Corrective Action Verification Audit (CVA) Report

Organization: Lindsay & Dixon Limited (LDL)
Cert/Ver/Val Code: RA-FM/CoC-001148
Report Date: June 5, 2018

I. AUDIT PROCESS

Auditor, Qualifications: Addis Tsehaye has PhD and M.For.Sc (Distinction) Degrees from the University of Canterbury, New Zealand and a B.Sc (Honors) Degree from the University of Wales, UK. Is currently working as an Auditor with AsureQuality Ltd. He is a professional forester and specialist in wood products processing industries with over 25 years experiences in the field. Has completed ISO 2200 Lead Auditor Training in 2007 and ISO 9001 Lead Auditor Training in 2011. He has been Auditor and Lead Auditor with Rainforest Alliance for 39 FM/COC and 129 COC audits and assessments in New Zealand and Australia.

Audit Date(s): 29th – 30th May 2018
CVA Type: Desk review ☒ On-site ☒ Location(s): Tuatapere, New Zealand

Audit Overview: This audit was undertaken On-site. Prior to the date of the audit the organization sent the conformance documents for the two (2) Major and seven (7) Minor NCRs identified during the 2017 Audit. Between the 29 - 30th May 2018 the auditor examined the evidence provided against all the sections of the standards: FM-32 - New Zealand, Version 08-12: August 2012 and FM -35 - Rainforest Alliance Chain-of-Custody Standard for Forest Management Enterprises (FMEs), based on which the NCRs were raised. The auditor also visited the field operation site and interviewied the FME’s harvesting crew to verify the training given to them about identification historical sites by external experts. After completion of the audit the auditor held a closing meeting in the presence of the FME’s management representative, Owner and Director, Mr Bernie Lagan and explained about the preliminary outcome of the audit.

Changes to Scope since last Audit: N/A

II. NON-CONFORMITY REPORT (NCR) EVALUATION

<table>
<thead>
<tr>
<th>MAJOR NCR#</th>
<th>NC Classification</th>
<th>Standard &amp; Requirement</th>
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<tr>
<td>01/17</td>
<td>Major X</td>
<td>FM-32-New Zealand: 1.1.1</td>
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**Report Section:** Appendix IV, Indicator 1.1.1

**Description of Nonconformance and Related Evidence:**

1.1.1.

"FME shall demonstrate a record of compliance with relevant federal, provincial/state, and local laws and regulations".

Under the archaeological provisions of the Heritage New Zealand, it is illegal to destroy, damage or modify pre-1900 archaeological sites (regardless of whether they are recorded) - Pouhere Taonga Act. Hence there is a legal obligation to ensure all special sites are identified and protected. The FME have failed to meet its legal obligation under the archaeological provisions of this Act by not identifying the presence of archaeological sites prior harvesting activity.

**Corrective Action Request:**

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

**Timeline for Conformance:**

3 months from report finalization

**NCR Evaluation Type**

- On-site [X]  
- Desk Review [ ]

**Evidence Provided by Organization:**

The FME presented the following key documents:

1. Archaeology and Heritage Assessment report;
2. An updated Policy and Procedures for archaeological sites; and
3. A copy of a power point presentation of training given to the FME field crew about recognizing potential unrecorded archaeological sites.

**Findings for Evaluation of Evidence:**

The 54-page report, entitled: "Archaeology and Heritage Assessment" (May 2018). The assessment was completed by experts (Nick Sutton and Karen Greig) from Southern Pacific Archaeological Research, Department of Anthropology and Archaeology, University of Otago, Dunedin New Zealand in March 2018. The assessment report shows that the experts carried out the following assessment methods:

1. A desktop research on archaeological surveys undertaken in the past by several experts (starting from 1983, 1998; 1999; 2000 and 2004), and from the New Zealand Archaeological Association's national database of recorded archaeological sites. The desktop survey also covers checking of information about recorded sites in the blocks from old survey maps of the area obtained through the Department of Anthropology and Archaeology at the University of Otago and Archives New Zealand for areas where unrecorded archaeological sites could be located. Papers Past.
2. A field inspection of the recorded archaeological site (D45/36) in the Jubilee Block on 16 March 2018.

The assessment report confirms that the existing or already recorded archaeological sites within the Lindsay & Dixon Ltd FMU are as follows:

a. In Kiwi Block (5 sites)
b. In Longwood and Rowallan blocks (the report states several, but based on counts from the map included in the report the auditor estimates about 120 sites).
c. In East Pourakino Block (no site)
d. In Jubilee Block (1 site)
As shown above the assessment report confirms that apart from the existing archaeological site (marked and recorded as 'D45/36 – Sawmill & tramline'), no other site was found within the Jubilee Block (which is the subject of this NCR).

The FME’s updated “Policy and Procedures for archaeological sites” (Revised 16th May 2018) contains the following procedures:

a. Site records - Presents detail site recording and data collection procedures that data on the presence and location of existing archaeological sites and historic place within the FMU will be sought from the following:

   - Heritage New Zealand
   - the district council,
   - the NZ Archaeological Association,
   - the Tangata Whenua,
   - Department of Conservation.

b. Planning - How road works, harvest and other operations and development planning procedures shall include checking the maps/GIS for the possible presence of archaeological, waahi tapu or historic sites prior to operation commences.

c. Field Operations - The principle in all field operations is to avoid, under all possible circumstances, disturbance to any archaeological, waahi tapu, or historic site and outlines the necessary steps to be taken by operation staff in the field.

In addition to completing the archaeological assessment, the archaeology experts (Nick Sutton and Karen Greig) have given training to the FME field crew on the 15th of March 2018. The objective of the training was to enable the field crew recognize potential unrecorded archaeological sites. The auditor was given a copy of the training power point presentation and interviewed the crew members in the field and verified that the training was given to them.

The auditor concludes that the FME have implemented the appropriate corrective action.

NCR Status: CLOSED

Comments (optional):

MAJOR NCR#: 02/17  NC Classification: Major X

Standard & Requirement: FM-32-New Zealand: 3.3.1; 3.3.3

Report Section: Appendix IV, Indicators 3.3.1 and 3.3.3

Description of Nonconformance and Related Evidence:

3.3.1.

“Special sites of indigenous cultural, ecological, economic or religious significance shall be documented in management planning documents. They should be identified on maps or in the forest in cooperation with Tāngata Whenua”.

3.3.3.

“Special sites should be identified in management/operational plans”.
A stakeholder outlined its concern in relation to the heritage values assessment and identification together with the legal requirements as follows:

a. There is likely to have been Maori use of the forest – it is unknown if there are any remains from this activity.
b. It is known from literature, local knowledge, and reports of archaeological survey that has been undertaken that there are extensive areas of unrecorded archaeological sites (both gold mining and historical timber milling).
c. It is illegal to destroy, damage or modify pre-1900 archaeological sites (regardless of whether they are recorded) under the archaeological provisions of the Heritage New Zealand Pouhere Taonga Act.
d. It is unknown if there are any planning steps or protocols in place to ensure that:
   - a search is made of existing archaeological records prior to logging, or
   - for logging areas to be investigated by suitably qualified people prior to logging commences to identify archaeological sites
   - it is unknown if Heritage New Zealand Pouhere Taonga have been consulted about the logging activities or if the processes outlined in the Heritage New Zealand Pouhere Taonga Act are being followed with respect to archaeological sites.

The FME did not present a satisfactory response to the above. This shows there is a clear gap in the efforts made by the FME to ensure that the assessment of presence of cultural/historical sites are completed within its forests prior to harvesting. Further the FME have a documented procedure covering the requirement for identification and protection of special sites, but have failed to implement its own procedure.

<table>
<thead>
<tr>
<th>Corrective Action Request:</th>
<th>Organization shall implement corrective actions to demonstrate conformance with the requirement(s) referenced above. Note: Effective corrective actions focus on addressing the specific occurrence described in evidence above, as well as the root cause to eliminate and prevent recurrence of the nonconformance.</th>
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<tbody>
<tr>
<td>Timeline for Conformance:</td>
<td>3 months from report finalization</td>
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<tr>
<td>NCR Evaluation Type</td>
<td>On-site ☒ Desk Review ☐</td>
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<tr>
<td>Evidence Provided by Organization:</td>
<td>The FME presented the following key documents:</td>
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<tr>
<td></td>
<td>1. a copy of Archaeology and Heritage Assessment report;</td>
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<td></td>
<td>2. A copy of email correspondence and a copy of recorded meeting minute with the General Manager and other experts of the local iwi (Ōraka-Aparima Rūnaka) and about identificatio and mapping of any known archeological sites within the FMU;</td>
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<td></td>
<td>3. A copy of its updated Policy and Procedures for archaeological sites; and</td>
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<td></td>
<td>4. A copy of a power point presentation of training given to the FME field crew about recognising potential unrecorded archaeological sites.</td>
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Findings for Evaluation of Evidence:

As shown in (NCR# 01/17), above the FME have completed the archaeology and heritage assessment using two experts from the Department of Anthropology and Archaeology, University of Otago. Based on a desktop research and field inspection the experts have compiled a 54-page report, entitled: "Archaeology and Heritage Assessment" (May 2018). On the report the experts concluded that hat apart from the existing archaeological site (marked and recorded as ‘D45/36 – Sawmill & tramline’), no other site was found within the Jubilee Block (which is the subject of this NCR).

The auditor also reviewed copies of several email correspondences and a copy of the recorded meeting minute between the FME’s Director and Ōraka-Aparima Rūnaka’s (local iwi) General Manager and Cultural Sites Expert about identification and mapping of any known archaeological/cultural sites.
within the FMU. The emails and the minute confirmed that no known cultural sites were found within the FMU.

Also, as shown in (NCR# 01/17), the FME’s updated “Policy and Procedures for archaeological sites” (Revised 16th May 2018) contains the following procedures:

a. Site records - Presents detail site recording and data collection procedures that data on the presence and location of existing archaeological sites and historic place within the FMU will be sought from the following:

   - Heritage New Zealand
   - the district council,
   - the NZ Archaeological Association,
   - the Tangata Whenua,
   - Department of Conservation.

b. Planning - How road works, harvest and other operations and development planning procedures shall include checking the maps/GIS for the possible presence of archaeological, waahi tapu or historic sites prior to operation commences.

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In addition to completing the archaeological assessment, the archaeology experts (Nick Sutton and Karen Greig) have given training to the FME field crew on the 15th of March 2018. The objective of the training was to enable the field crew recognize potential unrecorded archaeological sites. The auditor was given a copy of the training power point presentation and interviewed the crew members in the field and verified that the training was given to them.

The auditor concludes that the FME have implemented the appropriate corrective action.

NCR Status: CLOSED

Comments (optional):

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<th>NCR#</th>
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<tr>
<td>03/17</td>
<td>FM-32-New Zealand: 4.4.2</td>
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<td>Report Section: Appendix IV, Indicator 4.4.2</td>
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Description of Nonconformance and Related Evidence:

4.4.2

"FME shall demonstrate that input from community participation was considered and/or responded to during management planning and operations”.

Records show that the FME invited key stakeholders to review and comment on the change of its management regime from small (0.5 ha) forest coupes to large (up to 20 ha) coupes in July 2016. As part of this consultation
One key stakeholder submitted comments/recommendations for the improvement of the FME’s existing Sustainable Forest Management Plan.

However, the evidence presented by the stakeholder showed the FME did not consider input presented during the above consultation process for the improvement of its management planning and operations. Also, the FME did not present any evidence showing how they consider the stakeholder’s comments.

**Corrective Action Request:**

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

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

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

**NCR Evaluation Type**

On-site ✔ Desk Review ❌

**Evidence Provided by Organization:**

The FME presented the following key documents:

1. The Sustainable Forest Management Plan (SFMP);
2. Copies of several email correspondences and a copy of recorded meeting minute with the key stakeholders; and
3. A copy of email to RA by one of the key stakeholders.

**Findings for Evaluation of Evidence:**

Clause 9 of the Sustainable Forest Management Plan (SFMP) states that the Secretary of MPI (Ministry for Primary Industries) is required to consult with the following key stakeholders on proposed annual logging plans exceeding 0.50 hectares in size. (a) Department of Conservation (DOC), (b) Environment Southland, and (c) Southland District Council.

Accordingly Lindsay & Dixon (FME) invited all the stakeholders to provide inputs on its proposed annual logging plan. For this several copies of the email correspondences between the FME Director and the representatives of the stakeholders including correspondence email with MPI were presented. Following the invitation a joint meeting between the FME and all the representatives of all key stakeholders was held in the current operation in the Jubilee Block on the 18th of April 2018. The outcome of the stakeholders’ inputs during the meeting was captured by 2-page minute. The auditor reviewed the minute and it shows that a wide range of operational procedures raised by the Department of Conservation were addressed and resolved. The minute also confirms that the FME have considered all the inputs presented during the consultation process for the improvement of its management planning and operations. The auditor also confirmed from the email correspondence the copy of the minute was circulated to participants and approved.

Also, following the meeting the Department of Conservation sent an email to RA on the 9th of May 2018 as presented below:

“As a major stakeholder with Lindsay & Dixon, we are happy with the amount of communication and liaison occurring. Lindsay & Dixon have proposed changes to their stakeholder consultation inspection/discussions to combine both the Annual Logging Plan and FSC processes. These meetings will occur in September and the Department supports this change.

Any potential areas of concern have been discussed and have been addressed or are underway with a satisfactory resolution for both parties.

Spending time on site and in discussion on forest management, has cleared away any misunderstandings and cemented a strong pathway ahead.
Department of Conservation, Ministry for Primary Industries and Lindsay & Dixon are keen to discuss and resolve any issues arising long before the ALP and FSC formal response timelines.

We look forward to continuing to have input with Lindsay & Dixon forest management, continuing to assist them to meet and exceed the expected environmental goals”.

It should be noted here that this NCR was raised due to the concerns raised by Department of Conservation (DOC).

The above email from DOC and the positive comments reflected by the other stakeholders in the minute and in their emails confirm the FME have implemented the appropriate corrective action.

**NCR Status:** CLOSED

**NCR #:** 04/17  
**NC Classification:** Major

**Standard & Requirement:** FM-32-New Zealand: 6.1.1

**Report Section:** Appendix IV, Indicator 6.1.1

**Description of Nonconformance and Related Evidence:**

6.1.1.

“Environmental assessments shall be completed during management planning.

a) % of original (pre-Māori) ecosystem type in Ecological District within which the certification occurs

b) % of original ecosystem area that retains some indigenous vegetation under some form of protection.

c) Proportion of original ecosystem under protection by certificate holder in reserve areas”.

The FME have not completed an environmental assessment, addressing the requirements as outlined in a) - c) of the standard.

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

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

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

**NCR Evaluation Type**  
On-site [X]  Desk Review [ ]

**Evidence Provided by Organization:**

The FME presented the following documents:

1. The FME’s Sustainable Forest Management Plan (SFMP); and

2. Sustainable Forest Management Plan for Native Beech Forest (Prepared by Waitutu Holdings Company)

**Findings for Evaluation of Evidence:**

The auditor reviewed the above documents in relation to Environmental assessments shall be completed during management planning. The Sustainable Forest Management Plan for Native Beech Forest - Prepared by Waitutu Holdings Company (January 1997). This is 110-page document which presents a detail description of the forest including its history, ecology and the forest composition. It states that the natural composition of the forest was not stable as the component species were subject to change. From
around 800 years ago the forest were mainly podocarps (comprising Rimu, Totara, Miro, Kahikatrea and Matai species) were replaced by Silver beech and Silver beech by Mountain beech which is a more cold tolerant species migrating from the north. Whilst the document doesn’t clearly quantify the % of original (pre-Māori) ecosystem, it gives a clear indication that the main dominant species were podocarps.

The FME’s Sustainable Forest Management Plan presents the current composition of species as follows:
- Beech - Silver beech (*Nothofagus menziesii*) and Mountain beech (*Nothofagus solandri*)
- Hardwoods - Kamahi (*Weinmannia racemosa*) and Rata (*Metrosideros umbellata*);
- Podocarps - Rimu (*Dacrydium cupressinum*), Totara (*Podocarpus cunninghamii*), Miro (*Prumnopitys ferruginea*), Kahikatrea (*Dacrycarpus dacrydioides*) and Matai (*Prumnopitys ferruginea*).

The SFMP shows that the current compilation of species is dominated by Beech (about 95%) and Hardwoods and Podocarps (about 5%). The total certified area is 11916ha of this 423ha is under protection voluntarily by the FME. A further 606.6784 ha is under a covenant protection which is excluded by a legal requirement. This shows an overall total of 1,029.6784ha of the total certified forest (>8.64%) is under protection, and this contains the original ecosystem.

The auditor concludes that the FME have undertaken environmental assessment on its FMU and the NCR is addressed.

| NCR Status: | CLOSED |
| Comments (optional): | |

| NCR#: | 05/17 | NC Classification: | Major | Minor X |
| Standard & Requirement: | FM-32-New Zealand: 6.2.1 |
| Report Section: | Appendix IV, Indicator 6.2.1 |

**Description of Nonconformance and Related Evidence:**

6.2.1.

“The likely presence of rare, threatened or endangered species and their habitats (e.g. nesting and feeding areas) shall be assessed on the basis of the best available information”.

Records show that FME have undertaken RTE assessment covering birds and bats using experts in 2004. A written submission to Rainforest Alliance by a stakeholder stated that it is unknown the extent to which there has been surveys to identify threatened plant species (e.g. mistletoe species, *Coprosma wallii*, *Melicytus flexuosus*, *Olearia lineata* and *Ranunculus ternatifolius* – all of which are known locally from the Longwood and or Tuatapere Ecological Districts).

The FME did not present documented evidence showing that an assessment of mistletoe as an RTE species within their FMU was completed.

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

### Timeline for Conformance:
By the next annual audit

### NCR Evaluation Type
<table>
<thead>
<tr>
<th>Evidence Provided by Organization:</th>
<th>The FME presented the following documents:</th>
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<tbody>
<tr>
<td>On-site □ Desk Review</td>
<td>1. Policy and Procedure Identifying RTE Species.</td>
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<tr>
<td></td>
<td>2. Pre-Operation and Pre-Harvest Assessment Form</td>
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### Findings for Evaluation of Evidence:
The auditor reviewed the updated *Policy and Procedure Identifying RTE Species* (Revised Update 16th May 2018). The background study about the identification of RTE’s was completed in 2007 by ecologist (Dr Billy Hamilton), and the classification used was as follows:

1. Nationally Critical
2. Nationally Endangered
3. Nationally Vulnerable
4. Serious Decline
5. Gradual Decline
6. Sparse

Based on the above classification the Presence and Likely presence of the following species was confirmed:

1. Endangered species – (a) South Island kaka (*Nestor meridionalis meridionalis*) and (b) Southern falcon (*Falco novaeseelandiae*) - Presence confirmed;

2. Gradual decline species - (a) South Island rifleman (*Acanthisitta chloris chloris*); and (b) Yellow crowned kakariki (*Cyanoramphus auriceps*); (c) Long tail cuckoo (*Eudynamys taitensis*) and (d) Kereru (*Hemiphaga novaeseelandiae*) – presence confirmed;

3. Gradual decline species - (a) Yellow mistletoe (*Alepis flavida*), (b) Scarlet mistletoe (*Peraxilla colensoi*); (c) Red mistletoe (*Peraxilla tetrapetala*), (d) White mistletoe (*Tupeia antarctica*), and (e) Swamp nettle (*Urtica linearifolia*) – Likely presence confirmed.

This shows the FME have a documented evidence showing the assessment of mistletoe as an RTE species within the FMU was completed. Also, the Pre-Operation and Pre-Harvest Assessment Forms show that the presence or absence of trees having mistletoes is completed by the harvesting crew in the field during the pre-harvest assessment.

### NCR Status:
CLOSED

### Comments (optional):

### NCR#: 06/17  NC Classification: Major Minor X
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<th>Standard &amp; Requirement:</th>
<th>FM-32-New Zealand: 6.3.8</th>
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<td>Report Section:</td>
<td>Appendix IV, Indicator 6.3.8</td>
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### Description of Nonconformance and Related Evidence:
6.3.8.

“The forest manager shall assess species composition and the density of the regeneration of native forests and the stocking rate of plantations and take remedial action where necessary to ensure effective regeneration and establishment”.

The Director of the FME confirmed that there is an agreement with MPI for the FME to establish monitoring plots. However, the FME have not established monitoring plots and gather specific data about regeneration and succession.

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

Timeline for Conformance: By the next annual audit

NCR Evaluation Type On-site X Desk Review

Evidence Provided by Organization: The FME presented the following documents:
1. A GPS Regeneration Plot Location Map showing all regenerations plots established within the Jubilee Forest;
2. Photo-points showing the regeneration plots.

Findings for Evaluation of Evidence: The auditor reviewed both the GPS Regeneration Plot Location Map showing all regenerations plots established within the Jubilee Forest and the Photo-points showing the regeneration plots. These documents confirm that the FME have established a total forty-three (40) sample regenerations plots throughout the Jubilee Forest. The GPS coordinates for each plot is identified and has a specific Tag#.

The auditor concludes that the FME have implemented appropriate corrective action.

NCR Status: CLOSED

Comments (optional):

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NCR#: 07/17  NC Classification: Major Minor X
Standard & Requirement: FM-32-New Zealand: 6.3.11; 6.3.12
Report Section: Appendix IV, Indicator 6.3.11; and 6.3.12

Description of Nonconformance and Related Evidence:

6.3.11.

“Weed and pest control plans are implemented to ensure ecological functions are maintained including ecosystem regeneration and succession and species diversity”.

6.3.12.

“FME identifies damage agencies and protect forests from those that may affect ecosystem health”.

A written submission to Rainforest Alliance by a stakeholder noted that it is unknown the extent to which there has been control of predators (notably rodents and mustelids) to enhance native fauna and other wildlife.

The FME has a pest control procedure. However there was no evidence showing how the FME controls Mustelids pests (such as weasel, ferret and stoat). Also, no records were presented regarding the control of...
deer and possum, since the 29th of July 2013. This shows the FME is not implementing its pest control procedure.

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

Timeline for Conformance: By the next annual audit

NCR Evaluation Type On-site ☑ Desk Review ☐

Evidence Provided by Organization:
The FME provided the following evidence:
1. Pest Management Strategy (revised: February 15th 2018);
2. Pest Management Elements (revised: February 15th 2018);
3. Deer and Possum return report from a licensed hunter (Dated: November 2017);

Findings for Evaluation of Evidence:
The auditor reviewed the Pest Management Strategy (revised: February 15th 2018) and the Pest Management Elements (revised: February 15th 2018) and confirmed that the FME is implementing its pest control procedure. Both documents identify a number of animal and plant pests present or potentially present within the Longwood and Rowallan Forest Estate (the FMU). These include:

- Stoats/Ferrets
- Possums
- Deer and pigs
- Wilding exotic tree species.

The documents also describe in detail how the FME have developed specific pest strategies to control/eradicate each type of pest.

The Deer and Possum return report from a licensed hunter (Dated: November 2017) and the Ferret, Possum and Wild pig survey and eradication reports from TBfree (Dated: 25th Oct, 16; 30 Nov, 2016 and 20 Nov, 2017) all show how the FME have used hunters and TBfree, an organization which controls animal pests that transmit tuberculosis (TB) in New Zealand.

The auditor concludes that the FME have implemented appropriate corrective action.

NCR Status: CLOSED

Comments (optional):
"The forest manager shall manage forest operations to protect and maintain soil physical, chemical and biological properties and improve those properties where appropriate and reasonably practicable. The forest manager shall (AZ 4.6.4):

a) minimise the extent of land within forest harvesting areas occupied by zones of major soil disturbance;

b) ensuring that rutting does not exceed that specified in relevant codes and equivalent instruments or operational guidelines;

c) promptly rehabilitate extraction tracks, temporary roads and product storage areas; and,

d) minimise any nutrient loss”.

The FME’s Best Management Practice (BMP) is a written guideline for the company’s employees and contractors. Regarding logging and log extraction, the BMP states that logging operations do not create significant effect on the topography and soil quality of the forest environment. Wet and dry sites for operations are defined to minimize the impact on the soil and avoid soil erosion.

A written submission to Rainforest Alliance by a stakeholder noted that wet areas with fragile soils have not been mapped and are not necessarily excluded from harvest or receive a more appropriate management. The FME did not provide evidence showing that it is excluding wet areas with fragile soil from its harvest or is applying appropriate management, as is required by this indicator.

The FME’s Best Management Practice (BMP) is a written guideline for the company’s employees and contractors. In relation to harvesting the BMP states that logging operations do not create significant effect on the topography and soil quality of the forest environment. Wet and dry sites for operations are defined to minimize the impact on the soil and avoid soil erosion.

The A GPS topographic map shows wet areas within the Jubilee Forest and the map was provided and reviewed. The auditor concludes that the FME have implemented appropriate corrective action.
The organization shall establish an outsourcing agreement with each non-FSC-certified contractor, specifying at minimum that the contractor shall:

a) conform to all applicable certification requirements and the organization’s procedures related to the outsourced activity;
b) not make unauthorized use of the FSC trademarks (e.g. on the contractor’s products or website);
c) not further outsource any processing;
d) accept the right of the organization’s certification body to audit the contractor;
e) notify the organization within the period of 10 business days if the contractor is included in the list of organizations that are disassociated from FSC, in accordance with the FSC-POL-01-004, and therefore subsequently ineligible to provide outsourcing services to FSC-certified organizations:”.

The FME has outsourcing agreements that address responsibilities of subcontractors as outlined in a) – d). However, the requirement outlined in e) is not covered in outsourcing agreements.

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

By the next annual audit

The auditor reviewed the updated outsourcing agreement (Dated: 22nd of May 2018) and confirmed that it includes the outsourcing requirements outlined in clause (e) of the FSC COC Standard (FSC-STD-40-004 V3-0) which states that the contractor “notify the organization within the period of 10 business days if the contractor is included in the list of organizations that are disassociated from FSC, in accordance with the FSC-POL-01-004, and therefore subsequently ineligible to provide outsourcing services to FSC-certified organizations.”

The auditor concludes that the FME have implemented appropriate corrective action.

III. CONCLUSIONS
<table>
<thead>
<tr>
<th>NCRs Closed:</th>
<th>☑ No follow-up required related to closed NCRs</th>
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<tbody>
<tr>
<td></td>
<td>☐ Original NCRs closed and new NCR(s) issued, see section IV below</td>
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<tr>
<td>NCRs Open:</td>
<td>☐ Certification/Verification/Validation not approved; conformance with NCRs required</td>
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<tr>
<td></td>
<td>☐ Major NCRs not closed; suspension of certification/verification required</td>
</tr>
<tr>
<td></td>
<td>☐ Minor NCRs are upgraded to Major; see section IV below</td>
</tr>
<tr>
<td></td>
<td>☐ New NCR(s) issued, see section IV below</td>
</tr>
<tr>
<td>Comments/Follow-up Actions:</td>
<td></td>
</tr>
</tbody>
</table>

**IV. OPEN NCRs**
No Newly issued or upgraded NCRs from this CVA.

**V. AUDIT REPORT APPROVAL**

Note: a formal Q-09 Report Review and Approval (RRA) Checklist conducted by an independent, authorized reviewer is required when the CVA results in certificate/verification/validation issuance or suspension/termination, or when there is a change in scope. In all other cases, the report may be approved with the 2nd checkbox below by an authorized RRA reviewer which may be the CVA auditor.

☐ Refer to separate Q-09 RRA Checklist

☑ Report approved by way of this checkbox
Approved by: Indu Bikal Sapkota, Pratama Bagus Kurniaji (RRA trainee)
Date: June 5, 2018

☐ Salesforce has been completed with applicable files uploaded, and is updated based on any changes to the Organization details or other areas relevant to the CVA.