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Forest Management Controlled Wood Surveillance Audit 2013 Report for:

Gunns Limited
in
Tasmania, Western Australia and
Green Triangle

Certificate:	RA-CW/FM-005365 issued on 7 March 2011 type: multiple FMU
Auditors:	Addis Tsehaye Anita Neveille Malory Weston Lincoln Kern
Audit Dates:	13 - 20 June, 2013
Report Finalized:	25 September 2013
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*This report is based on following standard(s):
FSC-STD-30-010 (version 2-0, approved 4th October, 2006)*

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1. INTRODUCTION

This report presents the findings of an independent evaluation conducted by a team of specialists representing the SmartWood Program of the Rainforest Alliance. The purpose of the evaluation was to evaluate the ability of the company to supply controlled wood as defined by the Forest Stewardship Council (FSC) in the *FSC standard for forest management enterprises supplying non FSC-certified controlled wood (FSC-STD-30-010, version 2-0)*. The intent of this standard is to allow forest management enterprises to supply FSC Controlled Wood to FSC chain-of-custody certified operations for mixing with FSC certified materials in production of FSC mixed products.

Compliance with the specified controlled wood standard allows forest management enterprises (FME) to provide evidence that the wood they supply has been controlled to avoid wood from the five controversial categories defined by FSC. Controversial categories include wood that is: 1) illegally harvested, 2) harvested in violation of traditional and civil rights, 3) harvested in forest management units in which high conservation values are threatened by management activities, 4) harvested in areas in which forests are being converted to plantations or non-forest use or 5) harvested from forests in which genetically modified trees are planted. FSC-STD-30-010 provides the basic requirements at the forest management unit level to demonstrate that wood from the FME's forest area(s) is controlled. Products from verified controlled sources can be used by manufacturers mixing FSC-certified wood and controlled wood.

This report contains three main sections and several appendixes. The main part of the report will become publicly available and may be distributed by SmartWood or the Forest Stewardship Council (FSC) to interested parties. All the appendixes are confidential, to be reviewed only by authorized SmartWood and FSC staff and reviewers bound by confidentiality agreements.

2. AUDIT CONCLUSIONS

2.1. Auditor Recommendation

Controlled Wood Category	Conformance
1. Illegally harvested wood	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
2. Wood harvested in violation of traditional and civil rights	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
3. Wood harvested from forest areas where high conservation values are threatened by forest management activities	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
4. Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non- forest uses	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
5. Wood harvested from genetically modified trees	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

	Based on Company's conformance with SmartWood/FSC requirements, the auditor makes the following recommendation:
<input checked="" type="checkbox"/>	<i>FSC Controlled Wood Certificate approved:</i> No CARs issued
<input type="checkbox"/>	<i>Certification not approved:</i> Conformance with Major CAR(s) required
FME's management system, if implemented as described, is capable of ensuring conformance with all the requirements of the FSC Controlled Wood standard over the whole forest area covered by the scope of the evaluation	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Comments: FME has developed a management system that addresses the requirements of FSC-STD-30-010. The management system includes manuals, policies, procedures, and management plans that were presented for evaluation during the Audit visit.	
The FME has demonstrated, subject to correction of the identified non-conformances, that their management system is being consistently implemented over the whole forest area covered by the scope of the certificate.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Comments: FME has demonstrated that the management system is being effectively implemented within its Tasmania, Western Australia and Green Triangle FMUs.	
Issues have been identified during the evaluation as controversial or hard to evaluate.	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Comments: No issue was raised during the audit by any of the stakeholders contacted.	

2.2. Corrective Action Requests

None

2.3. Observations

Note: Observations are issued for areas that the auditor sees the potential for improvement in implementing standard requirements or in the quality system; observations may lead to direct non-conformances if not addressed.

OBS 01/13	Reference Standard & Requirement: FSC FM-CW-STD-30-010, v2.0: 1.3
Description of findings leading to observation On one of the harvest sites visited by the Audit Team, a contractor's first aid kit was apparently out-of-date (it had no expiry date) and was lacking saline solution.	
Observation: Gunns should ensure that contractors have the required training to carry out supervision of first aid kits including expiry dates and replacement of used items.	

OBS 02/13	Reference Standard & Requirement: FSC FM-CW-STD-30-010, v2.0: Annex 2; 5.2
Description of findings leading to observation: Gunns Ltd reported that they are already sharing relevant biodiversity data with other organizations doing regional conservation planning or government, such as Gondwana Link Pty Ltd in Western Australia and DPIPWE in Tasmania, to add to data in central or shared databases and GIS systems and this ensures to have a broad biodiversity data and management processes. Conservation planning by other organizations and flora and fauna databases maintained by state governments in Australia are necessary for an FME to access so that they can assess and address risks to the HCVs they have responsibility to inventory and protect. By contributing relevant data Gunns Ltd can contribute to improving the management of HCVs across all tenures and further enhancing the information resource they use to guide their ongoing obligation and efforts to assess, protect and manage HCVs on their estate. However, Gunns does not have a clear policy about Sharing biodiversity data with appropriate non-profits and government databases as part of the larger effort to collect information and improve management of indigenous flora and fauna, habitat and HCVs across all land tenures.	
Observation: Gunns Ltd should develop clear policy and procedures that supports sharing of appropriate biodiversity information as a means to contribute to larger information sources and to facilitate the protection and management of HCVs on their estate.	

OBS 03/13	Reference Standard & Requirement: FSC FM-CW-STD-30-010, v2.0: 5.2c
Description of findings leading to observation: There was no evidence provided of an overarching policy to address invasive plant risks in the FMUs and integrated assessment of the overall invasive plant threats across each FMU with a planned and documented approach to managing and prioritizing the possible threats. The invasive plant mapping and control work they already implement is substantial but potentially could be better targeted and supported by clearer policy and procedures.	

Observation:

Gunns Ltd should consider refining or developing clearer policy and processes across the entire company and within each FMU for maintaining and effectively targeting efforts including mapping and control works to address the threats posed by invasive plants to HCVs.

2.4. Actions Taken by Company after the audit and prior to report finalization

Not applicable

3. AUDIT PROCESS

3.1. Audit schedule/Itinerary

Location	Date(s)	Activities
Gunns WA Regional Office, Albany.	13/05/13	<ul style="list-style-type: none"> • Opening meeting • Overview and management system presentation by WA Regional Office • Evaluation of conformance for Observations from the 2011 Scope change audit; • Evaluation FME's management system against FSC-STD-30-010, version 2-0) • Stakeholders public meeting
Various sites within WA FMU	14/05/13	Field visits covering: <ul style="list-style-type: none"> • Plantation management • Management of HCVs and reserves • Silvicultural operation • Harvesting, chip processing and wood chip transport
Gunns Head office, Launceston	17/05/13	<ul style="list-style-type: none"> • Opening meeting • Overview and management system presentation by FME • Evaluation FME's management system against FSC-STD-30-010, version 2-0) • Staff interview • Stakeholders public meeting
Various sites within Tasmania FMU – Launceston and travel to Burnie	18/05/13	Field visits covering: <ul style="list-style-type: none"> • Plantation management • Management of HCVs and reserves • Silvicultural operation • Harvesting, log and chip processing and transportation • Stakeholders public meeting - Burnie
Various sites within Tasmania FMU – Bunie	19/05/13	Field visits covering: <ul style="list-style-type: none"> • Plantation management • Management of HCVs and reserves

		<ul style="list-style-type: none"> • Silvicultural operation • Harvesting, log and chip processing and transportation
Gunns Head office, Launceston	20/05/13	<ul style="list-style-type: none"> • Document review, staff interview and stakeholders consultation • Final wrap up • Closing meeting • Audit team departure
<p>Total number of person days used for the audit:20, of this 0.5 person days for pre-evaluation and preparation 15.5 person days for document and record review and field inspection 4.0 person days for stakeholder consultation</p>		

3.2. Audit team and qualifications

Name	Qualifications	Role / Audit Focus
Addis Tsehaye	<ul style="list-style-type: none"> • Has PhD and F.For.Sc (Distinction) Degrees from the University of Canterbury, New Zealand and a B.Sc (Honors) Degree from the University of Wales, UK. • Is currently working as Forestry Field Officer and Auditor with a New Zealand Government Enterprise organization,ASUREQuality Ltd. He is a professional forester and specialist in wood products processing industries with over 25 years of experience in the field. • Has completed ISO 2200 Lead Auditor Training in 2007 and ISO 9001 Lead Auditor Training in 20011 has been an Auditor and Lead Auditor with Rainforest Alliance for several FM/COC audits in New Zealand since 2008. He has also been involved in a number of FM Assessments and audits in Australia since January 2011. 	Lead Auditor
Anita Neville	<ul style="list-style-type: none"> • Has Bachelor of Arts majoring in Journalism • Australian representative for the Rainforest Alliance based in Melbourne. Previously European Communications Co-ordinator for the Rainforest Alliance based in London. • Twenty years media relations, crisis communications, stakeholder relations and political lobbying experience • Experience in the not-for-profit and governmental sectors in Australia and the United Kingdom, specializing in sustainable development and environment issues • Successful negotiator of NGO and corporate partnerships including WWF-UK and HSBC, Rainforest Alliance and Costa Coffee, Rainforest Alliance and Unilever. Experience in establishing new enterprises 	Auditor

	<ul style="list-style-type: none"> Recently successfully completed the Rainforest Alliance FSC Lead Auditor Training (Feb 2012). 	
Malory Weston	<ul style="list-style-type: none"> MSc (Melb 1988) and BSc (Hons) (Canterbury NZ 1982) majoring in botany, aquatic and terrestrial ecology; Graduate Diploma in Editing and Publishing (RMIT 2002) and Professional Diploma in Human Resources (CSU 2000) Twenty years experience in natural resource management including various roles with universities of Melbourne and Ballarat including lecturing (environmental and catchment management, protected area management, aquatic and terrestrial ecology), science communications and human resources; North Central Catchment Management Authority as a catchment manager; and EWR Consulting NRM consultancies with Australian Heritage Commission, Australian Nature Conservation Agency and Victorian National Parks Association Currently working with Kilter Pty Ltd to deliver biodiversity and agroforestry outcomes for the Future Farming Landscapes program in northern Victoria. Completed Rainforest Alliance's Lead Auditor Training in February 2012 and Sustainable Agriculture Network Chain of Custody training in January 2013; this is Malory's eleventh FSC assessment. 	Auditor
Lincoln Kern	<ul style="list-style-type: none"> Has completed a BA in Biology and Environmental Science in 1986 at Antioch College in Yellow Springs Ohio USA and a Graduate Diploma in Environmental Management from Deakin University in Victoria in 1998. He also has training in bushland regeneration and bushfire risk management. Currently works as an ecological consultant with Practical Ecology Pty Ltd based in Melbourne Victoria and has since 1993 and has developed a thorough understanding of land use planning, land management and native vegetation in Victoria. He also worked as an environmental planner for Wellington Shire in Gippsland in 1998 and became familiar with the Strzlecki Plantations of HVP through that work. Also, worked on food retailer certification programs in the early 1990's Lincoln has completed the Lead Auditor Training conducted by Rainforest Alliance in February 2012. Since then has participated in a number of FM/COC and COC audits in Australia. 	Environment Specialist

3.3. Audit detail

<p>Overview of Inspection and sampling method used:</p>	<p>During the preliminary opening meeting in Albany the Western Australian, Regional Manager presented an overview of the management system. Following the opening meeting, the audit team was supplied with various documents for review. The audit team spent half day in the Albany office going through these documents covering various aspects of the management system, stakeholder consultation and evaluation of the conformance for Observations raised during the 2012 audit.</p> <p>During the formal opening meeting at the Gunns Head Office in Launceston, Tasmania the audit team presented an outline of audit objectives and timeframes and the audit plan was accepted by the FME management. The Management Representative and the Tasmanian Regional Manager presented an overview of the organisational activities including changes in the past twelve months. The audit team spent one day in the Head Office reviewing relevant documents and interviewing senior management and operation managers.</p> <p>The audit team spent 4.5 days in the field focusing on areas of operations that were relevant to compliance with FSC-STD-30-010 both in WA and Tasmania. Three open public meetings with affected/interested community members were held during the course of the audit. Of these one was held in Albany, WA and two were held in Launceston and Burnie in Tasmania.</p> <p>The closing meeting was held at the Gunns Head Office in Launceston. During the closing meeting a formal debriefing of preliminary findings including observations were presented.</p>
<p>FMUs selected for evaluation and rationale for selection.</p>	<p>Evaluation of documentation on the company's Controlled Wood management system covered the three FMUs: Western Australia, Green Triangle and the Tasmania FMUs. The field audit covered only the Western Australian and the Tasmanian FMUs.</p>
<p>Approach to evaluation of management system:</p>	<p>The management system was evaluated by initially examining policies, manuals and procedures in compliance with FSC-STD-30-010 presented in the office. Implementation of procedures and monitoring approaches were examined in the field.</p>
<p>Additional techniques used for evaluation (e.g. flyover):</p>	<p>The techniques applied were as described above.</p>

4. STAKEHOLDER CONSULTATION

4.1. Stakeholder consultation process

The purpose of the stakeholder consultation for this evaluation was to ensure that the public is aware of and informed about the assessment process and its objectives and to assist the Rainforest Alliance audit team in identifying potential issues in relation to the operations conformance with the Controlled Wood standard.

The table below summarizes the extent of the stakeholder consultation for this Controlled Wood assessment process.

Stakeholder Type Contacted	Stakeholders consulted directly or provided input (#)
NGOs	10
Neighbours	4
Local Government	1
Local Community members	8
Govt agency	1
Contractors	8
Forestry Industry	5
Indigenous Groups	2

Description of the stakeholder consultation activities and methods

Rainforest Alliance developed a tailored stakeholder notification for this audit given the receivership/liquidation status of Gunns Ltd. In consultation with the client, key stakeholders were identified for specific one-to-one email contact by the local Rainforest Alliance Representative (via email) prior to the general stakeholder notification being issued by the Asia Pacific Regional Office to an extensive stakeholder list (5734 contacts) provided by the FME and the Rainforest Alliance Australian Stakeholder list.

Public Meetings were scheduled in Albany (13 June), Launceston (17 June) and Burnie (18 June) and multiple notifications via email and phone were issued regarding these opportunities. Two stakeholders attended the Albany meeting; there were no attendees in Launceston and two in Burnie. Three Tasmanian stakeholders requested individual meetings with audit team members.

A random sample of stakeholders in Western Australia and Tasmania were selected and phoned by the audit team. Further input was received via email as a result of the notifications issued. Input was reviewed and has been captured, where relevant to the standard against which Gunns Ltd is being audited.

4.2. Stakeholder comments received

The stakeholder consultation was organized to give stakeholders opportunity to comment the activities of the FME in relation to the five controlled wood categories. The table below summarizes the issues presented by the stakeholders and the response of the assessment team to each comment.

CW Category	Stakeholder comment	RA response
1. Illegally harvested wood	Multiple stakeholders perceive the current harvesting operation activities by Gunns as illegal. They questioned how Gunns could be continuing with certification, or with harvesting operations, given that the company is in Receivership & Liquidation.	<ul style="list-style-type: none"> • Gunns Ltd's forestry operations have previously been certified as meeting the FSC's FM Controlled Wood standard. Under this standard a Forest Management Enterprise (FME) in receivership and liquidation is not precluded from holding valid certificates as long as the FME continues to meet the requirements of the standard. • The annual surveillance audit is a requirement of the standard. The audit team has examined on-the-ground practices to ensure Gunns Ltd meets the requirements of the Controlled Wood standard. Evidence was collected with regards the legal rights Gunns has to harvest timber – logging operations are being undertaken in Tasmania for example. In addition Rainforest Alliance has ongoing contact with Korda Mentha the Receiver Managers for Gunns Ltd. Korda Mentha have provided clarification and guidance as to the various legal processes being undertaken as part of managing the Gunns Ltd assets.
2. Wood harvested in violation of traditional and civil rights	No comments received.	Not applicable
3. Wood harvested from forest areas where high conservation values are threatened by forest management activities	a) Stakeholder raised concerns about the health of plantation trees on Pipers River Road and the HCVs adjacent to these plantation coupes	a) The audit team visited the site with Jim Wilson, Willem Mulder and Stephen Clarke. Trees on the outer edge have been heavily impacted by caterpillar. Willem Mulder reported that for the past two seasons the plantation has been sprayed to try and reduce the impact of infestation, however the window for spraying was missed this season due to slow financial approval linked to receivership – note this was early in receivership and Gunns staff

	<p>b). Threatened Plants Tasmania (TPT), a Tasmanian Wildcare Inc. group, commented that they have been working in collaboration with Gunns staff Ltd at Ridgley. Over a period of five years TPT have been collaborating with Gunns staff in monitoring populations of three threatened orchid species: tailed spider-orchid (<i>Caladenia caudata</i>) and robust fingers (<i>Caladenia tonellii</i>) at Henry Somerset Conservation Area (HSCA); and the crowded leek-orchid (<i>Prasophyllum crebriflorum</i>) at Westwing Plain on the Surrey Hills Estate. Both of these properties are owned by Gunns Ltd. TPT have also conducted a comprehensive survey for new populations of the crowded leek-orchid in other grasslands at Surrey Hills and nearby Forestry Tasmania land, plus surveyed for all other known threatened plant species at Surrey Hills</p> <p>(c). Two NGOs representatives who attended the open public meeting in Albany, WA on the 13th of May 2013 commented positively as follows:</p> <ul style="list-style-type: none"> • Gunns Ltd “followed appropriate processes”, made “valuable contributions to South Coast natural resources management (NRM) on behalf of plantation companies” • Gunns Ltd initiated a “big step up” in encouraging plantation companies to cooperate with Gondwana Link on regional conservation planning and had seen no evidence of impacts on native vegetation 	<p>reported securing approval for essential maintenance has improved in terms of timeliness. HCVs - Euc Ovata & Fauna (eg quoll and bandicoot) are the listed HCVs on the GIS dataset and have been verified on the site. These HCVs sit outside the plantation boundary. No spraying is permitted on HCVs</p> <p>b) Audit team members visited the Henry Somerset Conservation Area and met with James Dick and Peter Tonelli. The project is a good example of collaborative working.</p> <p>c) No RA response was required.</p>
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	<p>around plantations. Also, stated that plantation development had significantly improved remnant vegetation management and improved water quality in local catchments and conversions back to agricultural land after plantations were complete might reverse those gains.</p>	
<p>4. Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses</p>	<p>No comments received.</p>	<p>Not applicable</p>
<p>5. Wood harvested from genetically modified trees</p>	<p>Stakeholders raised concerns that Gunns Pty Ltd had patents for and were using genetically modified trees – e.nitens and/or e.globulus in their plantations.</p>	<p>Through the review of documentation including a search of the website of the Australian Government Office of the Gene Technology Regulator (Department of Health and Ageing; www.ogtr.gov.au) including the relevant tables, i.e. Table of applications and licenses for Dealings involving Intentional Release (DIR) into the environment; Table of Intentional Release License Applications under Evaluation the audit team confirmed that Gunns is not using any genetically modified material in their operations.</p>
<p>6. FME's stakeholder consultation process</p>	<p>Some contractors spoken to in WA mentioned the lack of communication regarding the receivership and liquidation situation.</p>	<p>The audit team verified information related to receivership and liquidation is managed by the Receiver Managers, not by Gunns staff.</p>