF staff to ensure the continuation of this focus. The Environmental Manger for FCF will work on secondment with Olsens for the next 4 weeks during the change over.

The majority of contractors are harvesting and roading crews. During the audit, Olsens were in the process of securing new contracts, setting up contractor details in the crew capacity database as well as direct debit procedures. Olsens as operational manager for PruTimber have the responsibility of supplying contract workers. Contractors will receive payment from Olsens bank account but their contracts will be with OTPP or Viking with Olsens acting as agent.

At the change over time contractors were engaged in plenty of harvesting and thinning activity, no silvicultural operations were running as all work had been completed. FCF have strategic alliances with Landtech and CNI Forest Management for spraying and silvicultural work. Olsens will continue to use these contractors as well as Lakeland Helicopters.

Although Olsens have made a commitment to retain all FCF contract work force the main feedback from contractors was that they wanted to know that their jobs were secure and that work would be ongoing. Currently, indications for planned scheduled work were less than 6 months ahead.
CAR 5. 2004  
By the time of the 2005 audit Olsens shall have in place sufficient plans and policies to be able to communicate to stakeholders and contractors short, medium and longer term management intentions and projections.

Recommendation 2. 2004. Olsens should conduct a compliance check of all contract crews to ensure that there is a clear understanding of the expected requirements for health and safety reporting, environmental feedback, and maintenance of the high standards already achieved.

The sale of FCF in 2004 is expected to have the greatest impact on FCF staff. FCF have handled this situation by providing staff with redundancy payments as well as support and training on CV writing and interview techniques. FCF acknowledges that it has been an unsettling period over the past four years for FCF staff with 100 people losing their jobs due to the progressive selling off of the forests.

Olsens have planned for a smooth and organised transition with minimum impact on the FCF staff that will join the company. FCF staff to be employed by and on secondment to Olsens received a letter bridging time before the formal sale of FCF and ensuring that work continues on the Monday March 1, 2004, after the sale. Most of the key people from the FCF harvesting area will continue their role with Olsens, bringing intellectual property and ongoing projects with them. All new staff will be given an induction program that includes an introduction to Olsens Company and culture, PruTimber objectives, the FIPS database, as well as all the legal requirements to perform their jobs.

It is a factor of the changing forestry industry that larger corporations are no longer as dominant and high levels of staffing cannot be sustained. Smaller operationally driven companies with leaner management structures are now defining the industry. The forest estate previously managed by FCF has been taken over by three smaller companies, Olsens, TMC and Kiwi. The smaller companies such as Olsens are not able to employ staff to the same levels as FCF have done.

At the time of June 2003 sale of the FCF forest estate to TMC, a number of job losses were incurred. Kajavala Forestry Limited (KFL) was the most affected with 54 workers losing their jobs. A total of 35 KFL workers were made redundant due to the closure by TMC of the Murupara log merchandising operation and their decision to automate this operation at their Kaiangaroa forest base. The consequence of this decision was directly felt by the township of Murupara from the large increase in unemployment and the reduction in spending on goods, services and supplies.

Olsens decision to change from the current practice by FCF of using the Kawerau log yard for full-stem processing to log-merchandise on skid for remaining harvesting operations at the Rotoiti forest could again affect KFL. The decision by Olsens makes sound management and economic sense and is in response to a need to ensure a better customer focus and meet PruTimber objectives. It will ensure that winter logging operations can continue and in the long term will actually provide more work for contractors.

In the wider sense the situation with KFL demonstrates a need for forestry companies and the forestry industry in general to integrate the consideration of social impacts of operational decisions. In particular, the impacts that job losses will have on families and the well being of communities dependent on forestry.

By the time of the 2005 audit, Olsens shall provide an outline of the decision making process for the change in operational practices at Rotoiti forest. An identification of the overall possible positive and negative impacts and outcomes of the change, as well as follow up consultation that could be required to mitigate the affects of the change.
PRINCIPLE #5: BENEFITS FROM THE FOREST
Forest management operations shall encourage the efficient use of the forest’s multiple products and services to ensure economic viability and a wide range of environmental and social benefits.

Olsens operational program will increase from a certified area that was approximately 5,000 hectares throughout most of the first two years of certification, to a current area of nearly 69,000 hectares. This will present opportunities for Olsens / PruTimber to utilise economies of scale to help ensure the efficient use of forest produce.

Economically the change of ownership to an investment vehicle has been perceived as an improvement, especially by contractors spoken to. PruTimber specification that the estate remains FSC certified may indicate their willingness to invest in the estate for more than solely commercial gain.

FCF had a very strong record in the Rotorua area as a benefactor. There were the Rescue Helicopter service and the FCF marathon. Olsens already support other community investments, such as the Wingspan trust, and this support will continue. As the representative of the owners it will be up to PruTimber (and the Kiwi Consortium) to maintain some of these community based support initiatives.

Waste minimilisation in harvest operations is well documented in BMP’s and is assessed and audited on a regular basis by both an independent company (Timbertech) and through internal procedures. Present rates of harvest are currently using the schedule developed by FCF. PruTimber, in consultation with Olsens, are assessing this model with regard to commercial and economic requirements, especially in light of the different time frame objectives of the two owners.

CAR 7. 2004. By the time of the June 2004 audit, Olsens shall have a harvest forecast to identify and support projected levels of sustainable harvesting within the overall forest estate.

PRINCIPLE #6: ENVIRONMENTAL IMPACT
Forest management shall conserve biological diversity and its associated values, water resources, soils, and unique and fragile ecosystems and landscapes, and, by so doing, maintain the ecological functions and the integrity of the forest.

With the addition of the new forests Olsens have added to the biological diversity of the estate under their management. No specific issues were raised at this audit, with both companies having been rigorously assessed in the past; however, the combination of two systems may provide future challenges. A new CAR 9 (below) was issued to address the potential situations where replication or duplication of two management systems, being FSC compliant, may take place. Integration, over time, into one system for the entire company would assist management and avoid possible errors or confusion, and increase understanding of staff, workers, stakeholders, and auditors of the procedures applicable for any given forest.

PRINCIPLE #7: MANAGEMENT PLAN
A management plan -- appropriate to the scale and intensity of the operations -- shall be written, implemented, and kept up to date. The long-term objectives of management, and the means of achieving them, shall be clearly stated.

Olsens and PruTimber are currently developing a new management plan for the PruTimber estate. The current Olsens Management Planning for all other certified forests remains as is.
PruTimber will provide the overall strategy component for the plan and Olsens the operational, commercial and environmental information to implement it. There is provision for quarterly reporting and revision of the Management Plan.

The public information component of both principles 7 and 8 have been held up in the process of developing automatically updated features on the Olsens website. With the addition of huge volumes of electronic information as a result of the changeover this process has been delayed again.

CAR 8. 2004.  By the time of the June 2004 audit an updated list of the Current Certified Pool Membership shall be published on the website.

CAR 9. 2004.  By the time of the June 2004 audit Olsens shall develop a plan to chart the way they will integrate or replace key procedures and processes inherited from the takeover of Fletcher Challenge Forests. This will include but not necessarily be limited to, Environmental and Social Impact Assessments, GIS, Rare, Threatened and Endangered Species, the Landscape Strategy and Monitoring.

PRINCIPLE #8: MONITORING AND ASSESSMENT
Monitoring shall be conducted -- appropriate to the scale and intensity of forest management -- to assess the condition of the forest, yields of forest products, chain of custody, management activities and their social and environmental impacts.

Given the increase in the scale and intensity of operations and forest area future monitoring will need to reflect this. As mentioned above, the results of CAR’s 8 & 9 will directly influence monitoring procedures and protocols.

Chain of Custody will utilise the Olsens developed Woodtrack system currently in place. This system is also being used by TMC, which simplifies the practice for local processors and contractors. Due to time restraints associated with the appointment of the certification body, Olsens were unable to have log delivery dockets produced with the appropriate COC number permanently in place. Until a replacement issue of docket books occurs all PruTimber logs will be FSC certified and any production of FSC certified logs from other Olsens forests will be individually identified as such.

CAR 10. 2004  By the time of the June 2004 audit Olsens shall develop 3 separate docket book formats that contain details of: 1) Olsens FSC COC code on all OTPP and Viking books, 2) PF Olsen books with Olsens FSC COC code on and 3) PF Olsen books with no code.

PRINCIPLE #9: MAINTENANCE OF HIGH CONSERVATION VALUE FORESTS
Management activities in high conservation value forests shall maintain or enhance the attributes which define such forests. Decisions regarding high conservation value forests shall always be considered in the context of a precautionary approach.

The addition of the Tauhara and Tahorakuri forests has introduced two areas of HCVF to the Olsen estate. Although Olsens did not have any HCVF prior to this they do have procedures to identify, assess and protect HCVF’s in place. The FCF consultation with affected parties in relation to these two HCVF’s had been identified as being unfinished as part of the FCF 2003 audit. SmartWood issued a CAR 17.2004 to address the transfer of ongoing stakeholder requirements for these forests to Olsens.

PRINCIPLE #10: PLANTATIONS
Plantations shall be planned and managed in accordance with Principles and Criteria 1 - 9, and Principle 10 and its Criteria. While plantations can provide an array of social and economic benefits,
and can contribute to satisfying the world's needs for forest products, they should complement the management of, reduce pressures on, and promote the restoration and conservation of natural forests.

Olsens and PruTimber are currently developing a management plan that will address objectives of management for the entire plantation estate.

Design and layout of plantations has until now not been a significant issue for Olsens because the majority of their forests were small in area and widely separated and as such had low impact in their own right. The size and scale of the PruTimber forests changes this and the implementation of the newly developed FCF Landscape Strategy will need to be incorporated into any future decision-making.

The development of a stream classification system is still in progress. There are no outstanding new conditions or requirements relating to Principle 10.

SmartWood recommends that the scope of the existing certificate be expanded for PF Olsen & Company Ltd. The upcoming second annual audit for PFO to take place in June 2004 will be the next phase of continued evaluation of company capacity to maintain FSC compliance and meet the challenges of increased responsibilities of assuming management for the PruTimber forest estate.

1.3 Status of Conditions and Corrective Action Requests (CARs)

A. Compliance Summary of Previously Issued Conditions and CARs

This audit was for the purpose of verifying the capacity for expansion of the certificate. There were, however, CARs previously issued in the 2003 annual audit for which verified completion of documents were expected to have been submitted to SmartWood.

The majority of PFO CARs had been closed completely. The remainder were near completion, but as they were not 100% finished, were listed as “not met”, and new CARs were issued to replace the previous CARs with updated timeframes. Auditors used the existing CARs that had been raised on FCF as guideposts to auditing, and in most cases, where the issues surrounding such CARs continued to require attention, a CAR was issued, and raised on PFO.

CLOSED:
FCF CARs 2.2003 and 6.2003

NOT MET:
OLSENS CAR 1.2003 - issued CAR 11.2004
OLSENS CAR 5.2003 - issued CAR 12.2004
- issued CAR 15.2004
FCF CAR 1.2003 - issued CAR 16.2004
FCF CAR 4.2003 - issued CAR 17.2004
FCF CAR 7.2003 - issued CAR 19.2004

MET/ONGOING
FCF CAR 5.2003 - issued CAR 18.2004
B. New CARs Issued in this Audit

CAR 1. 2004  By the time of the 2005 audit, Olsens and PruTimber will develop a written policy and documented process for the handling of resource consents with clear definition of the roles and responsibilities, lines of communication, and reporting functions for the appropriate staff involved.

CAR 2. 2004  By the time of the 2005 audit Olsens, shall demonstrate a commitment to maintain and uphold an appropriate level of respect for and procedures for the protection of archaeological sites and sites of Maori significance within the PruTimber forest estate.

CAR 3. 2004  By the time of the 2005 audit, Olsens shall undertake an inventory of the customary rights and rights of access within the newly acquired PruTimber forests and how these will impact on forestry operations.

CAR 4. 2004  By the time of the 2005 audit, Olsens shall demonstrate that appropriate systems are being put in place to ensure that timely payment to contractors matches the work completed.

CAR 5. 2004  By the time of the 2005 audit Olsens shall have in place sufficient plans and policies to be able to communicate to stakeholders and contractors short, medium and longer term management intentions and projections.

CAR 6. 2004  By the time of the 2005 audit, Olsens shall provide an outline of the decision making process for the change in operational practices at Rotoiti forest. An identification of the overall possible positive and negative impacts and outcomes of the change, as well as follow up consultation that could be required to mitigate the affects of the change.

CAR 7. 2004  By the time of the June 2004 audit, Olsens shall have a harvest forecast to identify and support projected levels of sustainable harvesting within the overall forest estate.

CAR 8. 2004  By the time of the June 2004 audit an updated list of the Current Certified Pool Membership shall be published on the website.

CAR 9. 2004  By the time of the June 2004 audit, Olsens shall develop a plan to chart the way they will integrate or replace key procedures and processes inherited from the takeover of Fletcher Challenge Forests. This will include but not necessarily be limited to, Environmental and Social Impact Assessments, GIS, Rare, Threatened and Endangered Species, the Landscape Strategy and Monitoring.

CAR 10. 2004 By the time of the June 2004 audit, Olsens shall develop 3 separate docket book formats that contain details of: 1) Olsens FSC COC code on all OTPP and Viking books, 2) PF Olsen books with Olsens FSC COC code on and 3) PF Olsen books with no code.

CAR 11. 2004 By the time of the June 2004 audit, Olsens shall provide evidence that information and approvals have been received from SmartWood.

CAR 12. 2004 By the time of the 2005 audit, all public information, as identified in the Group Scheme Manual, will be posted on the Olsens website.
CAR 13. 2004  By the time of the 2005 audit, Olsens will have clearly defined the decision system and included it in their Best Management Practices.

CAR 14. 2004  By the time of the June 2004 audit, Olsens shall complete the transfer of information from all regional offices.

CAR 15. 2004  By the time of the 2005 audit, Olsens shall have all FMP’s relating to ex FCF forests held in a central location accessible to auditors.

CAR 16. 2004  By the time of the 2005 audit, Olsens’ will formulate a written strategy that outlines how, where, and when the company will include into Olsens’ BMPs the use of Social Impact Assessment methodologies already used by FCF. If required, Olsens must ensure that staff responsible for undertaking the social impact assessment reports receive appropriate training and level of understanding.

CAR 17. 2004  By the time of the 2005 audit, Olsens will demonstrate that they have initiated a consultation process with pertinent stakeholders, outside experts and tangata whenua, regarding the monitoring and management of HCVF’s for the natural areas surveyed in Tauhara and Tahorakuri forests.

CAR 18. 2004  By the time of the 2005 audit, Olsens will have a written policy outlining how they will increase the level of “Maori Culture Awareness” throughout the company, and in particular for staff in the Rotorua and Gisborne areas.

CAR 19. 2004:  By the time of the 2005 audit, Olsens shall demonstrate that there is an up to date formal stakeholder list for all the PruTimber estate forests. There shall be agreements in place with PruTimber as to the responsibilities for maintenance of the list, and for ongoing consultations with stakeholders affected by forestry operations (in particular, pest and weed control, aerial spraying, harvesting, land preparation, roading, and resource consent requirements).

SmartWood Certification Annual Addendum to the Public Summary for PF Olsen and Company Limited, Expansion Audit 2004

1.1 Audit Process

A. Audit year:  2004

B. Dates of Audit:  28 June – 1 July 2004

C. Audit Team:

Graeme Gillies, Forester, NZCF, Dip. Rur Stud. Graeme has been in forestry since 1977, specialising in establishment and silvicultural management. He has been a Forest Manager and Consultant to private and commercial owners before starting as the lower North Island Forestry officer with AgriQuality. Graeme has a wide range of experience in Harvesting, Forest Quarantine, Quality Assurance, Sawmilling and Timber Processing. 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 (specialising in Natural Resource Management) from Massey University.
Dr. Billy Hamilton, Ecologist, BSc Honours 1st Class (Zoology), University of Otago; PhD, University of Otago. Billy has 12 years experience in ecological work, with emphasis on animal behaviour; ecology of indigenous freshwater fish species; life history characteristics; parasitology; predator prey interactions; aquatic habitat assessment, management of native species within forest ecosystems, and predator control. Recently, he was involved in Timberlands West Coast’s (TWC) Resource Management Act (RMA) application to sustainably log beech forest and has been contracted to develop TWC’s individual species management plans, and oversee their endangered species monitoring and assessment protocols, as per FSC certification conditions. Currently he is comparing the effects of aerial and control station poisoning techniques on avian species within native forests and serving as a lead assessor on SmartWood’s New Zealand’s certification assessment panel.

D. Audit Overview:

This was the second annual audit for PF Olsens & Company Ltd (Olsens). It followed an expansion audit conducted in February 2004 after Olsens extended their forest management area with the addition of the 65,000 ha Prutimber Estate.

At the time of audit Tenon (the new entity for Fletcher Challenge Forests) was still in formal negotiation with most of the landowners regarding the transfer of management to Prutimber/Olsens. Until this process is complete it was not deemed appropriate for the auditors to approach these people or their neighbours for comment.

However, comments were actively sought from professionals and local government officials on the adequacy of Olsens management of their estate since the expansion of their commitments from 20 + forest properties to more than 150 separate forest entities.

E. Sites Visited:

Pinnacles Forest –
   Compartent (Cpt) 723/3A, 21.5 Ha
   P. radiata planted 1998
   2nd lift prune to 5.7m maximum

SF 18 –
   Cpt 31/9, 44.5 Ha
   Treatment area of 5.9 Ha
   Spot mounding for water drainage and frost protection

SF 18 to SF 3 –
   Road side felling to increase visibility

SF 3 –
   Line raking in recently logged area

SF 3 -
   Cpt 4317/12, 211.5 Ha
   Planting @ 5m * 2.5 m spacing to 800 s.p.ha
   P.radiata, GF+ cuttings

Rotoiti Forest –
   Cpt 214 -
   P.radiata planted 1978
   Harvesting crew - S & R 53
Ground based harvesting, tracked and rubber tyred machinery

Cpt 215 –
P. radiata planted 1978
Harvesting crew - SNI 76
Swing Yarder operation

Cpt 214 –
P. radiata planted 1978
Harvesting crew - Ray Rolston Contracting
Ground based harvesting, tracked and rubber tyred machinery

Tahorakuri Forest –
HCVF area - wetland reserve, P. radiata 4798.4 Ha, planted 1980
F. Personnel Interviewed:

The following people were interviewed during this audit:

<table>
<thead>
<tr>
<th>Person interviewed</th>
<th>Position/Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kevin Haine</td>
<td>Forestry Supervisor</td>
</tr>
<tr>
<td>Kit Richards</td>
<td>Olsens Environmental Manager</td>
</tr>
<tr>
<td>Ian Harvey</td>
<td>Harvesting Contractor</td>
</tr>
<tr>
<td>Gary Inman</td>
<td>Harvesting and Sales Manager</td>
</tr>
<tr>
<td>Alistair Deakin</td>
<td>PRU Harvesting Manager</td>
</tr>
<tr>
<td>Jonathan Lane</td>
<td>Olsens Silviculture Manager</td>
</tr>
<tr>
<td>Ross Larcombe</td>
<td>Olsens Forest Operations manager</td>
</tr>
<tr>
<td>Paul Dell</td>
<td>Manager Fish and Game Eastern Region</td>
</tr>
<tr>
<td>Vince Udy</td>
<td>Forestry Manager, Environment Waikato</td>
</tr>
<tr>
<td>SNI Logging</td>
<td>Crew of 11</td>
</tr>
<tr>
<td>S &amp; R 53</td>
<td>Crew of 5</td>
</tr>
<tr>
<td>Ray Rolston</td>
<td>Harvesting Contractor</td>
</tr>
</tbody>
</table>

G. Documentation reviewed:

- Preliminary Landscape and Planning Assessment of the proposed Harvesting of the Rotoiti North Forestry Block
- Forest Management Plan – Pinnacles Forest 2001
- Forest Management Plan – Rotoiti Forest 1989
- Natural areas in selected Fletcher Challenge plantation forests: Wildlands report 692.
- Olsens Harvesting Operations Manager Field Sheet
- Library Index of Ecological Environmental Research: Pru Forests.
- Sites from Rotorua District natural heritage report. Shaw and Beadel 1998
- Planting prescription SF 18
- Planting prescription SF 3
- Post operation assessment checklist for SF 3 Harvest area 9082, compartment 4317, clearfell.
- Email from R. Larcombe to T. Bennett, Manager, Independent Security Consultants, re: permits.
- Prudential Forests – Estate Sustainability June 2004
- Prudential Forests – FSC Development Plan June 2004

1.4 General Audit Findings and Conclusions

This was the second annual audit for Olsens, but it was the third in a 12 month period, following upon an expansion audit conducted in February 2005.

Olsens have made an obvious effort to ensure all outstanding Corrective Action Requests were able to be signed off during this audit. Whilst there were only six of these due, some, and in particular CAR 9.2004, required a substantial amount of time and input from the company.
This audit illustrated that whilst Olsens are capable of maintaining their FSC capabilities the update of information from the previous system, and the collation of this, still needs substantial effort to complete the transition.

One notable change in the year was that the previous Manager, responsible for coordinating Olsens FSC certification activities, Jason Blair, has handed over most of this responsibility to the new Environmental Manager, Kit Richards.

Olsens has received a vast amount of research data from Fletcher Challenge Forests. This information covers a wide expanse of environmental issues including, culvert design for fish passage, kiwi surveys, and effects of harvesting on aquatic ecosystems as well as general survey data. While Olsens has developed a library of these reports and are developing a cross-reference system there is uncertainty of which data applies to which forest, and whether or not that area is now under Olsens management. The challenge to link data pertaining to specific site and environmental issues means that development of many of the environmental programmes is still in a process of transition at present.

A potential problem that could occur due to the management transition can be seen in the issuing of permits for access to PFO managed forests. Some of the forests under Olsen’s management are known to contain kiwi populations. In the past Olsens controlled access to their forest through a permit system overseen by the forest manager. Access was also controlled by a permit system in the FCF estate, but a security company was used for this issue and not the forest managers themselves. Under the present mixed permit system there is potential that dog access may not restricted in forests where kiwi are known to be present. Olsen’s management is investigating their permit system to ensure such a problem is removed.

Olsens has expressed their commitment for the reduction of chemicals throughout their estate. To this end Olsens has started to build up the chemical use list. While their chemical usage is on a par with other FSC certified forest companies they are unable as yet to provide data showing that chemical reduction is occurring. This lack of information dealing with chemical reduction is mainly due to accessibility of the data from their computer system.

Olsens has developed a post harvesting checklist systems to try and ensure waste such as rubbish from food items, planting and machinery maintenance is removed from the forest. Generally this checklist system is working well. For example, during the field visit to SF 3 planting crews were seen to return their plastic bags to the supervisor. These bags were used by the supervisor to keep a tally of trees planted. This review system not only ensured planters were paid the correct amount but also that rubbish was collected and removed. Additionally plant boxes are multi use items and are therefore recovered by the crews. Other field visits during the audit also showed that forests generally were rubbish free.

Post-and pre operational checklists are also used to ensure that protocols for harvesting around wetlands and the provision of setbacks are adhered to. During a field visit earlier this year Environment Waikato found that Olsens harvesting protocols around riparian areas, including wetland areas in Wainui Forest, were being met. Also in the past, assessors and audit teams have found that, Olsens was sticking to their environmental guidelines with respect to setbacks. While these guidelines are generally adhered to problems can occur and during the audit the field visit to SF 3 found that crews were planting right up to the edge of a wetland. This was an isolated case and resulted from misinterpretation of criteria. Once the problem had been noted Olsens stopped further plantings and was in the process of organising the removal of trees planted within setback boundaries.

Olsens also has implemented guidelines for the location and protection from damage of diesel tanks within a forest and the requirement that crews carry spill kits to help mitigate fuel and hydraulic fluid spills.

Therefore, it seems that during the transition stage of taking former FCF estate under their management systems, there have been some teething problems with information transfer to extended management and contractors. Therefore while such protocols are in place, Olsens needs to continually audit implementation and provide mitigation where necessary.

### 1.5 Status of Conditions and Corrective Action Requests (CARs)

**A. Compliance Summary of Previously Issued Conditions and CARs**

**CLOSED:**
CARs 7, 8, 9, 10, 11 and 14 - 2004
Conditions 7 and 15

B. New CARs Issued in this Audit

CAR 20. 2004: By 2005 annual audit, Olsens shall be able to identify and source all FCF documentation referred to in any operational procedures, guidelines or other references and review the research by FCF on the presence of all types of rare threatened and endangered species and/or habitat present or likely to be present within their management estate and identify the relevancy to their management practices (Criterion 6.2).

CAR 21: 2004: By 2005 annual audit, Olsens shall determine what procedures or policies need to be developed or implemented to prevent such problems that occurred during harvesting in SF 3 where skidders entered wetland areas and subsequent roading changes had not been documented. (Criterion 6.3)

CAR 22: 2004: By 2005 annual audit, Olsens shall ensure that they and their contractors adhere to their Environmental Guidelines for the planting of trees close to waterways and wetlands. (Criterion 6.5).

CAR 23: 2004: By 2005 annual audit, Olsens shall enforce their Environmental Guidelines on the siting of diesel tanks away from active operations and that they are contained within an area where accidental spills can be contained. Additionally, Olsens shall ensure that spill kits are available on site. (Criterion 6.3).

CAR 24: 2004: By 2005 annual audit, Olsens shall investigate the availability of waste oil recycling for all of their forest estate. (Criterion 6.7).

CAR 25: 2004: By 2005 annual audit, Olsens shall set in place a recording system to ensure that only dogs that have been put through kiwi protection programmes should be allowed into forests that border and/or contain kiwi populations. Additionally, as part of the permit system Olsens shall be able to identify which of their forests border and/or contain kiwi populations. (Criterion 6.2)

CAR 26. 2004: By 2005 annual audit, Olsens shall improve their data analysis of chemicals (and their properties) used in order to justify the chemicals used. This data analysis shall effectively monitor and demonstrate, quantifiably, the trends in chemical use, so that standardised measures are in place that indicate progress towards the reduction in the use of these chemicals. (Criterion 6.6).
1. AUDIT PROCESS

1.1. Auditors and qualifications:

Graeme Gillies
Team Leader, Forester, NZCF, NCFPI, Dip. Rur. Stud. Graeme has been in forestry since 1977, specialising in establishment and silvicultural management. He has been a Forest Manager and Consultant to private and commercial owners before starting as the lower North Island Forestry officer with AgriQuality. Graeme has a wide range of experience in Harvesting, Silviculture, Forest Quarantine, Quality Assurance, Sawmilling and Timber Processing. 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 (specialising in Natural Resource Management) from Massey University. He has been involved in 8 FSC Forest Management assessments/audits as well as several Chain of Custody assessments and audits.

Adam Grant
Adam Grant is Asia Pacific Forester with Rainforest Alliance/SmartWood. Adam has six years project and research experience in social forestry and community based natural resource management. Additionally, he has three years experience working as an international timber trader in the United Kingdom and three years working in production forestry and processing in Scandinavia. Adam has Master of Science degree in Renewable Natural Resources & Development & Batchelor of Science degree in Social & Community Forestry.

1.2. Audit schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Location /main sites</th>
<th>Main activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 9 2005</td>
<td>PFO Head Office</td>
<td>Entry meeting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Systems audit</td>
</tr>
<tr>
<td>August 10</td>
<td>Viking Group forests/ Rotorua</td>
<td>Review of field operations</td>
</tr>
<tr>
<td>August 11</td>
<td>Private group forest/ PFO office</td>
<td>Review of field operations</td>
</tr>
<tr>
<td>August 12</td>
<td>PFO Head Office</td>
<td>Document review</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Exit meeting</td>
</tr>
</tbody>
</table>

Total number of person days used for the audit: 8
= number of auditors participating 2 times total number of days spent for the audit 4

1.3. Sampling methodology:

No new members have been added to the Group scheme. This audit focused on visiting as many different operations in the main operational area as possible to give a wide overview of how all parts of the PFO operational systems were working across a very diverse estate. Additionally a visit was made to an individual forest holding (Garland) that had not been assessed as part of any other assessment or audit. The only areas of PFO forest not looked at as part of this 5 year certification period are those in the northern part of the East Coast region. It is recommended that these be part of next year’s audit.
<table>
<thead>
<tr>
<th>FMU or Site audited</th>
<th>Rationale for selection</th>
<th>Group FMU belongs to and number of FMUs in the group</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Forest 18</td>
<td>Review of harvesting/planting/hauler platform construction and machine felling operations</td>
<td>Viking</td>
</tr>
<tr>
<td>Te Matai</td>
<td>Planting and road construction</td>
<td>Viking</td>
</tr>
<tr>
<td>Rotoiti</td>
<td>Machine harvesting/new road construction/highway access issues/water controls/new landing construction/</td>
<td>Viking</td>
</tr>
<tr>
<td>Manawahe</td>
<td>Riparian Management</td>
<td></td>
</tr>
<tr>
<td>Kawerau</td>
<td>Mangaone stream bridge construction/windthrow harvest/Riparian management</td>
<td></td>
</tr>
<tr>
<td>Garland</td>
<td>Private forest owner/amenity plantings</td>
<td></td>
</tr>
</tbody>
</table>

### 1.4. Stakeholder consultation process

<table>
<thead>
<tr>
<th>Stakeholder type (NGO, government, local inhabitant etc.)</th>
<th>Number of stakeholders informed</th>
<th>Number of stakeholders consulted or providing input</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Inhabitants</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

### 1.5. Changes to Standards (if applicable)

No changes to the standard have occurred since the last evaluation. For this audit as well as for the conduction of previous audit/assessments the following standard was used:

SmartWood certification standards as described in the SmartWood Certification Interim Standard For Assessing Forest Management in New Zealand (Fifth Draft, February 2002). These guidelines should be regarded as the fundamental "starting point" for SmartWood certification field assessments and certification decisions, applicable in New Zealand. These criteria and guidelines are based upon the Forest Stewardship Council's Principles and Criteria and the SmartWood Generic Guidelines for Assessing Forest Management, which have been approved by the FSC.

### 2. AUDIT FINDINGS AND RESULTS

#### 2.1. Changes in the forest management of the FMO

Forest areas under management of PFO have not changed since the last audit although the ownership structure has. The forests previously owned by Prudential Timber Investments have been sold to Hancock Timber Resource Group (HTRG). These forests are now controlled by Viking Timber Management NZ Ltd (VTM), but still come under the PFO forest management structure.

In the few weeks prior to this audit PFO have also been involved in the purchase and take over of the forest management concerns of Wrightson Forestry. This was still in progress...
and the time of the audit and the forest holdings were not considered part of the certified area of the company and were not taken into consideration in this evaluation.

2.2. Stakeholder issues

There were no clear stakeholder issues at the beginning of the audit to focus on. The auditors main focus was on covering the CARs set in the last audit because over the last year there have been no issues raised by any stakeholder or stakeholder group that would require further investigation.

However, to ensure that nothing had been overlooked in reference to stakeholder issues, the auditors asked the company to show them the Incident Record Report from the last year. From this report a random sample of incidents were taken an investigated. This showed that most incidents were isolated events and had been dealt with to the satisfaction of all stakeholders interviewed.

To check that the Maori communities’ voice was heard and any issues they might have with the operations of the company over the last year have been met, the team interviewed Nu Callaghan, the Community Relations Manager for VTM. He explained that over the years there have been issues that have arisen such as conflict over archeological sites or visiting rights to sacred areas. But over time these issues have reduced as the company has met and learnt to deal with the requirements of the local communities and as such there were no current ongoing conflicts or claims with the Maori communities.

2.3. Compliance with applicable corrective actions

The section below describes the activities of the certificate holder to address each applicable corrective action issued during previous evaluations. For each CAR a finding is presented along with a description of its current status using the following categories. Failure to meet CARs will result in noncompliances being upgraded from minor to major noncompliances with compliance required within 3 months or face suspension or termination of the SmartWood certificate. The following classification is used to indicate the status of the CAR:

<table>
<thead>
<tr>
<th>CAR Status Categories</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closed</td>
<td>Certified operation has successfully met the CAR and addressed the underlying noncompliance.</td>
</tr>
<tr>
<td>Open</td>
<td>Certified operation has not met the CAR; underlying noncompliance is still present. CAR becomes a Major CAR with a 3 month deadline for compliance</td>
</tr>
</tbody>
</table>

| CAR #: Condition 6 | Reference Standard #: Criterion 6.1 |
The initial assessment of biota is inadequate to allow specific management provisions for the protection of rare species such as the long-tailed bats (*Chalinolobus tuberculata*), kereru (*Hemiphaga novaeseelandiae*), New Zealand bush falcon (*Falco novaeseelandiae*), woodrose (*Dactylanthus taylorii*), and kakabeak (*Clianthus maximus*).

**Corrective Action Request:** By the end of Year 3, PFO shall develop survey protocols to identify the presence and relative abundance of rare, endangered or threatened bird and bat species present both within its exotic forests and the indigenous enclaves contained within.

**Timeline for Compliance:** By the end of Year 3

**Audit findings:** Protocols are now identified in the EMS. PFO have begun conducting these surveys and resultant information has been put into the FIPS database and stand records. However, since the expansion into the ex-FCF estate last year harvest operation priorities have been altered and PFO has schedule surveys in order to keep ahead of harvest operations.

**Status:** Closed

**Follow-up Action (if applicable):**

<table>
<thead>
<tr>
<th>CAR #:</th>
<th>Reference Standard #: Criterion 6.4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Condition 10</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Non-compliance:</strong> While PFO has identified some areas of conservation concern they have not been able to provide sufficient information on these ecosystems in order to provide protection to representative samples.</td>
<td></td>
</tr>
<tr>
<td><strong>Corrective Action Request:</strong> By the end of year 3, representative indigenous forest areas shall be protected from domestic grazing by fencing and/or removal of grazing rights.</td>
<td></td>
</tr>
<tr>
<td><strong>Timeline for Compliance:</strong> By the end of year 3</td>
<td></td>
</tr>
</tbody>
</table>

**Audit findings:** Conditions of all forest leases now include the provision that there must be confirmation that all fencing meets a specified standard. This standard has been adopted from the DOC fencing standard and was available to the auditors. In the absence of this agreement all grazing is prohibited.

**Status:** Closed

**Follow-up Action (if applicable):**

<table>
<thead>
<tr>
<th>CAR #:</th>
<th>Reference Standard #: Criterion 6.2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAR 20-2004</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Non-compliance:</strong> Olsens has received a vast amount of research data from Fletcher Challenge Forests. This information covers a wide expanse of environmental issues including, culvert design for fish passage, kiwi surveys, and effects of harvesting on aquatic ecosystems as well as general survey data. While Olsens has developed a library of these reports and are developing a cross-reference system there is uncertainty of which data applies to which forest, and whether or not that area is now under Olsens management.</td>
<td></td>
</tr>
<tr>
<td><strong>Corrective Action Request:</strong> By 2005 annual audit, Olsens shall be able to identify and source all FCF documentation referred to in any operational procedures, guidelines or other references and review the research by FCF on the presence of all types of rare threatened and endangered species and/or habitat present or likely to be present within their management estate and identify the relevancy to their management practices</td>
<td></td>
</tr>
</tbody>
</table>
### Timeline for Compliance: By 2005 annual audit

Audit findings: PFO have now created a research library of all FCF information. This has also been fed into a prioritized work program for current survey work. In addition, all FCF documentation has now been replaced with PFO documents/manuals/procedures etc.

**Status:** Closed

**Follow-up Action (if applicable):**

<table>
<thead>
<tr>
<th>CAR #: CAR 21-2004</th>
<th>Reference Standard #: Criterion 6.3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-compliance:</strong></td>
<td>Adherence to Olsens protocols for harvesting around wetlands and the provision of setbacks for these important ecosystems was cause for concern. During the field visit to SF 3 in 2004 it was found that crews were planting right up to the edge of a wetland. Discussion with the Olsens silviculture supervisor suggested that this site had not been identified prior to planting, as it should have been.</td>
</tr>
<tr>
<td><strong>Major □ Minor ☑</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Corrective Action Request:** By 2005 annual audit, Olsens shall determine what procedures or policies need to be developed or implemented to prevent such problems that occurred during harvesting in SF 3 where skidders entered wetland areas and subsequent roading changes had not been documented.

### Timeline for Compliance: By 2005 annual audit

Audit findings: In conjunction with increased training PFO have also strengthened requirements in the EMS. This includes a new riparian decision model and the process required to gain consents from Regional Councils. Water controls associated with roading/earthworks are flagged during operational close out procedures.

**Status:** Closed

**Follow-up Action (if applicable):**

<table>
<thead>
<tr>
<th>CAR #: CAR 22-2004</th>
<th>Reference Standard #: Criterion 6.5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-compliance:</strong></td>
<td>Adherence to Olsens protocols for harvesting around wetlands and the provision of setbacks for these important ecosystems was cause for concern. During the field visit to SF 3 2004 it was found that crews were planting right up to the edge of a wetland. Further investigation of this site showed that the post-harvesting checks had not identified this area as a wetland. Also evidence existed that during harvesting, skidders had been used within parts of the wetland area. Additionally after the harvest, the road across to this wetland had been realigned yet there was no official request for this work to be actioned and thus a subsequent post-operational check had not occurred.</td>
</tr>
<tr>
<td><strong>Major □ Minor ☑</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Corrective Action Request:** By 2005 annual audit, Olsens shall ensure that they and their contractors adhere to their Environmental Guidelines for the planting of trees close to waterways and wetlands.

### Timeline for Compliance: By 2005 annual audit

Audit findings: As above the EMS has now been strengthened by the addition of a riparian decision model and all parties have been provided extra training to follow these guidelines.

**Status:** Closed

**Follow-up Action (if applicable):**
**CAR #: CAR 23-2004**  
**Reference Standard #: Criterion 6.3**

<table>
<thead>
<tr>
<th>Non-compliance: Major □ Minor □</th>
<th>Olsens has developed guidelines for the location and protection from damage of diesel tanks within a forest. These guidelines also require crews carry spill kits to help mitigate fuel and hydraulic fluid spills. But it was found during the 2004 audit field trip that crews did not always have spill kits available on site. Also at the skid site in Rotoiti an unbundled diesel tank was in an area where logs were being...</th>
</tr>
</thead>
</table>

**Corrective Action Request:** By 2005 annual audit, Olsens shall enforce their Environmental Guidelines on the siting of diesel tanks away from active operations and that they are contained within an area where accidental spills can be contained. Additionally, Olsens shall ensure that spill kits are available on site.

**Timeline for Compliance:** By 2005 annual audit

**Audit findings:** In October 2004 PFO implemented a new Fuel and Oil Management policy to cover this issue. PFO have actively enforced this policy and the use of and training for spill kits. However, it was noticed in one site inspected by the auditors, Rotoiti Cpt. 813/8, that the bund around the diesel tank would be insufficient to control a spill.

**Status:** Closed

**Follow-up Action (if applicable):** CAR 03-2005

---

**CAR #: CAR 24-2004**  
**Reference Standard #: Criterion 6.7**

<table>
<thead>
<tr>
<th>Non-compliance: Major □ Minor □</th>
<th>At the time of the 2004 audit, PFO management were unsure if waste oil recycling was being carried out or not.</th>
</tr>
</thead>
</table>

**Corrective Action Request:** By 2005 annual audit, Olsens shall investigate the availability of waste oil recycling for all of their forest estate.

**Timeline for Compliance:** By 2005 annual audit

**Audit findings:** On further investigation, PFO found all but two of the contractors were either recycling themselves or their service provider was. All operators have now been brought compliant with this request. PFO have also identified issues with the disposal of contaminated spill pads. In total 17 different councils/authorities have been contacted in this regard, but to date only 2 replies have been received.

**Status:** Closed

**Follow-up Action (if applicable):**

---

**CAR #: CAR 25-2004**  
**Reference Standard #: Criterion 6.2**

<table>
<thead>
<tr>
<th>Non-compliance: Major □ Minor □</th>
<th>Some of the forests under Olsen’s management are known to contain kiwi populations. Under the present mixed permit system there is potential that dog access may not restricted in forests where kiwi are known to be present.</th>
</tr>
</thead>
</table>

**Corrective Action Request:** By 2005 annual audit, Olsens shall set in place a recording system to ensure that only dogs that have been put through kiwi protection programmes should be allowed into forests that border and/or contain kiwi populations. Additionally, as part of the permit system Olsens shall be able to identify which of their forests border and/or contain kiwi populations.

**Timeline for Compliance:** By 2005 annual audit
Audit findings: Extensive surveys have been conducted across the entire estate to identify Kiwi populations. The result was that only 3 small populations were found. In subsequent consultation with DOC that due to the small size of these populations (only 2-3 each) it was considered that the implementation of an ‘operation nest egg’ scenario would be the best option going forward. This would involve the translocation of birds to predator free islands as part of nationwide ongoing protection programs. This would in turn avoid the need for monitoring of dog training requirements.

Status: Closed
Follow-up Action (if applicable): see CAR 1.2005

<table>
<thead>
<tr>
<th>CAR #: CAR 26-2004</th>
<th>Reference Standard #: Criterion 6.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>Olsens has expressed their commitment for the reduction of chemicals throughout their estate. To this end Olsens has started to build up a chemical use list. While their chemical usage is on a par with other FSC certified forest companies they are unable as yet to provide data showing that chemical reduction is occurring.</td>
</tr>
<tr>
<td>Major ☐ Minor ☒</td>
<td></td>
</tr>
</tbody>
</table>

Corrective Action Request: By 2005 annual audit, Olsens shall improve their data analysis of chemicals (and their properties) used in order to justify the chemicals used. This data analysis shall effectively monitor and demonstrate, quantifiably, the trends in chemical use, so that standardised measures are in place that indicate progress towards the reduction in the use of these chemicals.

Timeline for Compliance: By 2005 annual audit

Audit findings: PFO have now implemented an active ingredient tracking monitoring system which is included in their FSC Group Scheme public summary. Back entry of data from the VTM estate has been completed and all other PFO information will be included from now on.

Status: Closed
Follow-up Action (if applicable):

2.4. New corrective actions issued as a result of this audit

<table>
<thead>
<tr>
<th>CAR #: 1.2005</th>
<th>Reference Standard #: 6.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>As part of the compliance to resolve CAR 25-2004, PFO have negated the requirement to train dogs in Kiwi aversion by the removal of Kiwi populations by DOC. However the commitment to this program has not been received from DOC and in the short term at least the issue remains.</td>
</tr>
<tr>
<td>Major ☐ Minor ☒</td>
<td></td>
</tr>
</tbody>
</table>

Corrective Action Request: PFO shall continue discussion with DOC to resolve the Kiwi issue. If the removal program does not occur in a relatively short time frame (before January 2006) then PFO shall re-visit the issue of dog training and ensure action is taken in line with the originally issued CAR 25-2004.

Timeline for Compliance: By the time of the 2006 audit

<table>
<thead>
<tr>
<th>CAR #: 2.2005</th>
<th>Reference Standard #: 6.6.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>As part of the field review 2 * 20 liter containers of unidentified chemical (possibly Grazon) were found sitting on a track adjacent to an open wetland area.</td>
</tr>
<tr>
<td>Major ☐ Minor ☒</td>
<td></td>
</tr>
</tbody>
</table>

Corrective Action Request: PFO shall ensure that all group scheme members are aware of and
implement procedures involving the careful handling, application and storage of chemicals. This should also include the provision of secure storage areas and the appropriate training of anyone applying chemicals to forest areas included in their FSC Group Scheme.

Timeline for Compliance: By the time of the 2006 audit

<table>
<thead>
<tr>
<th>CAR #: 3.2005</th>
<th>Reference Standard #:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-compliance:</td>
<td>It was noticed in Rotoiti Cpt. 813/8 that the bund constructed around the tank was insufficient to control a leak.</td>
</tr>
<tr>
<td>Major □ Minor ☒</td>
<td>Corrective Action Request:</td>
</tr>
<tr>
<td>All bunds around all fuel tanks shall be in line with the new Fuel and Oil Management policy.</td>
<td></td>
</tr>
<tr>
<td>Timeline for Compliance: By the time of the 2006 audit</td>
<td></td>
</tr>
</tbody>
</table>

2.5. Audit observations

<table>
<thead>
<tr>
<th>Observations</th>
<th>Reference Standard #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reference to the fencing standard should be included in the EMS</td>
<td>6.4</td>
</tr>
</tbody>
</table>

2.6. Audit decision

This audit was conducted for the purpose of determining whether PF Olsen’s management of their pool of Resource members’ and Group Members’ forests continues to meet the SmartWood guidelines and qualify them as a SmartWood certified Resource Manager. PF Olsen has been found by the SmartWood auditors to be compliant with the requirements of FSC certification and recommends that their forest management certification be maintained with reference to the Corrective Action Requests issued and the timelines for their completion (see CAR’s 1. 2005, 2. 2005 and 3.2005).
APPENDIX I: List of visited sites

<table>
<thead>
<tr>
<th>District or FMU</th>
<th>Compartent</th>
<th>Sub-compart</th>
<th>Auditors</th>
<th>Site description / Audit focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF 18</td>
<td>Reserve road</td>
<td></td>
<td>Graeme Gillies Adam Grant</td>
<td>Road maintenance</td>
</tr>
<tr>
<td>Te Matai</td>
<td></td>
<td></td>
<td>Graeme Gillies Adam Grant</td>
<td>Planting</td>
</tr>
<tr>
<td>SF 18</td>
<td>Cpt. 38/4</td>
<td></td>
<td>Graeme Gillies Adam Grant</td>
<td>Planting 110 ha</td>
</tr>
<tr>
<td>SF 18</td>
<td>Cooks rd.</td>
<td></td>
<td>Graeme Gillies Adam Grant</td>
<td>SNI 76 harvest crew, Swing Yarder operation</td>
</tr>
<tr>
<td>Rotoiti</td>
<td>Cpt. 813/8</td>
<td></td>
<td>Graeme Gillies Adam Grant</td>
<td>Olsen 80 harvest crew</td>
</tr>
<tr>
<td>Rotoiti</td>
<td></td>
<td></td>
<td>Graeme Gillies Adam Grant</td>
<td>Road convergence with main highway</td>
</tr>
<tr>
<td>Rotoiti</td>
<td>Cpt 219</td>
<td></td>
<td>Graeme Gillies Adam Grant</td>
<td>Water control bars, post harvest</td>
</tr>
<tr>
<td>Rotoiti</td>
<td>Waione rd.</td>
<td></td>
<td>Graeme Gillies Adam Grant</td>
<td>New landing construction</td>
</tr>
<tr>
<td>Mangaone</td>
<td></td>
<td></td>
<td>Graeme Gillies Adam Grant</td>
<td>Riparian reserves, bridge construction, sediment traps/ run-offs, wind throw harvest.</td>
</tr>
<tr>
<td>Manawahe</td>
<td></td>
<td></td>
<td>Graeme Gillies Adam Grant</td>
<td>Riparian reserve</td>
</tr>
<tr>
<td>Garland</td>
<td></td>
<td></td>
<td>Graeme Gillies Adam Grant</td>
<td>Amenity forest 15.8 ha</td>
</tr>
</tbody>
</table>