

**Forest Management and Stump-to-Forest Gate Chain-of-Custody
Certification Evaluation Report for:**

Hancock Forest Management (NZ) Limited

**Conducted under auspices of the SCS Forest Conservation Program
SCS is an FSC Accredited Certification Body**

**CERTIFICATION REGISTRATION NUMBER
SCS-FM/COC-00066P**

Submitted to:

**Hancock Forest Management (NZ) Limited
2 Devonport Road, Tauranga, New Zealand**

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**Date of Report:
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Updated January, 2010 (See section 6.10)

Re-Certified: February 25, 2009

By:

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Organization of the Report

This report of the results of Scientific Certification Systems' evaluation of Hancock forest Management (NZ) Ltd. is divided into two sections:

Section A provides the public summary and background information that is required by the Forest Stewardship Council. This section is made available to the general public and is intended to provide an overview of the evaluation process, the management programs and policies applied to the forest, and the results of the evaluation. Section A will be posted on the SCS website (www.scscertified.com) no less than 30 days after issue of the certificate.

Section B contains more detailed results and information for the use of Hancock Forest Management (NZ) Ltd.

FOREWORD

Scientific Certification Systems (SCS), a certification body accredited by the Forest Stewardship Council (FSC), was retained by Hancock Forest Management (NZ) Ltd. to conduct a certification evaluation of its New Zealand forest estate under its direct management. Under the FSC/SCS certification system, forest management operations meeting international standards of forest stewardship can be certified as “well managed”, thereby enabling use of the FSC endorsement and logo in the marketplace.

In November 2008, an interdisciplinary team of natural resource specialists was empanelled by SCS to conduct the evaluation. The team collected and analyzed written materials, conducted interviews and completed a five day field audit of the subject property as part of the certification evaluation. Upon completion of the fact-finding phase of the evaluation, the team determined conformance to the 56 FSC Criteria in order to determine whether award of certification was warranted.

This report is issued in support of a recommendation to award FSC-endorsed certification to Hancock Forest Management (NZ) Ltd. for the management of its New Zealand forest estate. Scientific Certification Systems will post this public summary of the report on its web site (www.scscertified.com).

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SECTION A - PUBLIC SUMMARY AND BACKGROUND INFORMATION

1.0 GENERAL INFORMATION

1.1 FSC Data Request

Applicant entity	Hancock Forest Management (NZ) Ltd.
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Address	2 Devonport Road, PO Box 13404, Tauranga 3141 New Zealand
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Certificate Number	SCS-FM/COC-00066P
Certificate/Expiration Date	February 26 th 2009
Certificate Type	Single FMU
Number of FMU's <i>if applicable</i>	1
Number of FMU's in scope that are	
less than 100 ha in area	0
100 - 1000 ha in area	0
1000 - 10 000 ha in area	0
more than 10 000 ha in area	1
Location of certified forest area	
Latitude	38 degrees S
Longitude	176 degrees E
Forest zone	Temperate
Total forest area in scope of certificate which is privately managed ¹	265,905 ha
Number of forest workers (including contractors) working in forest within scope of certificate	HFM = 106 Nelson = 161 Central = 577 Northern = 303 Eastern = 160
Area of forest and non-forest land protected from commercial harvesting of timber and managed primarily for conservation objectives	37,802 ha (includes HCVF)
Area of forest protected from commercial harvesting of timber and managed primarily for the production of NNTP's or services	0
Area of forest classified as 'high conservation value forest'	3,933ha

¹ The category of 'private management' includes state owned forests that are leased to private companies for management, e.g. through a concession system.

List of high conservation values present ²	Hokonui Road Forest Mangakahia Forest Extension Kaipeha Swamp Ngakarapu Stream Wetland Wairahi Swamp Kokota Dunes Lake Morehurehu and associated wetland Lake Te Kahika Ororangorae Wetland Taikirau Stream Tributary Wetland and Scrub Pokapoka Stream Wetland and Scrub Hodges Basin Biological Reserve Forest Muriwai Forest, Wetland, Vineland & Tussockland Endean's Bush Utuhina Stream Bush Bog Pine Forest Pohaturoa Tree55 Reserve Houpoto Swamp Rawea Terrace/swamp Otarapaoa Block Forest Chrome Creek Ultramafic Shrubland
Chemical pesticides used	Primisulfuron Clopyralid Metsulfuron Haloxypop Glyphosate Tribenuron-methyl Triclopyr Picloram Hexazinone Terbutylazine Benzofenap Clomazone Copper oxychloride/Cuprous oxide Cholecalciferol Potassium cyanide Sodium monofluoroacetate (1080) Alpha cypermethrin
Total area of production forest (i.e. forest from which timber may be harvested)	222,720 Ha
Area of production forest classified as 'plantation' for the purpose of calculating the Annual Accreditation Fee (AAF)	222,720 Ha

² High conservation values should be classified following the numbering system given in the ProForest High Conservation Value Forest Toolkit (2003) available at www.ProForest.net

Area of production forest regenerated primarily by replanting ³	222,720 ha
Area of production forest regenerated primarily by natural regeneration	0 ha
List of main commercial timber and non-timber species included in scope of certificate (botanical name and common trade name)	<i>Pinus radiata</i> (Radiata pine) <i>Pseudotsuga menziesii</i> (Douglas fir) <i>Eucalyptus regnans</i> <i>Eucalyptus fastigata</i> <i>Eucalyptus nitens</i>
Approximate annual allowable cut (AAC) of commercial timber ⁴	4,110,000 m ³ Current harvest 3,837,000 m ³
Approximate annual commercial production of non-timber forest products included in the scope of the certificate, by product type	n/a
List of product categories included in scope of joint FM/COC certificate and therefore available for sale as FSC-certified products (include basic description of product - e.g. round wood, pulp wood, sawn timber, kiln-dried sawn timber, chips, resin, non-timber forest products, etc.)	Roundwood (logs)

1.2 Management Context

Hancock Forest Management (NZ) Ltd. (HFM NZ), a New Zealand based forest management company, is a wholly owned subsidiary of Hancock Timber Resources Group (HTRG), a division of Hancock Natural Resource Group, Inc. that is a registered investment adviser and itself a wholly owned subsidiary of Manulife Financial Corporation⁵. HTRG develops and manages globally diversified timberland portfolios for public and corporate pension plans, high net-worth individuals, and foundations and endowments.

This report covers the 2008 re-evaluation of the existing FSC certificate held by Hancock Forest Management (NZ) Limited (HFM NZ) pursuant to the Forest Stewardship Council (FSC) guidelines for audits and the terms of the forest management certificate awarded by Scientific Certification Systems (SCS) 26th February 2004 (SCS-FM/COC-00066P).

³ The area is the *total* area being regenerated primarily by planting, *not* the area which is replanted annually. NB this area may be different to the area defined as a 'plantation' for the purpose of calculating the Annual Accreditation Fee (AAF) or for other purposes.

⁴ Note: This is the long-term sustainable yield not the AAC in North American terms. It is calculated from the product of net stocked Area and MAI over the rotation.

⁵ Websites:

Manulife: <http://www.manulife.com>

MFC Global Investment Management: <http://www.mfcglobal.com>

HTRG: <http://www.htrg.com>

On 1st December 2006, HFM NZ took over the forest management and harvesting of forests in Northland, the Central North Island, Eastern Bay of Plenty and Nelson regions formerly owned by Carter Holt Harvey Limited (CHH). SCS conducted two expansion audits in 2007 to incorporate their management of the newly acquired forests.

Central Government Acts.

The company's activities cover the management of forests, the harvesting and sale of logs and their transport to customers, including export. These activities are affected by varying sets of national and local government regulations. The company is affected mainly by the following Acts of Parliament:

- Bio-security Act 1993
- Conservation Act 1987
- Crown Forests Assets Act 1989
- Employment Relations Act 2000
- Fencing Act 1978
- Forests Act 1949 (1993 amendment)
- Forests and Rural Fires Act 1977
- Hazardous Substances and New Organisms Act 1996
- Health and Safety in Employment Act 1992
- Historic Places Act 1993
- Reserves Act 1977
- Resource Management Act 1991
- Treaty of Waitangi Act 1975
- Trespass Act 1980
- Wild Animal Control Act 1977
- Wildlife Act 1953

The Context for State and Local Regulations and Accords:

The Resource Management Act and its subsequent amendments integrate various environmental laws, with the expectation that local government have responsibility for achieving desirable outcomes. Regional and district councils develop and control local policy through regional and district plans. Certain activities which affect the way land and forests are managed require the company to obtain Resource Consents from the controlling council. There may be different interpretations of the way the act is applied in the different locations and councils where HFM NZ manages the forests under its control.

The New Zealand Forest Accord was signed in 1991 by representatives of the New Zealand forest industry and conservation groups. This accord protects areas of indigenous forest vegetation from disturbance or conversion to exotic plantation, while recognising that commercial plantation forests are an essential, renewable source of wood fibre. The accord

defines the characteristics of those areas of indigenous vegetation that must be excluded from land clearing or protected from disturbance. HFM NZ is obliged to comply with the Accord.

Several codes of practice have been developed nationally to guide forest management planning and operations, particularly with regards to the effects of plantation forest operations on safety, conservation and sustainability, soil and water protection and the use of herbicides, pesticides and biological agents:

The New Zealand Environmental Code of Practice for Plantation Forestry 2007 (NZ Forest Owners Association)

New Zealand Agrichemical Users' Code of Practice 2004 (NZS 8409)

Code of Practice for Fertiliser Use 2002.

Code of Practice for Safety and Health in Forest Operations. 1999 (Occupational Safety and Health Service)

Forest Owners Public Responsibilities for Forestry Roads 2001 (NZ Forest Owners Association)

1.2.1 Environmental Context

HFM NZ forests are located in four broad areas: Northland and North Auckland; the central part of the North Island; the Eastern Bay of Plenty, North Island; and Nelson region, South Island. The forests are spread in discontinuous blocks within those areas. Elevations range from sea level to 550 meters, while some outlying blocks attain elevations of 1000m. Parts of the estate have slopes of more than 30 degrees with lengths of 500 m or more, unsuitable for traverse by ground based vehicles. The central district's landscape and form is the result of major volcanic eruptions in the geologically recent past.

The climate is mild temperate. Rainfall varies from 1200 mm to 1800 mm, peaking in the winter and spring months, but common throughout the year. No forests regularly receive snow. Unseasonable frosts can occur in many forest blocks in the central and Nelson areas. Wind can cause damage. Recently, 2008, over 400 ha of stands of varying ages were windblown or damaged in the Nelson region, while centrally, in the 1980's two tropical cyclones affected that area causing windblow of mature stands. Exposed faces and delayed thinning will result in higher than normal chances of localised windblow. Woodhill forest, established for sand dune reclamation suffers from coastal winds and salt spray.

New Zealand soils are of recent origin. The clay soils of Northland can suffer from Phosphate deficiency and may restrict logging when wet. The sands are deficient in Nitrogen and organic matter. In the Central North Island, soils are mainly derived from volcanic pumice, with admixtures of clay in some of the coastal blocks. The pumice soils are free draining and readily roaded. Mineral nutrients may be limiting growth, particularly boron and magnesium. The Nelson region consists of clays and gravels.

There are some 38,000ha of indigenous forest and shrubland reserves within the forest estate (14% of the gross area). These reserves vary from narrow riparian strips to high forest and

include wetlands of ecological significance. Although New Zealand has some 8 million hectares of indigenous forest and shrubland, within a total land area of 26.7 million hectares, a significant proportion of the existing high forest was selectively logged prior to the 1980's. This, coupled with the conversion to 11 million hectares of pasture and agriculture along with the unique nature of New Zealand's flora and fauna with its susceptibility to predators such as stoats, rats and cats, has caused declines in several species which are now classified as rare and endangered. On the other hand, some introduced plants and animals have thrived with no natural population control, are severely impacting on the native ecology and are classified as noxious pests. Chief amongst these is the Australian possum, originally introduced to start a fur industry, but now widespread with no natural enemies. Control is by trapping and poisoning, including aerial application of bate laced with 1080 (Sodium monofluoroacetate) particularly in forests with difficult access. Possums are carriers of bovine TB, hence control is legally mandatory.

Several recent and ongoing studies have shown the importance of plantation forests in supporting rare fauna and flora. The mixture of exotic stands with the small proportion of reserves support a relatively high biodiversity, especially when compared to pasture land. "Green-up" following clear-felling refers to the colonization within a couple of years by grasses and soft plants. These provide food for seed-eating insects and birds, which in turn support the rare Karearea, the New Zealand Falcon, *Falco novaeseelandiae*, in densities higher than in native forests. In older plantations, the rare New Zealand long-tailed bat, Pekapeka, roosts in tree ferns and dead trees.

1.2.2 Socioeconomic Context

HFM NZ manages forests in Northland, Auckland, Waikato, Bay of Plenty, Manawatu Wanganui Regions and in the Tasman District. The forest estate is largely located in rural areas. HFM NZ has offices in Tauranga, Rotorua, Whangarei, Tokoroa and Nelson, although the contracted workforce is spread through a number of smaller communities in the vicinity of the forests.

The main large centres in the vicinity of HFM NZ managed forests are Whangarei, Rotorua and Nelson. While forestry and forestry related industries are significant employers in these centres they are by no means the dominant employer, with a range of other rural and industrial activities. Rotorua is a significant tourist centre, which is enhanced by the plantation forests and their recreational opportunities.

HFM NZ managed forests are also based around a number of smaller rural towns, and the economies of some of these communities have in the past been heavily dependent on forestry or forestry related industries, in particular the rural towns of Tokoroa and Kawerau that are both flanked by HFM NZ managed forests. Both towns have in the past been affected by down turns in the forest industry and by increasing automation particularly in the pulp and paper industry. To some extent this has been offset in recent years by a comparative boom of the dairy industry that is also significant employer in both communities.

The ethnic mix of the population in many of the regions in which HFM NZ operates (Northland, Bay of Plenty and Central North Island) is more strongly Maori than in many other parts of the

country and people of Maori descent play a significant role in the workforce in these forests. Local Iwi groups in most areas are a significant stakeholder in the day to day management of the forests in their area, either as landowners or as a result of forests lying within their rohe (traditional tribal lands).

In the Northland, Bay of Plenty and Manawatu Wanganui regions, many of the forests managed by HFM NZ are also on Maori owned land and generally managed through lease or joint venture arrangements. HFM NZ also manages forests on state-owned land under Crown Forest Licences, where the land is currently under Treaty of Waitangi claim and likely to be returned to local Iwi ownership as these claims are resolved. Should a treaty claim be successful, under the Crown Forest Licence HFM NZ will continue to manage the forest at a stand level until the stand is harvested or 35 years has elapsed, then the forest management rights and replanting options to that stand revert to the Maori landowner.

Much of the area where HFM NZ forests are located has in the past had relatively high levels of unemployment when compared to the New Zealand average, due partly to the limited range of jobs available in small communities. New Zealand has in recent times been through a period of very low unemployment levels and this has therefore been less of a factor in recent years, and has created a contrasting problem of a labour shortage in the industry in many areas.

1.3 Forest Management Enterprise

1.3.1 Land Use

HFM NZ manages the forests on behalf of investors in Tiaki Plantations Company, Taumata Plantations Limited, (which includes the Mangakahia Forest Limited estate) and Tasman Bay Forests Company. Tiaki Plantations Company has been under the management of HFM NZ since 1 December 2004. The Taumata Plantations and Tasman Bay Limited were previously owned by Carter Holt Harvey Forests, and have been managed by HFM NZ since their purchase by the new owners on 1 December 2006.

The areas of each of the forest entities managed by HFM NZ and to be FSC certified are provided in the following table and forest locations are shown in Figure 1 below.

Forest Owner	Area
Tiaki Plantations Company	34,082 ha
Taumata Plantations Ltd (plus a further 24,000 ha excluded from FSC certification, see below)	171,732 ha
Mangakahia Forests Ltd	26,685 ha
Tasman Bay Forests Company	32,406 ha



In the Northland, Bay of Plenty and Manawatu Wanganui regions, many of the forests managed by HFM NZ are also on Maori owned land and generally managed through lease or joint venture arrangements. HFM NZ also manages state owned forests under Crown Forest Licences, that are currently under Treaty of Waitangi claim and likely to be returned to local Iwi ownership as these claims are resolved. Should a treaty claim be successful, under the Crown Forest Licences HFM NZ will continue to manage the forest at a stand level until the stand is harvested, then the forest management rights and replanting options to that stand revert to the Maori landowner.

The forests supply a range of wood products including clearwood for appearance uses and high density structural logs for use in construction. They are also used in varying degrees of intensity for recreation, mainly at no charge, but in a limited number of instances licenced to a commercial operator. Hunting and fishing is also permitted, although in some forests limited to the beneficial owners (indigenous peoples) of the land. The forests contain many archeological sites of spiritual value to Maori.

1.3.2 Land Outside Scope of Certification

All of the HFM NZ managed forest is certified, with the exception of 24,000ha of forest area on the Taumata Plantations estate, in Kinleith Forest in the Central North Island. All of this uncertified area is managed under forestry rights, with the underlying land owned by the previous owner of the forest, Carter Holt Harvey Ltd, who retained the land with the intention of converting it to farmland on completion of harvesting. Following harvest, the land is returned to the landowner and HFM NZ has no further involvement in management of the land. Given the area involved and the intentions of the landowner to convert, the decision was made to exclude

these areas from the HFM NZ FSC certificate. Chain-of-custody procedures are in place to ensure that wood from the 24,000ha of uncertified forest within Taumata Plantations is correctly identified as non-certified.

1.4 Management Plan

HFM NZ has a publicly available management plan, last updated November 2008, that describes the sections below in more detail. This plan can be obtained from any HFM NZ area office.

1.4.1 Management Objectives

The HFM NZ management objectives are stated as follows:

“At HFM NZ our objective is to improve quality of our clients’ timberland investments, enhance the long term returns from these investments and reduce client risk while protecting and enhancing environmental and social aspects of the lands we manage.

These objectives will be achieved through a commitment to perform leading-edge forest management and environmental stewardship and implement a land stewardship ethic that integrates the growing, managing, and harvesting of trees for useful products with the conservation of soil, air, and water quality; biological diversity; wildlife and aquatic habitat; and recreation, and aesthetics.”

HFM NZ within the Hancock Timber Resources Group supports the following stewardship principles:

- 1. Promote responsible environmental and social practices.*
- 2. Protect and enhance productivity.*
- 3. Maintain or enhance habitat diversity.*
- 4. Protect special sites.*
- 5. Maximize utilization of forest resources.*
- 6. Comply with all laws.*
- 7. Promote continuous improvement and sustainable forestry.*

The above stewardship principles provide guidance to HFM NZ on matters relating to the management of its New Zealand timberlands. They seek to maintain a balance between economic, social, and environmental considerations when making business decisions and are intended to be applicable and relevant to daily field operations. They are also intended to ensure commitment to Forest Stewardship Council (FSC) and to reassure the public that HTRG’s practices are sustainable.

1.4.2 Forest Composition

The HFM NZ forest estate is made up of predominantly radiata pine plantation forest with minor

planting of Eucalyptus and Douglas fir.

1.4.3 Silvicultural Systems

All harvested areas are planted within 12 to 18 months after harvesting. Prior to planting, the site is prepared to assist the seedling survival rate and promote early growth. This may involve spraying of weed species to remove competition for the plantation crop trees. In some areas mechanical land preparation, (windrowing and/or ripping and mounding) is carried out to improve site conditions for tree growth. Depending on the circumstances, these operations have the effects of improving root penetration, reducing the effects of frost or wet ground conditions or generally improving the quality of planting. Planting is generally carried out by hand at stockings of 833 stems per hectare for Radiata pine and at 1111 stems per hectare for Douglas fir.

Thinning of stands is undertaken early in the rotation, usually just on one occasion to the final crop stocking. The aim is to remove the smaller or poorer formed trees. On flatter land close to processing plants “production thinning” may be applied where the thinned stems are taken out of the stand and sold as pulp logs and sawlogs. Most thinning operations leave the thinned stems on the forest floor to decompose.

There are two main silvicultural regimes that have been used in the past: a “structural regime” where the stand is left unpruned, and a “clearwood regime” where the stand is pruned and the final crop stocking lower. Pruning involves the removal of lower branches from young trees and was practiced on the better growth sites. The objective of pruning is to produce clearwood on the butt-log to be used for applications where appearance is paramount, e.g. long length mouldings. Only Radiata is treated to the clearwood regime. Current policy is to complete the silviculture for any stands where pruning has commenced. All other stands are to be managed in the future to the structural regime, with a single thinning to a residual stocking of between 400 and 450 stems per hectare.

The HFM NZ estate comprises a wide range of soil types. Some of these soils are low in nutrients required for growing trees and require fertilisation to ensure optimum growth rates occur. Fertiliser is also used in some forests to correct mineral deficiencies and boost growth. Foliar sampling and soil sampling determine the type and amount of fertiliser required. Fertiliser application rates are significantly lower than other productive land uses such as pastoral agriculture when compared over the full life cycle of a forest. Fertiliser application is carried out in compliance with Regional Plan rules and the Code of Practice for Fertiliser Use; Plantation Forestry User Guide (2002) maintained by the New Zealand Fertiliser Manufacturers’ Research Association.

1.4.4 Management Systems

HFM NZ has a Head Office based in Tauranga, with operational management delegated to four regions, each with an Area Manager:

Northern (Whangarei)
Central (Tokoroa)
Eastern (Rotorua)
Southern (Nelson)

Forest operations are carried out by independent contractors according to prescriptions provided by HFM NZ permanent staff, who also supervise the contractors and carry out post-operation assessments and quality control. Management is intensive, with “in-place” stand-based inventory providing detailed data for computer-based management/decision support systems.

Planning and scheduling of silvicultural operations is determined through a Geographic Information System integrated with growth prediction, backed up by on-site visits and field assessment. Timing of a pruning operation is particularly critical, to ensure that the defect core is within acceptable bounds while minimizing any loss of growth due to green crown removal.

A comprehensive planning process determines how and when to harvest the wood resource in the estate. Planning for harvesting of the forest is developed from a 25 year woodflow plan that ensures over-cutting is avoided. HFM NZ aims to harvest its estate as close as possible to the optimum tree age for each stand or harvest area. A more detailed five year plan is then translated into annual harvest plans. This process involves balancing a range of factors including predicted forest growth, customer requirements (grade and volume), harvesting capacity, access, third party ownership requirements, clearfall catchment limits and other environmental constraints. The estate’s total woodflow is managed to be relatively stable over the long term, but there are regional fluctuations. Within bounds, it is possible to alter the harvest level to respond to fluctuations in market demand.

Areas of older growth exotic species and minor species do have some value in terms of forest biodiversity and are subject to separate classification in planning and management processes to ensure their genetic, scientific, historic, landscape and aesthetic values are taken into consideration. Other minor species generally occur as small areas surrounded by younger radiata pine age classes. This makes these areas effectively inaccessible until the surrounding crops are harvested. Consequently, small areas of other species will continue to contribute to the biodiversity of the forest for years to come.

1.4.5 Monitoring System

HFM NZ has a forest inventory policy integrated across all ownerships. Monitoring is detailed at the stand level and specific to the stage of development of the crop. Assessments are carried out at ages 10 and 20, and prior to an operation with the method tailored to the information required.

- Age10: provides the start point for young stand growth prediction, measuring the impact of site establishment and genetics.
- Production Thinning: one year prior to an operation to develop budget and prescription.

- Age 20: Stand based of moderate intensity to develop reliable yield tables by broad log product classes.
- Pre-harvest Assessment: undertaken close to harvest, at least within three years. It provides precise assessments of recoverable volume by log grade, with expected confidence intervals of total recoverable volume within $\pm 10\%$ of the mean.

HFM NZ measures Permanent Sample Plots (PSP's) and installs new monitoring PSP's at age 5 at the rate of 1 every 200 hectares. It (and previous owners) has been and continues to be part of research cooperatives and has numerous experimental PSP's installed as formal statistical designs. Some of these PSP's comprise a portion of the 33 plots established in 1933 and maintained at the same location in successive rotations in the vicinity of Tokoroa to monitor changes in site productivity (the remainder have been converted to pasture in recent years). A number of PSP's were also identified in the former FCF estate, (at the time of FCF management), for the purpose of sustainability monitoring. A small number of these remain in the Tiaki estate that is managed by HFM.

HFM NZ is committed to maintaining a high standard of environmental performance throughout its forest activities, with four specialist environmental / multiple use managers. All operations must comply with the HFM NZ Operations Prescription, Streamside Management Policies and Environmental Standards (Best Management Practices, BMP's) that include operational assessment practices. If necessary, a resource consent is obtained under the Resource Management Act 1991 or an Authority under the Historic Places Act 1993.

HFM NZ regularly conducts environmental audits of operations in their forests. High risk operations are audited periodically during the operation, and all operations are audited on completion, to confirm compliance with the HFM NZ work prescription, the Environmental Standards and any relevant regulatory and legal requirements. HFM NZ also undertakes periodic audits of their contractors systems to ensure documented systems and procedures are being followed and to identify improvement opportunities and environmental training needs. Regional Councils also conduct regular resource consent compliance monitoring and reporting. In addition, many neighbours and stakeholders (Department of Conservation staff, Fish and Game, local iwi, non-government environmental or recreational groups) informally monitor environmental performance. All environmental incidents are required to be reported. A "disputes and concerns" register is maintained.

HFM NZ forests lie within a number of Rural Fire Authority areas. The authorities coordinate the readiness and response of the forest industry to fires within the region. HFM NZ clients and contractors own an extensive array of fire fighting equipment, including fire engines. Staff, strategic alliances and contractors are trained and are available to respond to any fire emergency, which threatens the estate or adjoining land.

HFM NZ Forests are surveyed annually, as part of the NZ Forest Owners Association Forest Health Surveillance Scheme, to detect if any new pests or pathogens have established in them.

1.4.6 Estimate of Maximum Sustainable Yield

The estimate of long term sustainable yield at the current point in time is 4,100,000 m³/year.

1.4.7 Estimated Current and Projected Production

The planned production this year is

Radiata	3,656,000 m ³
Eucalypts	64,000 m ³
Other spp	117,000 m ³
Total	3,837,000 m ³

The estimate of long term sustainable yield at the current point in time is calculated from the net stocked area multiplied by the average mean annual increment (MAI) at harvest age of the stands being currently harvested, derived regionally for radiata pine only. As such it is a lower bound. It is however for the whole estate, some parts of which HFM NZ will only be harvesting the existing crop. For these areas, the stand will be returned to the owner who will choose how and who will carry out the future forest management of the subsequent trees.

It is expected that, due to past and committed improvements to silviculture and genetics, the average MAI will increase from a current mean of 20 m³/ha/year to at least 23 m³/ha/year for those trees already planted. At this level of MAI, the predicted long term sustainable harvest will rise to 4,800,000 m³/year. Because of an uneven age class distribution, the future woodflow varies through time. It is expected that the current level of potential harvest will rise to almost five million m³/year within five years, before decreasing due to the age class distribution, and further decreasing when some of the forest management rights revert to the landowner.

These calculations are made by the HFM NZ yield regulation system. They are based on areas and forest description maintained by the HFM NZ “Forest and Land” Geographic Information System, by yield tables produced from growth models constructed by New Zealand Research Cooperatives, integrated by the forest planning model “Woodstock”.

1.4.8 Chemical Pesticide Use

HFM NZ uses herbicides for the management of weeds in their forests. Herbicides are used during land preparation for planting and in the first three years after planting to control vigorous weed growth which can out compete and suppress young seedlings. Copper fungicide is used to control *Dothistroma pini*, a fungus that causes needle cast in conifers and affects a number of pine species in New Zealand including *Pinus radiata*, particularly in the first 15 years of growth. Animal pesticides are used primarily for possum control. Possums are an introduced pest which can cause significant damage to young stands of trees through browsing and bark stripping. They are a vector for bovine tuberculosis which affects cattle and deer in New Zealand and can potentially spread to humans.

HFM NZ has a commitment to minimise or where practical avoid the use of chemicals and to use the least hazardous formulations available for the operation. Strategies for chemical reduction include the use of oversowing with grasses to control weeds, spot spraying where practical instead of aerial spraying, development of Best Management Practices for weed control, contribution to industry research programmes and investigation and trialing of biological controls. As part of their strategy to reduce the use of 1080 in possum control, HFM NZ has implemented a subsidised trapping programme and is trialing an alternate animal pesticide, cholecalciferol.

To see the list of chemical pesticides used on the HFM NZ estate refer to Section 1.1. HFM NZ holds FSC Pesticide Derogation Approval for Terbutylazine, Hexazinone, Alpha-cypermethrin, 1080 and Sodium cyanide.

2.0 GUIDELINES/STANDARDS EMPLOYED

The SCS Interim Standard for New Zealand Plantation Forest Management Certification, June 2003, was used for the evaluation. The FSC endorsed national standard for New Zealand is still under development.

The SCS Interim standard was developed by modifying the SCS Generic Interim Standard to reflect management in New Zealand, incorporating relevant significant components of the then latest draft of the New Zealand national standard (2003) and modified further to reflect stakeholder comments following wide circulation. At least 30 days prior to this current HFM NZ 2008 evaluation, stakeholders were notified as to the audit and the availability of the SCS Interim Standard. No comments received.

The standard is available upon request from Scientific Certification Systems (www.scs-certified.com).

3.0 THE CERTIFICATION ASSESSMENT PROCESS

3.1 Assessment Dates

September 8th 2008.	Notification letter dispatched to stakeholders.
November 3rd 2008.	Opening meeting with key HFM NZ staff and interviews, Rotorua.
November 4th – 7th 2008.	Field audit. Sampled sites within Northern area, Woodhill forest, Nelson area and Central area.
November 10th – 28th.	Follow up interviews with staff, stakeholders and review of documentation. Audit team discussion and analysis.
December 1st 2008.	Closing meeting

3.2 Assessment Team

Dr. Chris Goulding, Team Leader, is a Principal Scientist at Scion, New Zealand Forest Research Institute Limited, with over 35 years professional forestry experience in applied research. For 16 years he managed the forest mensuration and management systems research before his present position. His most recent research consultancies include plantation management options, technical audits of forest planning systems and their information, resource inventory, harvest value recovery, and the development of a national carbon sequestration monitoring system. Dr. Goulding has conducted forest management and chain-of-custody certification evaluations for SCS in New Zealand and Australia. Countries of work experience include New Zealand, Australia, Canada, Fiji, Finland, Indonesia, Malawi, Turkey, United Kingdom, and United States.

Ms Brenda Baillie, (MSc) is an Environmental Scientist in the Sustainable Design Group at Scion. Her experience and background in the forest industry includes the supervision and management of forestry operations, workstudy officer, safety co-coordinator and safety auditor. She has been in the research area for 14 years focusing on the ecology land-use impacts and management of waterways and riparian areas. She has conducted FSC forest audits over the past six years.

Mr Tim Barnard, Scion, is a Science Leader and a chartered Environmental Planner with 18 years experience in policy analysis, planning, social research and environmental management in New Zealand and the United Kingdom. He has worked extensively on international criteria and indicator frameworks for sustainable forest management and has been a member of a number of FSC audit teams in New Zealand.

3.3 Assessment Process

3.3.1 Itinerary

3rd November 2008: Opening meeting with HFM NZ, Rotorua office. Audit team reviewed documentation, management systems and interviewed HFM NZ management staff, including Central and Eastern Area managers.

4th November 2008: Northern Area.

5th November 2008: Woodhill Forest.

6th November 2008: Southern Area.

7th November 2008: Kinleith Forest, Central Area.

10th November 2008: Interview with General Manager HFM NZ, Bill McCallum

10th -14th November 2008: Interviews, telephone conversations with stakeholders.

1 December 2008: Closing meeting.

3.3.2 Evaluation of Management System

The audit team evaluated the HFM NZ management systems by:

- Review of documentation provided by the company,
- Interviews with key company personnel, including the General manager and each Area manager,
- Examination of computer-based systems and /or their results
- Field visits across the company forest estate, sampling a broad range of forest conditions, selecting a random sample of operations, contractors and sites, plus several key sites of likely concern,
- Sample of external stakeholders by telephone, plus face to face interviews on request.

3.3.3 Selection of FMU's to Evaluate

The forest management operation undergoing certification consists of a single Forest Management Unit.

3.3.4 Sites Visited

4th November 2008: Opening meeting with HFM NZ Northern staff and manager. Field visit to Forest Protection Services (hand fertilising operation), Pakotai Landcare Inc. (boundary issues), and Grimmer 703 (harvesting operation).

5th November 2008: Overview of Woodhill Operations (multiple use management). Field visit to Tree Adventures and the Jeep Woodhill 4WD adventure park operation. Post-harvest inspection of Tombleson ground-based harvest operation at Lake Otatua.

6th November 2008: Field inspection of HFM NZ Southern operations. Field visit to MNK (post-planting spot spraying operation), Moutere 1 hauler operation in windthrow, tour of Hira Forest and Lee Valley to assess windthrow damage, environmental, safety and social impacts. Visit to Fraser logging ground-based harvesting operation and interview with harvest contractor Ross Wood on innovative steep country logging equipment and techniques. Interview Nelson Area manager.

7th November 2008: Field inspection of HFM NZ operations Kinleith Forest. Cross 15 road lining and skid site formation, Rouse Contracting limited, roading and skid site construction, and Sinton 14, hauler operation. Visit Big Tree Reserve (HCVF).

10th -14th November 2008: Interviews, telephone conversations with stakeholders.

Interviews with HFM NZ personnel, contractors, neighbours and stakeholders throughout the field visit.

3.3.5 Stakeholder Consultation

Pursuant to SCS protocols, consultations with key stakeholders were an integral component of the evaluation process. Consultation took place prior to, concurrent with, and following the field evaluation. The consultations had the following purposes:

To solicit input from key stakeholders as to the applicability of the SCS draft interim standard for New Zealand Plantation forest Management

To solicit input from affected parties as to the strengths and weaknesses of HFM NZ's management, relative to the standard, and the nature of the interaction between the company and the surrounding communities.

To solicit input on whether the forest management operation has consulted with stakeholders regarding identifying any high conservation value forests.

Stakeholders of relevance to this evaluation were identified based upon the stakeholder list from HFM NZ and additional stakeholder contacts from other sources. Over 350 letters soliciting comments were mailed in September, followed by telephone calls and E mails over the following two months. Several stakeholders requested face to face meetings, and these were accommodated during and after the field audit. Key stakeholders included, but were not limited to: company staff, contractors, joint venture business partners, local and regional government agencies, central government agencies such as Dept of Conservation, users of the forest, local Tangata Whenua (Maori, the indigenous people of New Zealand), environmental organisations, local community representatives and neighbours.

A number of stakeholders requested that their names and communication be held in confidence. Accordingly, to preserve this confidence, it is not possible to provide a detailed identification list as this would enable identification by default/omission.

A range of issues were identified during the consultation phase and subsequently during the field evaluation. It is not possible to outline every submission individually but key points and recurring themes are summarised below. All issues were considered and in several critical cases have resulted in the development of corrective actions or recommendations discussed in detail in section B and summarised in section A.

In general considering the scale of the estate the number of negative comments received was quite low, suggesting the management operations are well run. With some exceptions, stakeholder comments on HFM NZ management were positive, with some suggesting that there has been a significant improvement over previous management. This was especially true of current contractors when compared to the expansion audits of 2007.

The main recurring themes of those stakeholders with concerns that were raised during the audit arise from long standing issues inherited by HFM NZ when it purchased the forest management rights from previous owners.

Economic Concerns

Comment/Concern	Response
• In general, there were no concerns	

Social Concerns

Comment/Concern	Response
<ul style="list-style-type: none"> Concerns were raised during the audit from long standing issues with neighbours. These concerns increase in magnitude as the stands reach maturity and harvesting is to begin within a few years. Windblown trees, with collateral damage to neighbouring property and fences, are difficult to prevent and it is often difficult to repair damage as quickly as the neighbour would, quite rightly, wish especially when vehicle access will only be readily available following road-lining. 	<p>HFM NZ is required not only to be good neighbours, but also to be seen to be good neighbours.</p> <p>To address these concerns will require patience, frequent, clear communication and discussion.</p> <p>A more formally documented, company-wide, protocol is required when disputes are of long standing or are difficult to resolve. See comments on minor CAR 2008.1</p>
<ul style="list-style-type: none"> When there is disagreement between the other partners of a Joint Venture or lease agreement, for example within the iwi or hapu, HFM NZ are required to steer a diplomatic path between opposing views, while fully meeting their obligations under the terms of the joint venture or lease. 	<p>Again a more formally documented protocol is required, See comments on minor CAR 2008.1</p>

Environmental Concerns

Comment/Concern	Response
<ul style="list-style-type: none"> The “downstream” effects of logging on land adjacent to the harvest area, particularly where that land has conservation values, worries some stakeholders, perhaps more so when logging has yet to start and HFM NZ has not yet demonstrated their competence in that forest block. Stakeholders suggested that there was little factual scientific information for New Zealand conditions on what elsewhere are termed “adjacency 	<p>HFM NZ fully complies with the requirements of the RMA. However, it is recommended that HFM NZ document existing knowledge or develop research to demonstrate that the ecological impacts of operations on neighbouring, fragile ecosystems are not significantly negative, see comments on</p>

	Recommendation 2008.7
<ul style="list-style-type: none"> There were concerns about the sustainability of intensively managed plantations of radiata pine on some sites in New Zealand. 	Some stands are now on their third rotation and demonstrate an increase in timber volume productivity. HFM NZ has a network of long term (multiple rotations) site productivity sample plots initially established by previous owners of the forest. HFM NZ staff has proposals to implement a site productivity monitoring programme over the whole estate. See Recommendation 2008.6.

3.3.6 Total Time Spent on audit

A total of 24 person days were spent on the evaluation, including pre- and post the field audit.

3.4 Process of Determining Conformance

FSC accredited forest stewardship standards consist of a three-level hierarchy: Principle, Criteria that make up that principle, and then the Indicators that make up each criterion. Consistent with SCS Forest Conservation Program evaluation protocols, the team collectively determines whether or not the subject forest management operation is in conformance with every applicable indicator of the relevant forest stewardship standard. Each non-conformance must be evaluated to determine whether it constitutes a major or minor non-conformance at the level of the associated criterion or sub-criterion. Not all indicators are equally important, and there is no simple numerical formula to determine whether an operation is in non-conformance. The team uses their collective judgement to assess each criterion and determine if it is in conformance. If the forest management operation is determined to be in non-conformance at the criterion level, then at least one of the indicators must be in major non-conformance.

Corrective action requests (CAR's) are issued for every instance of non-conformance. Major non-conformances trigger major CAR's and minor non-conformances trigger minor CAR's

Interpretations of Major CAR's (Preconditions), Minor CARs and Recommendations

Major CARs/Preconditions: Major non-conformances, either alone or in combination with non-

conformances of other indicators, result (or are likely to result) in a fundamental failure to achieve the objectives of the relevant FSC Criterion given the uniqueness and fragility of each forest resource. These are corrective actions that must be resolved or closed out prior to award of the certificate. If major CAR's arise after an operation is certified, the timeframe for correcting these non-conformances is typically shorter than for minor CAR's. Certification is contingent on the certified operations response to the CAR within the stipulated time frame.

Minor CARs: These are corrective action requests in response to minor non-conformances, which are typically limited in scale or can be characterized as an unusual lapse in the system. Corrective actions must be closed out within a specified time period of award of the certificate.

Recommendations: These are suggestions that the audit team concludes would help the company move even further towards exemplary status. Action on the recommendations is voluntary and does not affect the maintenance of the certificate. Recommendations can be changed to CARs if performance with respect to the criterion triggering the recommendation falls into non-conformance.

4.0 RESULTS OF THE EVALUATION

4.1 Existing Corrective Action Requests and Recommendations

Following the annual audit of 2007, there were three minor Corrective Action Requests issued and 10 recommendations still current.

Minor CARs

CAR 2007.1 By the time of the next annual audit, HFM NZ implements a system to document and quantify the effectiveness of its chemical reduction strategy. *P&C 6.6*

Comment: HFM NZ has developed a chemical reduction strategy and provided a comprehensive analysis of current chemical use. Over time staff needs to quantify and analyse long-term trends in chemical use to determine the effectiveness of their chemical reduction strategy. **Close out** and replace with **CAR 2008.2**

CAR 2007.2: By the time of the next annual audit, the Northern Region upgrades its chemical data capture system to include the type and quantities of pesticides used in its estate. *P&C 6.6*

Comment: Northern Area has upgraded its chemical data capture system. **Close-out.**

CAR 2007.3 By the time of the next audit, HFM NZ

- a) identify the presence of any High Conservation Value Forests (HCVF) in the remainder of their forest estate acquired from CHH, through consultation with appropriate stakeholders and experts, and
- b) upgrade their Environmental Management Systems Manual planning and operational procedures to explicitly include the management of HCVF. *Principle 9*

Comment: HFM NZ has continued with the process of identifying the presence of HCVPs in their estate with input from independent ecologists and numerous stakeholders. However the process of assessment against the HCVP criterion D has not been completed comprehensively for the whole estate. HFM NZ now includes the management of HCVPs in its planning and operational procedures **Close-out** and replace with **CAR 2008.3**.

Recommendations current at December 2007.

Recommendation 2004.15 That HFM NZ incorporates the ecological value of logging slash on cutovers into their Best Management Practice (BMP) for management of waste from harvest operations. *P&C 5.3*.

Comment: BMP's included the management of logging slash for ecological values.

Close-out.

Recommendation 2004.18 Continue with the landscape planning project begun by FCF, but in more detail relevant to the HFM NZ estate, with a view to providing: a) HFM NZ harvest planners with guidelines for the spatial pattern and the visual impact of harvesting, and b) an operational plan for the forest landscape. *P&C 6*

Comment: although HFM NZ has a section on landscape planning in their EMS and a set of "Guidelines for managing visual impacts of operations", these are written at a high level and are quite general. New Zealanders are becoming more aware of visual landscape management issues, especially when clear-felling begins in a district without a history of its impact.

This recommendation is **continued**

Recommendation 2004.20 Current practice of restoration should be formalised into a brief policy and the restored areas documented, with particular reference to compliance with FSC Criterion 10.5.

Comment: HFM NZ is actively restoring areas to indigenous vegetation, but this is as a consequence of other objectives (preservation of stream and water quality, for example). The recommendation from 2004 suggested that a specific policy for restoration be formulated incorporating current activities.

This recommendation is **continued**.

Recommendation 2007.1 HFM NZ include references to publicly available documents, including their public management plan and FSC monitoring reports, on their local NZ website and a page on the NZ component of their company on Hancock's international website *P&C 7.4, 8.5*.

Comment: There is an increasing amount of information about HFM NZ and FSC on the HTRG website, <http://www.htrg.com> but this is in the form of "news" items, more readily found through a Google search than direct access from the site itself. There is no reference to the availability of the public forest estate management plan.

This recommendation is **continued**

Recommendation 2007.7 HFM NZ continues to review, verify, consolidate and up-date all stakeholder lists. *P&C 2.2*.

Comment: Stakeholder lists were comprehensively revised in 2008 in time for this evaluation.

Close out

Recommendation 2007.8 That HFM NZ reviews the feasibility of integrating the issues and disputes register, together with records of correspondence and contact with stakeholders, into the Land database for the whole forest estate. *P&C 2.3.*

Comment: This recommendation has been complied with, and issues and disputes and are now recorded in the Land database.

Close out

Recommendation 2007.9 By 31 March, some 16 months after the acquisition of CHH forests, HFM NZ should formally review its staffing levels and associated functions. *P&C 4, P&C 5.1.*

Comment: A review of staff workload and possible gaps in the organization was carried out mid year in conjunction with the annual personal performance reviews. As a consequence, several additional staff positions were created and filled, bringing the total number of staff positions including those on contract to 107.

Close out

Recommendation 2007.10 With the experience gained from the recent major changes to HFM NZ, review HFM NZ change management process to determine if there can be any improvements to consultation and communication with contractors in the future, when change is likely to occur. *P&C 4.*

Comment: In this 2008 field audit, the contractors who had expressed concerns about the HFM NZ change management process and a random sample of additional contractors were visited or contacted. With one exception, all were now quite positive and believed communication had improved over the year. It is important that change is communicated with clarity, is seen to be a fair process and there is opportunity for consultation and discussion on any proposals. See new recommendation 2008.XX, section 5.2.1.

Close out

Recommendation 2007.11 That HFM NZ upgrades their Environmental Management Systems Manual and planning and operational procedures to include large-scale, landscape level environmental impact assessments. *P&C 6.1.*

Close out

Recommendation 2007.12 Document HFM NZ's coordinated monitoring and assessment practices across all regions. *P&C 8.4*

Comment: This recommendation has been fully complied with.

Close out

4.2 Notable strengths and weaknesses

The table below contains the evaluation team's findings as to the strengths and weaknesses of the subject forest management operation relative to the FSC Principles of forest stewardship. The table also presents the Corrective Action Request (CAR) and Recommendations (Rec) numbers related to each principle.

Principle/Subject Area	Strengths Relative to the Standard	Weaknesses Relative to the Standard	CAR/REC #s
P1: FSC Commitment and Legal Compliance	<ul style="list-style-type: none"> ▪ Relevant laws and regulations were being respected with up-to date lists maintained ▪ A basic understanding of FSC P&C was widespread amongst stakeholders while staff appeared to have an excellent working knowledge of FSC requirements, with strong company support for the Principles and Criteria 	<ul style="list-style-type: none"> ▪ None noted 	
P2: Tenure & Use Rights & Responsibilities	<ul style="list-style-type: none"> ▪ HFM NZ has clear evidence of long term tenure and forest management rights. ▪ Customary rights are documented and observed, and records kept of any issues or disputes ▪ HFM NZ work with government and local iwi / hapu to settle tenure claims and use rights 	<ul style="list-style-type: none"> ▪ None noted 	

P3: Indigenous Peoples' Rights	<ul style="list-style-type: none"> ▪ HFM NZ has updated contact lists of Tāngata Whenua. ▪ Customary rights and uses are accommodated within management processes. ▪ Records of disputes are maintained. ▪ Sites of cultural importance are safeguarded and protected where known. ▪ HFM NZ initiates appropriate measures to ensure that sites and features of cultural importance are identified and considered in management operations. 	<ul style="list-style-type: none"> ▪ None noted 	
P4: Community Relations & Workers' Rights	<ul style="list-style-type: none"> ▪ HFM NZ offer opportunities to local residents for employment and services. ▪ HFM NZ has a very good safety programme in place and emphasise the health and safety of their staff and contractors, insisting on all contractors complying with good practice. ▪ HFM NZ has implemented safety initiatives to address logging transport safety issues in Northland and the additional hazards associated with windthrow harvesting operations. ▪ Training in Social Impact Assessment has been conducted and assessments carried out ▪ In general, HFM NZ staff has good relations with their communities, recognising legal and customary rights of locals. 	<ul style="list-style-type: none"> ▪ Some stakeholders/neighbours have long-standing disputes and grievances that HFM NZ has inherited on the purchase of the forest management rights. ▪ Safety performance in some areas of HFM NZ's estate is not as good as the better performing areas. 	<p>Minor CAR 2008.1</p> <p>Rec 2008.1 Rec 2008.2 Rec 2008.3</p>

P5: Benefits from the Forest	<ul style="list-style-type: none"> ▪ HFM NZ is fully viable financially, including bearing the full and necessary environmental and social costs of plantation forest management ▪ Log merchandising is multi-product, with a significant proportion of the harvest sold to local processing facilities ▪ In the near future HFM NZ have the opportunity to increase the levels of harvest and are very actively seeking to support the expansion of, or new, local processing facilities with contracted supply agreements ▪ Harvesting rates are below the long term sustainable yield of the forest estate. 	<ul style="list-style-type: none"> ▪ None noted 	
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P6: Environmental Impact	<ul style="list-style-type: none"> ▪ HFM NZ has an Environmental Management System to ensure that environmental assessments are incorporated in to planning and operational procedures. ▪ HFM NZ has identified and actively manages and protects rare, threatened and endangered species and their habitats. ▪ Guidelines are in place to minimize impacts of forest operations on soil and water values, indigenous vegetation and protected species and habitat. ▪ There is an effective system for capturing chemical use data, a chemical reduction strategy is in place and a comprehensive analysis of chemical use has been completed for the current year. 	<ul style="list-style-type: none"> ▪ HFM NZ has not collated and analysed all chemical data since the establishment of their organization to identify long-term trends in chemical use ▪ Landscape/visual assessments need to be completed for the HFM NZ estate and incorporated into harvest planning and operational procedures. ▪ Biodiversity, rare species and habitats are managed on a project basis. It would be desirable to document an overall Biodiversity Strategy to integrate company initiatives. 	<p>Minor CAR 2008.2</p> <p>Rec 2008.4 Rec 2008.5 Rec 2004.18</p>
P7: Management Plan	<ul style="list-style-type: none"> ▪ HFM NZ has state of the art computer-based planning and yield regulation procedures that are expertly used. ▪ Forest management plans and systems are comprehensive, integrated from the long term to the short term, up-to-date and detailed. ▪ A written summary forest management plan is publicly available ▪ Management planning is exemplary 	<ul style="list-style-type: none"> ▪ More use could be made of the internet to inform stakeholders of their publicly available information 	<p>Rec 2007.1</p>

P8: Monitoring & Assessment	<ul style="list-style-type: none"> ▪ HFM NZ utilises New Zealand best practices for monitoring and assessments that are documented in company-wide protocols. ▪ Forests are intensively monitored with a mixture of operational quality control assessments, mid-rotation and pre-harvest inventory and Permanent Sample Plots ▪ Over part of its forest estate, HFM NZ have a system of long-term productivity plots ▪ HFM NZ actively participates in New Zealand cooperative forest research. ▪ Chain of custody procedures are compliant with current FSC requirements ▪ Environmental monitoring and assessment of the indigenous vegetation is carried out on contract to supplement HFM NZ's environmental managers 	<ul style="list-style-type: none"> ▪ None noted 	Rec 2008.6
P9: Maintenance of High Conservation Value Forest	<ul style="list-style-type: none"> ▪ HFM NZ is implementing management plans for HCVF's identified so far on their estate 	<ul style="list-style-type: none"> ▪ HFM NZ need to complete the assessment of their estate for all HCVF criteria with particular reference to attribute d) in the definition of HCVF. 	Minor CAR 2008.3

P10: Plantations	<ul style="list-style-type: none"> ▪ Detailed plans are implemented in a hierarchical series of plans based on monitoring and mensuration data. There is an annual reserves management programme and HCVF management plans. ▪ Reserves and riparian zones are designed, mapped and managed. ▪ There is a large body of research and data supporting the overall suitability of Radiata pine for the estate and management regime, ▪ A proportion of the plantation area is converted back to indigenous vegetation as a matter of course during operations, ▪ There is a comprehensive forest health and fire prevention programme. 	<ul style="list-style-type: none"> ▪ Stakeholders comment that there is a lack of New Zealand scientific knowledge on the effects of forest operations on nearby areas, particularly on fragile flora and fauna, “adjacency issues”. ▪ There is no formal policy that documents the conversion of plantation back to indigenous vegetation. 	<p>Rec 2008.7</p> <p>Rec 2004.20</p>
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4.3 Preconditions

Preconditions are major Corrective Action Requests that are placed on a forest management operation after the initial evaluation and before the operation is certified. Certification cannot be awarded if open preconditions exist.

No preconditions were placed on HFM NZ.

5.0 CERTIFICATION DECISION

5.1 Certification Recommendation

As determined by the full and proper execution of the SCS *Forest Conservation Program* evaluation protocols, the evaluation team hereby recommends that Hancock Forest Management (New Zealand) Limited be awarded FSC certification as a “Well-Managed Forest” subject to the corrective action requests stated in Section 5.2. Hancock Forest Management (New Zealand) Limited has demonstrated that their system of management is capable of ensuring that all of the requirements of the SCS Draft Interim Standard for New Zealand Forest Plantation Management are met over the forest area covered by the scope of the evaluation. Hancock Forest Management (New Zealand) Limited has also demonstrated that the described system of management is being implemented consistently over the forest area covered by the scope of the certificate.

5.2 Corrective Action Requests

Observed Non-conformance	Some stakeholders/neighbours have long-standing disputes and grievances that HFM NZ has inherited on the purchase of the forest management rights. “Normal” issues are generally settled by operational staff, perhaps with recourse to the area manager. Where the issues are of long standing and are continuing, they are such as to require a company-wide strategy. There is no company-wide, high level, formally documented procedure for this situation.
CAR 2008.1	By the time of the 2009 audit, HFM NZ demonstrate progress in developing more formal mechanisms to resolve grievances with neighbours, particularly where these disputes are inherited through HFM NZ forest purchases and are of long standing.
Reference	P&C 4.5 Indicator 4
Due Date	2009 surveillance audit

Observed Non-conformance	HFM NZ provided a comprehensive report with a detailed analysis of current pesticide use on their estate and their strategy to reduce
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	their reliance on chemical pesticides is well documented. However, HFM NZ has not collated and analysed all chemical data since the establishment of their organization to identify long-term trends in chemical use and it is not possible to identify whether their strategy is effective.
CAR 2008.2	HFM NZ must use their chemical pesticide records to monitor long-term trends of chemical use on their estate with the specific goal of chemical reduction and provide this information to the auditors by the time of the next annual audit
Reference	P&C 6.6. Indicator 7
Due Date	2009 surveillance audit

Observed Non-conformance	HFM NZ has completed surveys of its estate for the presence of HCVF for most of the criteria defining HCVF. However they need to complete the assessment of all their estate against all criteria, with particular reference to criterion d) in the formal definition of HCVF.
CAR 2008.3	By the time of the 2009 audit, HFM NZ must complete an assessment of their estate in consultation with pertinent stakeholders to identify any remaining areas meeting the FSC definition of HCVF and define a process for on-going review of proposed new areas
Reference	P&C 9.1. Indicator 1.
Due Date	2009 surveillance audit

5.2.1 Recommendations

REC 2008.1	That HFM NZ extends the concept of the Northland Bush Banter to each of the areas in the remainder of their estate to enhance/facilitate/promote communication within the organisation.
Reference	<i>P&C 4.1</i>

REC 2008.2	That HFM NZ continues with its safety initiatives to ensure that its overall company safety performance aligns with its better performing areas.
Reference	<i>P&C 4.2</i>

REC 2008.3	That HFM NZ reviews its Social Impact Assessment (SIA) processes to ensure that all procedural steps are observed and recorded particularly with regard to the identification and evaluation of options; and that cumulative effects of successive SIAs are fully considered in decision-making.
Reference	<i>P&C 4.4</i>

REC 2008.4	That HFM NZ reviews the company biodiversity strategy for an overview of its forest estate addressing the conservation and
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	management of nationally and regionally threatened species and habitats. The strategy will include habitat action plans and species action plans.
Reference	<i>P&C 6.2</i>
REC 2008.5	Investigate electronically integrating existing, independently stored, data/reports of environmental attributes on polygons with the Forest and Lands GIS to enable direct access while using the GIS.
Reference	<i>P&C 6.3</i>
REC 2008.6	HFM NZ extends their existing network of monitoring sites, that investigate and demonstrate long term sustainability, to cover their company wide estate.
Reference	<i>P&C 8.2, 10.8 & 6.1</i>
REC 2008.7	HFM NZ document existing knowledge or develop research to demonstrate that ecological impacts on neighbouring, fragile ecosystems are not significantly negative, particularly during roading and logging operations.
Reference	<i>P&C 10.8 & 7.2</i>

The following recommendations were current following the previous audit and continue to be relevant with this. They were described earlier in section 4.1 and are listed here again for completeness.

Recommendation 2004.18 Continue with the landscape planning project begun by FCF, but in more detail relevant to the HFM NZ estate, with a view to providing: a) HFM NZ harvest planners with guidelines for the spatial pattern and the visual impact of harvesting, and b) an operational plan for the forest landscape. *P&C 6.1*

Recommendation 2004.20 Current practice of restoration should be formalised into a brief policy and the restored areas documented, with particular reference to compliance with FSC. *P&C 10.5*

Recommendation 2007.1 HFM NZ include references to publicly available documents, including their public management plan and FSC monitoring reports, on their local NZ website and a page on the NZ component of their company on Hancock's international website. *P&C 7.4*

6.0 SURVEILLANCE EVALUATIONS

Surveillance evaluations will take place at least annually to monitor the status of any open corrective action requests and review the continued conformance of HFM NZ to the SCS Draft Interim Standard for New Zealand Forest Plantation Management. Public summaries of surveillance evaluations will be posted separately on the SCS website (www.scs-certified.com).

6.1 2009 Annual Audit

6.1 2009 SURVEILLANCE DECISION AND PUBLIC RECORD

6.1.1 Assessment Dates

December 2 nd 2009.	Opening meeting with key HFM NZ staff and interviews, Rotorua.
December 3 rd – 11 th 2009.	Field audit. Sampled sites within Northern area and Eastern Bay of Plenty. Follow up interviews with staff, stakeholders and review of documentation. Audit team discussion and analysis.
December 14 th 2009.	Closing meeting

6.1.2 Assessment Team

Dr. Chris Goulding, Team Leader, is a Principal Scientist at Scion, New Zealand Forest Research Institute Limited, with over 37 years professional forestry experience in applied research. For 16 years he managed the forest mensuration and management systems research before his present position. His most recent research consultancies include plantation management options, technical audits of forest planning systems and their information, resource inventory, harvest value recovery, and the development of a national carbon sequestration monitoring system. Countries of work experience include New Zealand, Australia, Canada, Fiji, Finland, Indonesia, Malawi, Turkey, United Kingdom, and United States. Dr. Goulding has conducted forest management and chain-of-custody certification evaluations for SCS in New Zealand and Australia since 2000.

Mr Greg Steward is a Scientist at Scion, New Zealand Forest Research Institute Limited, with over 30 years experience in the research of New Zealand indigenous forests. He began his forestry career by being trained in forestry silvicultural operations before moving into forest research. His experience with indigenous forestry includes management of old-growth podocarp and *Agathis* forest, forest ecology, and establishment and management of native species in plantations. He is currently undertaking studies towards a Master of Forestry Science degree

6.1.3 Assessment Process

Besides reviewing the three existing CARs and previous Observations⁶, this surveillance audit focused on Principles 5, 7 and 8. The scope of the 2009 annual audit included: document review, a field trip to the forest operations with company staff, office interviews with management personnel and, as appropriate, interaction with outside stakeholders.

In addition, the field portion of the audit included detailed stakeholder discussions and visits to appropriate forests and operations concerning the Affected Parties Complaint by Ngatai Forest Action Group.

Field audit

Day 1: December 2nd, 2009:

- Opening meeting and discussion with HFM NZ staff: Bill McCallum, General Manager; Les Russell, Eastern Bay of Plenty Manager, Sally Strang, Environmental Manager. The status of the CARs and

⁶ In 2009 SCS ceased using the term Recommendation, and replaced it with Observation. The two terms have identical meaning, so the change is only semantic.

recommendations issued in 2008 were reviewed, along with the HFM NZ response to the complaint by the Ngaitai Forest Action Group.

- Review of HFM NZ documents and demonstration of systems.
- Reviewed Health and safety, High Conservation Value Forests and Chemical reduction strategy
- Review of Principles 5 and 7 with Kevin Cooney, Senior Planner.

Day 2: December 3rd, 2009:

- Met with affected parties of Torere forests in a round-table meeting, chaired by Wirangi Pera Chairman, Committee of Management, Torere 64, and in a meeting following with a shareholder who could not be present at that time. Committee of Management members for Torere 64, 65, Tunapahore 2B, and Rawea Lands Trusts, along with a representative from the Ngaitai Iwi Authority were present. The full list of participants is given in 2.5 “Stakeholder Comments” below
- Discussed conservation management in the region with Hemi Barsdell, Ranger, Department of Conservation, Opotiki Office

Day 3: December 4th, 2009:

- Met with Erueti Koopu, Chairman and Willy Ngamoki, Trustee Houpoto Te Pua, (Te Whanau-A-Apanui Omaio) to discuss their partnership with HFM NZ and opportunities for local employment provided by the forest sector.
- Field inspection of HFM NZ Eastern Bay of Plenty operations in Houpoto forest. Field visit to view environmental issues, replanting and logging.
 - Dale Gilbert and Geraldine Fitzgerald, M&M Harvesting Ltd, Maungawaru Logging Ltd at Harvest area 6391, Waipuna road to view their Thunderbird 255 cable harvesting system.
 - Frank Albert, director and contractor, Motu Logging, to view Thunderbird 355 cable harvesting system.
 - Harry Wilson (owner) and John van den Kerkhof, (Operations Manager) Wilson Bros. Earthmoving to discuss relations with HFM NZ and local employment.

Day 4: December 7th 2009:

- Met with HFM NZ staff: Rowan Struthers, Northern Area Manager, Peter Houston, Forestry Manager, Greg O’Grady, Harvesting and Distribution Manager, Ursula Buckingham, Environmental Planner, Whangarei. Discussed:
 - Operations
 - Health and safety (including the “share the road “ campaign)
 - Harvest volume increase
 - Random drug and alcohol testing of HFM NZ staff and contractors
 - Stakeholder relationships (including Pakotai Landcare Inc and Ngati-Hine Forestry Trust)
 - High Conservation Value Forest assessment
 - Northern Area Cultural survey
- Field visit to Northern Area stakeholders and operations
 - Pakotai Landcare Inc. Progress on relations with HFM NZ since last year on boundary issues, replanting and windblow.
 - Gammons forest block, Harvest area 3110740, Orchid Road to view Montana Logging, Mike Pomare, Director. Viewed cable harvesting operations with Hamish Owen, Montana Logging, Te Ariki Mataki 769 Foreman and Joseph Pomare, 770 Foreman. Discussed safety, environmental issues, logging productivity, working relations and encouragement for Maori businesses. Viewed documentation.
- Telephone interview with Kevin Ihaka, Forest Protection Services.

Day 5: December 8th 2009:

- Full day meeting with Garry Watson and Zoe Ellett, Chairman and Secretary, respectively, Nga Uri o Te Ngahere Trust and Nola Melrose, resident of Wainui Road and shareholder Torere 64 representing the Ngaitai Forest Action Group, including travel within Torere 64 forest block to view areas of critical concern.

December 9 -11th 2009:

- Review of HFM NZ documents and stakeholder consultation.
- Review Principle 8, Monitoring with Ian Jenkin, Inventory and Resources Manager.
- Final team synthesis and formulation of observations and corrective actions request

December 14th 2009:

- Exit presentation to Bill McCallum, General Manager HFM NZ and senior staff at the Rotorua office, with a telephone conference to Northland and Nelson regional offices.

6.1.4 Status of Corrective Action Requests and Observations

At the time of the December 2009 annual audit, there were 3 open Corrective Action Requests.

CAR 2008.1 (minor)	Reference: Indicator 4.5.4
By the time of the 2009 audit, HFM NZ demonstrate progress in developing more formal mechanisms to resolve grievances with neighbours, particularly where these disputes are inherited through HFM NZ forest purchases and are of long standing.	
Action Taken By Company/Auditor Comments	
<i>While there remain some ongoing long standing disputes, HFM NZ has shown significant movement to develop mechanisms to resolve them. A formal protocol has been written for those instances where a dispute has been unable to be resolved by local area staff. The listing of disputes will be helpful to assure that individual disputes are not forgotten..</i> <i>This CAR is achieved.</i>	
Position in the end of this audit: Closed Out	

CAR 2008.2 (minor)	Reference: Indicator 6.6.7
HFM NZ must use their chemical pesticide records to monitor long-term trends of chemical use on their estate with the specific goal of chemical reduction and provide this information to the auditors by the time of the next annual audit	
Action Taken By Company/Auditor Comments	
<i>HFM NZ staff provided derogation reports for sodium Monofluoroacetate (1080), Alphacypermethrin, and Terbutylazine & Hexazinone, as well as a number of HFM NZ reports on current chemical use, including one dated 2009. There appears to be a strong commitment to reduce the use of all chemicals, either for weed or for exotic animal (possum) control. The controlled ground-based operations for possums were discussed. These are yielding good results, as well as providing local employment and income opportunities from pelts and fur. Oversowing on appropriate sites, and critical timing of spray operations, is allowing reductions in derogated and other chemicals for weed control. This is contributing to better growth of trees and a reduction in operational costs while meeting obligations of weed control to meet Regional and neighbor commitments.</i> <i>This CAR is achieved.</i>	
Position in the end of this audit: Closed Out	

CAR 2008.3 (minor)	Reference: Indicator 9.1.1
By the time of the 2009 audit, HFM NZ must complete an assessment of their estate in consultation with pertinent stakeholders to identify any remaining areas meeting the FSC definition of HCVF and define a process for on-going review of proposed new areas	
Action Taken By Company/Auditor Comments	
<i>A number of files identifying designated HCVF areas were sighted. Interviews indicated an obvious ongoing commitment to this process with new areas to be considered for HCVF status being continually identified by Iwi, staff and contractors, with emphasis over the last year on those likely to possess attribute d)</i> <i>This CAR is achieved</i>	
Position in the end of this audit: Closed Out	

OBS 2004.18	Reference: Indicator 6.1.1
Continue with the landscape planning project begun by FCF, but in more detail relevant to the HFM NZ estate, with a view to providing: a) HFM NZ harvest planners with guidelines for the spatial pattern and the visual impact of harvesting, and b) an operational plan for the forest landscape.	
Action Taken By Company/Auditor Comments	
<i>HFM NZ have reviewed and updated their procedures landscape planning procedures. While the audit team believes this issue will be of increasing importance to New Zealand in the years to come, HFM NZ comply with NZ standard practice and hence close this observation.</i>	
Position in the end of this audit: Closed Out	
OBS 2004.20	Reference: Indicator 10.5.4
Current practice of restoration should be formalised into a brief policy and the restored areas documented, with particular reference to compliance with FSC.	
Action Taken By Company/Auditor Comments	
<i>HFM NZ converts harvested areas to indigenous vegetation during their on-going operations, particularly with regards to waterways that did not have adequate riparian-strip protection, or with areas that are difficult to harvest. However this practice is not formalized into a brief but specific policy that clearly meets P&C 10.5. This observation is therefore retained and will receive attention at the next audit.</i>	
Position in the end of this audit: RETAIN	
OBS 2007.1	Reference: Indicator 7.4.1
HFM NZ include references to publicly available documents, including their public management plan and FSC monitoring reports, on their local NZ website and a page on the NZ component of their company on Hancock's international website.	
Action Taken By Company/Auditor Comments	
<i>HFM NZ have indicated that they do not intend to maintain their own web-site in the near future. However, the observation that references to publicly available documents be made more visible is still valid. Hence the existing observation is closed out and replaced.</i>	
Position in the end of this audit: Close Out but REWORD	
OBS 2009.1 HFM NZ include references to publicly available documents, including their public management plan and FSC monitoring reports, within an appropriate component or page of the HTRG international website.	
OBS 2008.1	Reference: Indicator 4.1
That HFM NZ extends the concept of the Northland Bush Banter to each of the areas in the remainder of their estate to enhance/facilitate/promote communication within the organisation.	
Action Taken By Company/Auditor Comments	
<i>Newsletters from each of the regions were viewed. This observation has been fully complied with.</i>	
Position in the end of this audit: Closed Out	
OBS 2008.2	Reference: Indicator 4.2.1

That HFM NZ continues with its safety initiatives to ensure that its overall company safety performance aligns with its better performing areas.
Action Taken By Company/Auditor Comments
<i>A review of the company's safety initiatives during 2009 indicates that this observation has been fully complied with. The introduction of random alcohol and drug testing to include all HFM NZ staff (up to and including the CEO) and contractors is widely supported</i>
Position in the end of this audit: Closed Out

OBS 2008.3	Reference: Indicator 4.4.1
That HFM NZ reviews its Social Impact Assessment (SIA) processes to ensure that all procedural steps are observed and recorded particularly with regard to the identification and evaluation of options and that cumulative effects of successive SIAs are fully considered in decision-making.	
Action Taken By Company/Auditor Comments	
<i>No review of HFM NZ SIA procedures has been carried out in response to this observation first made in 2009. Such a review is even more desirable in 2010 than it was previously</i>	
Position in the end of this audit: RETAIN	

OBS 2008.4	Reference: Indicator 6.2.1
That HFM NZ reviews the company biodiversity strategy for an overview of its forest estate addressing the conservation and management of nationally and regionally threatened species and habitats. The strategy will include habitat action plans and species action plans.	
Action Taken By Company/Auditor Comments	
<i>No review of the NZ company biodiversity strategy that would present an overview of its forest estate has been carried out in response to this observation. Such a review is even more desirable in 2010.</i>	
Position in the end of this audit: RETAIN	

OBS 2008.5	Reference: Criterion 6.3
Investigate electronically integrating existing, independently stored, data/reports of environmental attributes on polygons with the Forest and Lands GIS to enable direct access while using the GIS.	
Action Taken By Company/Auditor Comments	
<i>HFM NZ has determined that their existing system of maintaining references within the GIS to reports stored independently is adequate, rather than implementing a more close integration. This observation is therefore complied with.</i>	
Position in the end of this audit: Closed Out	

OBS 2008.6	Reference: Criteria 6.1,8.2,10.8
HFM NZ extends their existing network of monitoring sites that investigate and demonstrate long term sustainability to cover their company wide estate.	

Action Taken By Company/Auditor Comments
<i>There has been no action on this observation. However, HFM NZ is part of a national initiative to devise a system that will monitor forest health and productivity across the country. Until this system is implemented HFM NZ should continue to maintain its own network and be prepared to integrate with any new system.</i>
Position in the end of this audit: RETAIN

OBS 2008.7	Reference: Indicator 7.2,10.8
HFM NZ document existing knowledge or develop research to demonstrate that ecological impacts on neighbouring, fragile ecosystems are not significantly negative, particularly during roading and logging operations.	
Action Taken By Company/Auditor Comments	
<i>This observation is ongoing and is thus maintained, but required re-wording.</i>	
Position in the end of this audit: Close Out but REWORD	
OBS 2009.2 HFM NZ document existing knowledge or develop research that determines the ecological impacts of operations (particularly roading and logging) on neighbouring, fragile ecosystems	

6.1.5 General Observations

Affected Parties Complaint between Ngaitai Forestry Action Group, Torere and Hancock Forest Management (NZ) Ltd (August 24th 2009)

Background

The Ngaitai Forestry Action Group (NFAG), the “affected party” of the complaint, is composed of some of the shareholders of Torere Section 64 Incorporated. Torere forest comprises one main block and several smaller adjacent blocks for a total of 2,005 ha of Radiata pine plantations plus 1,804 ha of reserves. The complaint alleges 10 failures, the last of which is more properly directed at the manner in which SCS and its subcontractor conducted the 2008 audit. The complaint alleges that HFM NZ breached 22 of the evaluation criteria and requests that “*the FSC Certificate for this company be withheld until the matter is resolved*”.

Within the complaint, but very clearly an issue in its own right, is the objection to the use for logging trucks of Wainui road when harvesting at Torere forest is to begin in the near future. The road is the only current public road access to the forest. This issue is supported by a petition from 5 of the 22 households bordering the road, plus others outside of the district who claim to use the road.

The Torere community consists of some 200 people, part of the Ngaitai Iwi, the smallest Iwi in NZ. The Torere forest land is owned communally by beneficial owners or shareholders of trusts registered with the Maori Land Court, each of whom owns shares or part shares. They elect a Committee of Management (COM); currently the chairman of Torere 64 trust is Wirangi Pera. This COM coordinates with Ngaitai Iwi Authority on matters of mutual interest.

HFM NZ own the plantation forest management and harvesting rights to Torere forest following the purchase by HFM NZ of forests and forestry rights from Carter Holt Harvey in 2006. HFM NZ responded in writing to the complaint on September 10, 2009. Included in the response is a description of the block and the terms of its lease. Harvesting has yet to start; it was scheduled to begin in 2010 but with the agreement of the COM has been postponed to at least 2011. There have been no silvicultural tending operations in the forest since the last thinning to waste, some 10 to 15 years ago. The landowners receive annual rental and a percentage of the net stumpage at time of harvesting. They retain the hunting and recreational rights, and have the rights to control access to anyone other than those directly involved with HFM NZ management.

In the complaint, NFAG mentions the management of the neighbouring Houpoto forest, where logging by HFM NZ has been underway for several years. This block, several km further along the coast, is on land leased from the Houpoto Te Pua Trust, whose COM is chaired by Erueti Koopu. The trust shareholders are Te Whanau-A-Apanui.

Actions Taken by SCS and the Auditors

Prior to the field visits in the 2009 surveillance audit, SCS initiated its Complaints and Appeals Process, communicated with NFAG and HFM NZ and obtained supporting information. A suggestion from SCS to HFM NZ and NFAG that the review of the complaint be placed on hold until “either party concludes that the new dialogue between NFAG and HFM NZ is not going to resolve the underlying issues” was rejected by GM Watson. Accordingly, interviews with and visits were made with/to:

1. Garry Watson and Zoe Elliott, Chairman and Secretary, respectively, Nga Uri o te Ngahere Trust and Nola Melrose, shareholders in Torere 64 representing the Ngaitai Forest Action Group. This visit included travel within Torere 64 forest block to view areas of critical concern.
2. Committee of Management and shareholders of Torere 64 with Committee of Management members for Torere 65, Tunapohore 2B, and Rawea Lands Trusts, and with a representative from Ngaitai Iwi Authority
3. The chairman and a trustee of Houpoto Te Pua Trust, Te Whanau-A-Apanui
4. HFM NZ operations and contractors in Houpoto forest
5. HFM NZ managers and staff.

The full list of stakeholders consulted is given in Section 2.6 and the visits listed in the detailed itinerary in section 2.3.

Discussion

Not all the residents of Wainui road oppose logging truck traffic, but the five households that do are adamant. Some 10 to 20 truck movements per day for the next eight to ten years will be a nuisance to those who live along what is now a very quiet rural road with only one exit.

Torere forest contains areas of designated High Conservation Value Forest and areas of high ecological value. Since the forest was planted, the undisturbed nature, the absence of cattle and the active pest control has allowed native flora and fauna to re-introduce themselves. There are rare and endangered species in the forest,

particularly in the 47% of the forest held as reserves but also in the pines themselves that could be endangered by poor harvesting practice. Stream water quality is now high. The steep terrain, soils and geology of the land are such as to be susceptible to run-off and erosion when harvesting occurs.

Garry Watson is chairman of Nga Uri o Te Ngahere Trust, devoted to ecological research and restoration, with the trust's centre based at his home adjacent to the forest. He suggests that the forest could become an "ecological icon" and an example of multiple use management. He suggested that substantial revenue could be earned from environmental research, alternative education programmes and the like, based on the use of Torere forest's unique attributes.

Participants at the meetings with the COM Torere stated that their relations with HFM NZ were excellent. They have a monthly meeting to discuss management issues, at which HFM NZ are invited to and do attend. They have concerns about the level of financial returns, recognizing the current state of the international economy. They are concerned that there will be some adverse effects from clearfelling, particularly run-off immediately following logging. They wish that monitoring be carried out of soil deposition in the river and in the sea. Perhaps the major issue is the opportunity for employment for those members of their Hapu who live locally. Otherwise, they accept the harvesting plan and on behalf of the Hapu, look forward to the expected revenue as their share of the net returns.

The chairman and trustees of Houpoto Te Pua Trust represent the interests of the landowners of the nearby Houpoto forest. They expressed concern about the effects of logging by HFM NZ in Houpoto forest, but were happy with the mitigation processes HFM NZ employed. They recognized that engineering works and cable logging cause some damage but that this was minimized as far as possible, given that the trust also had a share in the net returns from the harvest. They believe that parts of the forest should not have been planted in the first place, but both themselves and HFM NZ must deal with the issue now, then look at new replanting boundaries. Of great concern was the issue of employment for locals, particularly for the opportunities for their Hapu to gain employment and create small business from the forestry activities on their land. HFM NZ performance in this aspect will be the critical yardstick of their approval. They stressed that this employment was not for Maori in general or even for local neighbours, but for their Hapu on their own land.

Felling operations at Houpoto forest commenced in 2003/4. The terrain is steeply dissected, with easily eroded soil. Two cable logging operations were viewed. The two contractors are locals; one is Tangata Whenua. They rated HFM NZ and the area manager, Les Russell, very highly. Harry Wilson of Wilson Bros Earthmovers Ltd, the HFM NZ engineering contractor based in Opotoki, is Tangata Whenua, but is not of the local Hapu of Houpoto Forest. He felt that favouring businesses on a strict Hapu basis was too restrictive, discriminatory and ultimately not efficient nor stable over the longer term.

HFM NZ acquired the problems and issues of the Eastern Bay of Plenty plantations when it purchased Carter Holt Harvey forests. The leases were signed and afforestation in the 1980's carried out with good intentions with much of the area of degraded, unprofitable pasture. By today's standards, some areas were planted too close to waterways or on too steep a hillside. It is necessary for both financial and ecological reasons that the pines are harvested. Radiata pine is a pioneer species, moderately fast growing and the stands are close to maturity, tall and will be increasingly vulnerable to windblow.

Throughout the audit process it was evident that there is a major, long-standing conflict between Garry Watson on the one hand and the Committee of Management of the Torere 64 block along with the Ngaitai Iwi authority on the other. It was also clear that the Chairman and Trustee of Houpoto Te Pua Trust were unhappy that Garry Watson had visited their land and quoted about activities on it without their permission. It is not the duty of the audit team, SCS or FSC to attempt to mediate or resolve the underlying issues. To do so would be to meddle and, ultimately, violate indigenous people's rights. Regardless of any allegations concerning the committee and

its legitimacy, it is necessary that HFM NZ work directly with the currently elected members of the committees of management of the forest trusts.

Summary of Allegations by Ngaitai Forestry Action Group

HFM NZ have:

1. failed to adequately consult with parties affected by their management decisions,

SCS Findings: HFM NZ meet regularly with the Torere COM. There are many e-mails and meetings (prior and subsequent to the complaint) between Garry Watson and HFM NZ staff, as well as between HFM NZ and local communities throughout all the areas where HFM NZ manage forests. The documentary evidence is quite clear that HFM NZ are actively engaging in consultation with local communities and with the committee of management of Torere 64 COM. This level of consultative effort compares favourably with New Zealand norms.

2. failed to address social, cultural and ecological impacts those decisions have had, and will have, on our community,

SCS Findings: As harvesting is yet to start, there are, as yet, no impacts from HFM NZ logging operations except in so far as the discussions and plans are causing concern. As a consequence of these concerns, the harvesting start-up has been postponed while discussions continue.

3. failed to adequately protect the rare, threatened or endangered species which reside in Torere 64 and its surrounding environs,

SCS Findings: There is no evidence that HFM NZ failed to protect rare, threatened or endangered species. Indeed HFM NZ has tangibly supported pest control efforts that are often necessary to protect NZ endangered species and that were carried out by Garry Watson and that the Ngaitai Forest Trust claim, (with justification), to have been extremely successful.

4. failed to establish adequate monitoring on sedimentation and the ecological impacts production forestry has on the biodiversity of our ecosystems

SCS Findings: HFM NZ has supported New Zealand research efforts into the impact production forestry has on biodiversity through membership of the NZ forestry environment committee and Future Forest Research. (see, for example, articles in “Biodiversity and Conservation”, special issue 2008, 17 (5)). It carries out sediment monitoring of its logging operations elsewhere. However, with the sensitive nature of this forest and the imminent start-up of logging, HFM NZ need to plan how it will monitor impacts (and put these plans into effect), including pre-harvest environmental monitoring to establish benchmarks.

5. failed to adequately respond to our complaints and disputes, or formally register them within their company

SCS Findings: The complaints were formally registered in the HFM NZ disputes data base. “Adequately respond” is not an objective standard that can be readily verified, but it is clear that HFM NZ have spent considerable time in discussion with Nga Uri o te Ngahere Trust since acquiring the management of the forest and are in dialogue about the complaint, including the wider stakeholder community.

6. failed to mitigate risks to our community and our local flora and fauna in the planned use of chemical sprays

SCS Findings: HFM NZ cannot plan mitigation or put this into effect until there are operational plans for spraying. As with HFM NZ standard practice, this will occur once operations commence. In company operations elsewhere in New Zealand, HFM NZ fully complies with the Principles and Criteria in this regard and with New Zealand environmental regulations and procedures.

7. failed to adequately register or protect areas of recognised high conservation value [HCVF] within the forest, wetlands and rivers of Torere 64,

SCS Findings: The process of registering HCVF involves consultation with a wide number of stakeholders. Not all candidate areas will meet the HCVF standard, even though these areas are environmentally and/or culturally significant locally. HFM NZ has already registered one area of Torere forest as HCVF, and is actively going through the evaluation process for others, having surveyed the whole forest. This complaint is therefore premature.

8. failed to adequately control the spread of introduced pests within the forest

SCS Findings: HFM NZ has supported Nga Uri o te Ngahere Trust pest control operations and their success has been acknowledged (see point 3 above)

9. failed to provide adequate training and employment opportunities in the operation and management of the forest,

SCS Findings: There are no operations within the forest, hence at the present time no employment opportunities. However, the concern that employment opportunities be provided for local Hapu within their tribal lands was expressed by all stakeholders consulted. It was emphasized that one of the key reasons for the leases was to provide local employment and a means for Tangata Whenua to better themselves. HFM NZ need to show how they will meet this objective and demonstrate that they are succeeding.

10. failed to conduct an FSC Audit in our region.

SCS Findings: This complaint is more properly directed at the way SCS and its subcontractor conducted the 2008 audit. HFM NZ's do not have the authority to conduct an FSC audit. Pursuant with FSC procedures for auditing, SCS conducts audits on an objective sample basis and SCS does not necessarily visit each region annually. Bay of Plenty area was last visited in the surveillance audit of 2007 but the sample did not include an on-site review of Torere 64. The 2009 audit did include an on-site assessment of Torere 64, neighbouring Houputo forest and discussions with stakeholders about the planned harvest.

Observations Specific to the Complaint

SCS recognizes that the commencement of harvesting in an area that has not had logging for over 30 years will have impacts on the land, the forest, and on the flora and fauna within the forest and its surrounds. These impacts create real costs for individuals and communities. But the standards of certification under FSC do not require that responsible forest managers never take actions that have adverse environmental or social impact. Rather, the expectation is that managers of certified forests demonstrate an awareness and sensitivity that such impacts are to occur and that managers endeavor to take reasonable actions and care aimed at minimizing and mitigating those impacts. It is premature to assess the allegations related to HFM NZ's failure to mitigate social and environmental impacts of the planned harvest in Torere 64. The harvest is not scheduled to occur until 2011. SCS finds HFM NZ to be actively working to assess potential impacts.

By this general metric, the audit team concludes that HFM NZ's actions remain consistent with the FSC Principles and Criteria and any deficiencies are not sufficient to warrant the withdrawal of their certificate as requested in the formal complaint. Nonetheless, continued attention by HFM NZ to the underlying issues is warranted.

SCS views the formal complaint as an "alert" to HFM NZ. Torere 64 appears to be a microcosm both of the difficulties and of the opportunities for integrated, multiple use plantation/indigenous forest management in this region.

Though the findings resulting from SCS' inquiry into the complaint do not warrant the stipulation of Corrective Action Requests directed to Hancock Forest Management (NZ) Ltd., additional/follow-up attention to the underlying issues is merited. It is both logical and efficient to evaluate such follow-up in the context of the 2010 annual audit of the HFM NZ certification, due to take place in the fourth quarter of 2010. This attention is memorialized in a formal Observation 2009.4, with the detail given here.

The 2010 audit team should carefully assess HFM NZ responses:

- to the roading issues, by HFM NZ: .
 1. revisiting the suggested alternative roading routes – discussing the Oroi track in particular
 2. continuing to talk to affected parties both formally in groups and individually
 3. preparing concrete plans for mitigation
- to environmental monitoring, by HFM NZ:
 4. preparing an environmental monitoring plan including pre-harvesting monitoring to establish benchmarks
- to the opportunities for alternative forest management, by HFM NZ
 5. examining the benefits to HFM NZ and to the beneficial land owners
 6. retiring some areas from plantation following harvesting, where this is desirable and agreed upon by all parties.
- to the impact of their management on this small community, by HFM NZ
 7. carrying out a formal Social Impact Assessment,
- to Observations made in Sections 2.4 and 2.7 that are of likely relevance to this issue, particularly OBS 2008.3, (Social Impact Assessment processes), OBS2008.4 (company biodiversity strategy) and OBS 2009.2 (ecological impacts of operations on neighbouring ecosystems).

6.1.6 Stakeholder Comments

Those stakeholders interviewed were extremely positive about HFM NZ, with the exception of the Ngaitai Forestry Action Group (NFAG) as the affected parties of the complaint discussed above, and with the exception of the stakeholders in Pakotai Landcare Inc. Several contractors stated that their current working relationships with HFM NZ were the best of their experience. This included some contractors who in earlier audits expressed concern when HFM NZ first took over the management of the forests where they were active. The relatively flat management structure and the high level of delegated authority within HFM NZ are paying dividends in terms of stakeholder/contractor appreciation of the company's management.

The members of Pakotai Landcare Inc continue to be concerned about boundary issues which HFM NZ inherited by their purchase of Carter Holt Harvey Forests. These issues include damage to fences and how close some trees are to streams. The issues are mainly due to trees toppling as the trees mature and can only be resolved through adequate discussion and consultation followed by prompt, agreed upon action as they arise, with appropriate set-backs and Riparian zones for replanting following harvesting.

The "share-the-road" initiative won the 2009 National Road Safety Award.

The implementation of a policy for random drug and alcohol testing policy for HFM NZ staff and contractors has been well received.

Person interviewed	Position/Organization
<i>HFM NZ</i>	
Bill McCallum	General Manager
Rowan Struthers	Northern Area Manager
Les Russell	Eastern Bay of Plenty Area Manager
Kevin Cooney	Senior Planner
Ian Jenkin	Inventory and Resources Manager
Dave Lowry	Technical Forestry Manager
Sally Strang	Environment Manager,
Ron Reid	Forest Manager
Robin Black	Environmental Planner
Hugh Ford	Land Manager
Carolyn Jackson	Land Manager
Mike Baker	Technical Forester
Michael Elix	Forest Engineer
Simon Papps	Planning Analyst
Marcel Van Westbrook	Health and Safety Coordinator
Greg O'Grady	Harvesting and Distribution Manager
Ursula Buckingham	Environmental Planner
Peter Houston	Forest Manager

Person interviewed	Position/Organization
<i>Stakeholders</i>	
Wirangi Pera	Chairman, Committee of Management, Torere 64
Rangi Davis	Committee of Management, Tunapahore 2B
Gail Hamilton	Committee of Management, Torere 64 and 65, Rawea Lands Trust
John Hata	Committee of Management, Torere 64
Dave Langley	Committee of Management, Tunapahore 2B
Hotu Mio	Committee of Management, Torere 64
Kitta Mio	Committee of Management, Torere 64
Tina Peters	Committee of Management, Torere 64 and 65
James Tai	Committee of Management, Torere 65
Carlene Davis	Ngaitai Iwi Authority
Hemi Barsdell	Department of Conservation, Opotiki Office
Professor Bruce Clarkson	University of Waikato
Erueti Koopu	Chairman, Houpoto Te Pua Trust
Willy Ngamoki	Trustee, Houpoto Te Pua Trust
Dale Gilbert	M&M Harvesting Ltd
Geraldine Fitzgerald	M&M Harvesting Ltd
Frank Albert	Motu logging Ltd
Harry Wilson	Wilson Bros. Earthmover Ltd
John van der Kerkhof	Wilson Bros. Earthmover Ltd
Garry Watson	Chairman, Nga Uri o Te Ngahere Trust
Zoe Ellett	Secretary, Nga Uri o Te Ngahere Trust
Nola Melrose	Shareholder Torere 64
Kelly Black	Pakotai Landcare Inc
Rod Macdonald	Pakotai Landcare Inc
Bruce Alexander	Pakotai Landcare Inc
Kevin Ihaka	Forest Protection Services
Mike Pomare	Director, Montana Logging
Hamish Owen	Montana Logging
Te Ariki Mataki	Foreman, Montana Logging
Joseph Pomare	Foreman, Montana Logging

6.1.7 New Corrective Action Requests and Observations

No new Corrective Action requests were issued.

Observations:

Four new Observations were made. Observations 2009.1 and 2009.2 are rewrites of existing observations as described earlier in the report. Observations 2009.3 and 2009.4 are is detailed here.

Background/Justification: In stakeholder interviews, employment for local workers, and in particular of Tangata Whenua belonging to Hapu who had leased their land for plantation forests, was found to be a key concern. HFM NZ needs to know accurately and be able to show that they are complying with this key objective of the landowners. Northern Area, anticipating this issue, has already conducted a survey to satisfy this requirement and a similar initiative should be carried out more formally across all the company, along with procedures defined to maintain the currency of the information.	
Obs 2009.3	Acquire and maintain information as to the affiliations of HFM NZ workers, including those employed by contractors, in a way that is accessible throughout the company
Reference	<i>FSC Indicator 4.1.2</i>

Background/Justification: Note should be taken of the responses expected of the company to the underlying issues raised by the Affected Parties Complaint from the Ngaitai Forestry Action Group, as described in 2.5 above.	
Obs 2009.4	HFM are expected to pay additional/follow up attention to the issues of the forest management of the Eastern Bay of Plenty, continuing with dialogue with shareholders of Torere 64 and with the wider stakeholder community.

6.1.8 General Conclusions of the Annual Audit

Based upon information gathered through site visits, interviews, and document reviews, the SCS audit team concludes that HFM NZ's management of its forest estate in New Zealand continues to be in strong overall compliance with the FSC Principles and Criteria. While there remain aspects of the management program that could be improved to better comply with or exceed the standard of certification, the SCS audit team has concluded from this annual audit that HFM NZ's forest management program is in conformance with FSC Principles 1 through 10. As such, continuation of the certification is warranted subject to subsequent annual audits.

7.0 SCS COMPLAINT AND APPEAL INVESTIGATION PROCEDURES

The following is a summary of the SCS Complaint and Appeal Investigation Procedures, the full versions of the procedures are available from SCS upon request. The SCS Complaint and Appeal Investigation Procedures are designed for and available to any individual or organization that perceives a stake in the affairs of the SCS Forest Conservation Program and that/who has reason to question either the actions of SCS itself or the actions of a SCS certificate holder.

A **complaint** is a written expression of dissatisfaction, other than **appeal**, by any person or organization, to a certification body, relating to the activities of staff of the SCS Forest Conservation Program and/or representatives of a company or entity holding either a forest management (FM) or chain-of-custody (CoC) certificate issued by SCS and duly endorsed by FSC, where a response is expected (ISO/IEC 17011:2004 (E)). The SCS Complaint Investigation Procedure functions as a first-stage mechanism for resolving complaints and avoiding the need to involve FSC.

An “**appeal**” is a request by a certificate holder or a certification applicant for formal reconsideration of any adverse decision made by the certification body related to its desired certification status. A certificate holder or applicant may formally lodge an appeal with SCS against any adverse certification decision taken by SCS, within thirty (30) days after notification of the decision.

The written Complaint or Appeal must:

- Identify and provide contact information for the complainant or appellant
- Clearly identify the basis of the aggrieved action (date, place, nature of action) and which parties or individuals are associated with the action
- Explain how the action is alleged to violate an SCS or FSC requirement, being as specific as possible with respect to the applicable SCS or FSC requirement
- In the case of complaints against the actions of a certificate holder, rather than SCS itself, the complainant must also describe efforts taken to resolve the matter directly with the certificate holder
- Propose what actions would, in the opinion of the complainant or appellant, rectify the matter.

Written complaints and appeals should be submitted to:

Dr. Robert J. Hrubes
Senior Vice-President
Scientific Certification Systems
2200 Powell Street, Suite 725
Emeryville, California, USA94608
Email: rhrubes@scscertified.com

As detailed in the *SCS-FCP Certification Manual*, investigation of the complaint or appeal will be confidentially conducted in a timely manner. As appropriate, corrective and preventive action and resolution of any deficiencies found in products or services shall be taken and documented.