

FSC FOREST MANAGEMENT AND CONTROLLED WOOD PRELIMINARY ASSESSMENT REPORT

VicForests

State Forests Under its Management

State of Victoria, Australia

Level 7, Bourke Street, Melbourne, VIC 3000

www.vicforests.com.au

DATE OF FIELD AUDIT

September 29 through October 3, 2013

DATE OF REPORT

June 13, 2014

SCS Contact:

Brendan Grady | Director
Forest Management Certification
+1.510.452.8000
bgrady@scsglobalservices.com

SCSglobal
SERVICES

Setting the standard for sustainability™

2000 Powell Street, Ste. 600, Emeryville, CA 94608 USA
+1.510.452.8000 main | +1.510.452.8001 fax
www.SCSglobalServices.com

Table of Contents

1. GENERAL INFORMATION	3
1.1 Name and Contact Information.....	3
1.2 Proposed Scope of Forest Management Certificate.....	3
1.3 Forest Management Enterprise (FME).....	3
1.4 Areas Outside of the Proposed Scope of Certification (Partial Certification and Excision)	7
1.5 Social Information.....	7
1.6 Pesticide and Other Chemical Use.....	7
1.7 Standards Used.....	8
2. PRE-ASSESSMENT PROCESS	8
2.1 Introduction.....	8
2.2 Assessment Schedule and Team.....	9
3. STAKEHOLDER CONSULTATION PROCESS.....	11
3.1 Summary of Stakeholder Comments	12
3.2 Stakeholders Consulted	16
4. PRE-ASSESSMENT RESULTS.....	16
4.1 Notable Strengths and Weaknesses of the FME Relative to the FSC P&C.	17
4.2 Gap Analysis to FSC Forest Management Standard.....	20
4.3 Gap Analysis - FSC Controlled Wood Standard.....	24

1. General Information

1.1 Name and Contact Information

Organization name	VicForests		
Address	Level 7, 473 Bourke Street	Telephone	+61 3 9608 9500
	Melbourne	Fax	+61 3 9608 9566
	Vic 3000	Website	www.vicforests.com.au

1.2 Proposed Scope of Forest Management Certificate

1.2.1 Proposed Scope of Certificate

Certificate Type	<input checked="" type="checkbox"/> Single FMU	<input type="checkbox"/> Multiple FMU
	<input type="checkbox"/> Group	
SLIMF (if applicable)	<input type="checkbox"/> Small SLIMF certificate	<input type="checkbox"/> Low intensity SLIMF certificate
	<input type="checkbox"/> Group SLIMF certificate	
# Group Members (if applicable)		
Number of FMU's in scope of certificate	1	
Geographic location of non-SLIMF FMU(s)	<i>Latitude & Longitude:</i>	
Forest zone	<input type="checkbox"/> Boreal	<input checked="" type="checkbox"/> Temperate
	<input type="checkbox"/> Subtropical	<input type="checkbox"/> Tropical
Total forest area in scope of certificate which is: Units: <input checked="" type="checkbox"/> ha or <input type="checkbox"/> ac		
privately managed	0	
state managed	1,855,000	
community managed	0	
Number of FMUs in scope that are:		
less than 100 ha in area	100 - 1000 ha in area	
1000 - 10 000 ha in area	more than 10 000 ha in area	1
Total forest area in scope of certificate which is included in FMUs that: Units: <input type="checkbox"/> ha or <input type="checkbox"/> ac		
are less than 100 ha in area	0	
are between 100 ha and 1000 ha in area	0	
meet the eligibility criteria as <i>low intensity</i> SLIMF FMUs	0	
Division of FMUs into manageable units:		

1.3 Forest Management Enterprise (FME)

1.3.1 Production Forests

Timber Forest Products	Units: <input checked="" type="checkbox"/> ha or <input type="checkbox"/> ac
Total area of production forest (i.e. forest from which timber may be	491,000

harvested)	
Area of production forest classified as 'plantation'	0
Area of production forest regenerated primarily by replanting or by a combination of replanting and coppicing of the planted stems	0
Area of production forest regenerated primarily by natural regeneration, or by a combination of natural regeneration and coppicing of the naturally regenerated stems	491,000
Silvicultural system(s)	Area under type of management
Even-aged management	134,000
Clearcut (clearcut size range 4 - 50 hectares)	
Shelterwood	
Other:	
Uneven-aged management	357,000
Individual tree selection	
Group selection	
Other:	
<input type="checkbox"/> Other (e.g. nursery, recreation area, windbreak, bamboo, silvo-pastoral system, agro-forestry system, etc.)	
The sustainable rate of harvest (usually Annual Allowable Harvest or AAH where available) of commercial timber (m ³ of round wood)	This is based on allocated area rather than AAH volumes refer to section 4.4.1 of the FMP
Non-timber Forest Products (NTFPs)	
Area of forest protected from commercial harvesting of timber and managed primarily for the production of NTFPs or services	
Other areas managed for NTFPs or services	
Approximate annual commercial production of non-timber forest products included in the scope of the certificate, by product type	
Explanation of the assumptions and reference to the data source upon which AAH and NTFP harvest rates estimates are based:	
<p>The Minister for Environment provides VicForests with an Allocation Order that is published in the Government Gazette. The Allocation Order allocates areas of State forest to VicForests for the purpose of harvesting and selling timber resources. The Allocation Order is for a period of 15 years (divided into three 5-year periods) and may be varied and/or extended. The Allocation order describes:</p> <ul style="list-style-type: none"> ■ The location of forests to which VicForests has access. ■ The forests stands to which VicForests has access. ■ The location and extent of those forest stands ■ The maximum area available for timber harvesting in each five year period of the Allocation Order. ■ Any additional activities that VicForests is permitted to undertake. ■ The conditions with which VicForests must comply in carrying out its functions under the Allocation Order. <p>On the making of the Allocation Order, VicForests must carry out its functions in accordance with that Order. The The Gippsland Forest Apiary Plan covers over 4.1 million hectares of State forest.</p>	

Species in scope of joint FM/COC certificate: <i>Scientific / Latin Name</i> and Common / Trade Name)
<i>Eucalyptus regnans</i> -mountain ash <i>E. delegatensis</i> -alpine ash <i>E. nitens</i> -shining gum <i>E. sieberi</i> -silver top ash <i>E. obliqua</i> -messmate <i>E. fastigata</i> - cut-tail Plus more than 10 other minor species.

1.3.2 Proposed FSC Product Classification

Timber products		
Product Level 1	Product Level 2	Species
W1	W1.1 Roundwood (logs)	Alpine Ash, Mountain Ash, mixed species
Non-Timber Forest Products		
Product Level 1	Product Level 2	Product Level 3 and Species
N9 Food	N 9.8 Honey	Mixed species

1.3.3 Conservation Areas

Total area of forest and non-forest land protected from commercial harvesting of timber and managed primarily for conservation objectives		~270,000 hectares		
High Conservation Value Forest / Areas				
High Conservation Values present and respective areas:			Units: <input checked="" type="checkbox"/> ha or <input type="checkbox"/> ac	
	Code	HCV Type	Description & Location	Area
<input checked="" type="checkbox"/>	HCV1	Forests or areas containing globally, regionally or nationally significant concentrations of biodiversity values (e.g. endemism, endangered species, refugia).	<i>HCV 1.1 Protected Areas</i> <u>DEPI Formal Reserve System – Parks, Conservation Reserves and Special Protection Zones:</u> Forest Areas described as either Reserves or Special Protection Zones (SPZ) that sit within or adjacent to VicForests’ FMU and are considered to represent significant concentrations of biodiversity values including some HCVs. <i>HCV 1.2 Threaten species</i> <u>Leadbeaters Possum</u> <u>Long-Footed Potoroo</u> <u>Spot-Tailed Quoll</u> <u>Smoky Mouse</u>	Yet to be developed
<input checked="" type="checkbox"/>	HCV2	Forests or areas containing globally, regionally or nationally significant large	<i>Wilderness Areas:</i> <u>Old Growth Forests and Giant or</u>	Yet to be developed

		landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance.	<p><u>Tall Trees</u></p> <p>- Old Growth forest is forest which contains significant amounts of its oldest growth stage in the upper stratum – usually senescing trees – and has been subjected to any disturbance, the effect of which is now negligible.</p> <p>As Old-Growth is a structural definition of forests at a particular point in their growth cycle there is necessarily a range of views as to how it is best described and determined on the ground. VicForests applies practical measures to determine and hence manage old-growth forests and particular elements of old-growth forest across the Available Resource Area.</p> <p>Individual live Ash trees originating prior to 1900 and those assessed to be particularly tall (>85m) or ‘giant’ (>4m Diameter) are considered to inhibit old-growth characteristics worth protecting.</p>	
<input checked="" type="checkbox"/>	HCV3	Forests or areas that are in or contain rare, threatened or endangered ecosystems.	<p>Threatened Systems: <u>Rain Forests</u> Forest areas assessed in the field to contain patches of threatened Ecological Vegetation Class (EVC) 31 – Cool Temperate Rainforest, EVC 32 and 33 – Warm Temperate Rainforest, and EVC 34 – Dry Rainforest. Forest Areas will be assessed to contain these threatened EVC types in accordance with the VicForests Guideline – Rainforest.</p>	Yet to be developed
<input checked="" type="checkbox"/>	HCV4	Forests or areas that provide basic services of nature in critical situations (e.g. watershed protection, erosion control).	<p>Water Catchments:</p> <p><u>Yarra Tributaries Water Supply Catchments</u></p> <p><u>Thomson Water Supply Catchment</u></p> <p><u>Tarago Water Supply Catchment</u></p> <p><u>Bunyip Water Supply Catchment</u></p>	36,155

			<u>Learmonth's Creek Catchment Area</u>	
<input checked="" type="checkbox"/>	HCV5	Forests or areas fundamental to meeting basic needs of local communities (e.g. subsistence, health).	Local Community Needs: <u>Apiary Sites</u> <u>Cement Creek – Yarra State Forest, Warburton</u> <u>Mt St Leonard – Toolangi State Forest, Toolangi</u>	818
<input type="checkbox"/>	HCV6	Forests or areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).	This category is under review	Yet to developed
Total Area of forest classified as 'High Conservation Value Forest / Area'				

1.4 Areas Outside of the Proposed Scope of Certification (Partial Certification and Excision)

<input checked="" type="checkbox"/> <i>N/A – All forestland owned or managed by the applicant is included in the scope.</i>		
<input type="checkbox"/> <i>Applicant owns and/or manages other FMUs not under evaluation.</i>		
<input type="checkbox"/> <i>Applicant wishes to excise portions of the FMU(s) under evaluation from the scope of certification.</i>		
Explanation for exclusion of FMUs and/or excision:		
Control measures to prevent mixing of certified and non-certified product (C8.3):		
Description of FMUs excluded from or forested area excised from the scope of certification:		
Name of FMU or Stand	Location (city, state, country)	Size (<input type="checkbox"/> ha or <input type="checkbox"/> ac)

1.5 Social Information

Number of forest workers (including contractors) working in forest within scope of certificate (differentiated by gender):	
447 male workers (including contractors)	38 female workers (including contractors)

1.6 Pesticide and Other Chemical Use

<input checked="" type="checkbox"/> <i>FME does not use pesticides</i>
--

Commercial name of pesticide / herbicide	Active ingredient	Quantity applied annually (kg or lbs)	Size of area treated annually (ha or ac)	Reason for use
Nil used				

1.7 Standards Used

1.7.1 Applicable FSC-Accredited Standards

Title	Version	Date of Finalization
FSC STD 30-010 FSC Controlled Wood Standard for Forest Management Enterprises	V2-0	1st January 2007
All standards employed are available on the websites of FSC International (www.fsc.org), the FSC-US (www.fscus.org) or the SCS Standards page (www.scsglobalservices.com/certification-standards-and-program-documents). Standards are also available, upon request, from SCS Global Services (www.SCSglobalServices.com).		

1.7.2 SCS Interim FSC Standards

Title	Version	Date of Finalization
SCS Interim Standard for Natural Forest and Plantation Forest Management Certification in Australia under the Forest Stewardship Council	V1-0	August 2011
This SCS Interim Standard was developed by modifying SCS' Generic Interim Standard to reflect forest management in the region and by incorporating relevant components of the Draft Regional / National Standard and comments from stakeholders. More than one month prior to the start of the field evaluation, the SCS Draft Interim Standard for the country / region was sent out for comment to stakeholders identified by FSC International, SCS, the forest managers under evaluation, and the National Initiative. A copy of the standard is available at www.scsglobalservices.com/certification-standards-and-program-documents or upon request from SCS Global Services (www.SCSglobalServices.com).		

2. Pre-Assessment Process

2.1 Introduction

The goals of the pre-assessment were threefold. First, it is intended to provide the FME with a clear understanding of the requirements for FSC Forest Management and Controlled Wood certification. Second, SCS is able to develop a clear view of the FME's management systems and practices, including information needed to design the main assessment. Third, the pre-assessment identifies areas where the FME's management policies, programs or practices currently do not appear to be in conformance with the FSC Principles and Criteria.

Section 3 of this report provides a summary of the possible major and/or minor gaps identified during the course of the pre-assessment and a summary of other issues that will need to be examined in detail in the event that the FME elects to undergo a full assessment. In addition to the possible gaps and likely

non-conformances identified here, there may be additional issues and non-conformances that were not identified during the pre-assessment. SCS has made a significant effort to conduct a thorough pre-assessment, but it is the FME's responsibility to review the standard and the certification requirements closely to ensure that they are as prepared as possible to demonstrate conformance with the standard at the time of the main assessment.

2.2 Assessment Schedule and Team

2.2.1 Pre-Assessment Team and Qualifications

Auditor Name:	Dr. Robert J. Hrubes	Auditor role:	Lead Auditor
Qualifications:	Dr. Hrubes is a California registered professional forester (#2228) and forest economist with over 35 years of professional experience in both private and public forest management issues. He is presently Executive Vice-President of Scientific Certification Systems. In addition to serving as team leader for the Michigan State Forest evaluation, Dr. Hrubes worked in collaboration with other SCS personnel to develop the programmatic protocol that guides all SCS Forest Conservation Program evaluations. Dr. Hrubes has previously led numerous audits under the SCS Forest Conservation Program of North American public forest, industrial forest ownerships and non-industrial forests, as well as operations in Scandinavia, Chile, Japan, Malaysia, Australia and New Zealand. Dr. Hrubes holds graduate degrees in forest economics (Ph.D.), economics (M.A.) and resource systems management (M.S.) from the University of California-Berkeley and the University of Michigan. His professional forestry degree (B.S.F. with double major in Outdoor Recreation) was awarded from Iowa State University. He was employed for 14 years, in a variety of positions ranging from research forester to operations research analyst to planning team leader, by the USDA Forest Service. Upon leaving federal service, he entered private consulting from 1988 to 2000. He has been Senior V.P. at SCS since February, 2000.		
Auditor Name:	Graeme Lea	Auditor role:	Auditor, Forester
Qualifications:	Graeme is a Lead Auditor for FSC FM and a Senior Lead Auditor for CoC/CW and has 30 years' experience in forestry in New Zealand and Australia, is qualified as a Forest Service Woodsman and has been involved in many aspects of forestry, including establishment, silviculture, harvesting, sawmilling, processing, exporting and bio-security. Graeme gained a NZQA National certificate in Forest Product Inspection while working in New Zealand, and has been a qualified Quality Management auditor for approximately ten years. In addition Graeme has also undertaken ISO 14001 training. Graeme moved to Adelaide South Australia four years ago and since that time has taken part in Forest Management, Controlled Wood and Chain of Custody audits and assessments, but has also undertaken Controlled Wood auditing in Papua New Guinea, Vietnam, Cambodia and Thailand. Graeme has been part of more than twenty five teams for Forest Management audits in both exotic and indigenous forests and has also carried out in excess of 100 Chain of Custody audits.		
Auditor Name:	Dr. Hugh T.L. Stewart	Auditor role:	Auditor, Social Scientist
Qualifications:	Dr. Hugh Thomas Lindsay Stewart, PhD, MSc Forestry, BSc Forestry, Diploma of Forestry. Hugh has over 35 years of professional experience, specializing in the management of softwood and hardwood plantations. He has worked for the Forests		

	<p>Service of the Victorian Government for 18 years, as a Forestry Research Scientist in Zimbabwe, with the Victorian Plantations Corporation, and with the TreeCorp Group as a Forest Resources Manager. He is a distinguished social scientist having key areas of expertise in plantation development and management, forestry due diligence and auditing, the planning, management, and conduct of research and development as well as the social dimensions of private forestry and stakeholder engagement in natural resource management. As the principal of HughStewart Consulting, he has combined commercial expertise with substantial knowledge of forest science to focus on providing services to improve management and financial outcomes for forest resources.</p>
--	---

2.2.2 Pre-Assessment Itinerary

Date: Sunday 29th September 2013	
FMU / Location / sites visited	Activities / notes
Melbourne	Audit team initial meeting
Date: Monday 30th September 2013	
FMU / Location / sites visited	Activities / notes
VicForest Offices, Melbourne	<ul style="list-style-type: none"> • Introductions and opening meeting • Company presentations • Documentation reviews • Staff interviews
	<ul style="list-style-type: none"> • Audit team travel to Healesville, Stakeholder meeting
Date: Tuesday 1st October 2013	
FMU / Location / sites visited	Activities / notes
Healesville District offices	Introductions, staff presentations
Toolangi District-"Crawler" coupe	<ul style="list-style-type: none"> • Inspect streamside buffer zones • Buffer zones for visual amenity and protection of OH&S due to close proximity of private residences • Variable retention harvesting systems • Log landing rehabilitation • Internal track alignment and rehabilitation • Zone 1A lead beater possums habitat reserve
Toolangi District-"Summit Ridge" coupe	<ul style="list-style-type: none"> • buffers for protection riparian zones • inspected core and matting roading system • Log lands and log grading • discussed harvesting system with contracting crew
	<ul style="list-style-type: none"> • Audit team return to Melbourne • Stakeholder meeting
Date: Wednesday 2nd October 2013	
FMU / Location / sites visited	Activities / notes
Orbost District offices	<ul style="list-style-type: none"> • Audit team fly to Orbost Regional office

	<ul style="list-style-type: none"> • Staff presentations • Staff interviews • Stakeholder interviews
Orbost District-"Cheapy" coupe	<ul style="list-style-type: none"> • Interview harvesting contractor • Interview Vicforest district field staff • log recovery, OH&S requirements, training, ENGO/ stakeholder engagement, review harvest areas, cutting patterns and log recovery. seed tree and habitat tree retention
Orbost District- "Hoggs Back" coupe	<ul style="list-style-type: none"> • Inspected harvested coupe, • Interviewed operational staff • buffers for screening operations from major roadway, • protection of threatened ecological vegetation class (40 metre buffer) • protection of riparian zones • Inspected retention of seed trees for regeneration • Inspected log landing, utilization and roading system • discussed management of forest in the region for management of apiary values
	<ul style="list-style-type: none"> • Audit team return to Melbourne • Team meeting
Date: Thursday 3rd October 2013	
FMU / Location / sites visited	Activities / notes
VicForest offices, Melbourne	<ul style="list-style-type: none"> • Further staff presentations and documentation reviews. • Audit team sequesters to compile audit findings • Stakeholder consultations • Closing meeting
	<ul style="list-style-type: none"> • Audit team departs

2.2.3 Total Time Spent on Assessment

A. Number of days spent on-site during pre-assessment	12
B. Number of auditors participating in on-site pre-assessment:	3
C. Additional days spent on preparation, stakeholder consultation, and post-site follow-up, including report preparation:	10.5
D. Total number of person days used in pre-assessment:	25.5

3. Stakeholder Consultation Process

In accordance with SCS protocols, and because this was not a confidential, Phase I pre-assessment, consultations with key stakeholders were an integral component of the pre-assessment process.

Consultation took place prior to, concurrent with, and following the field evaluation. The following were distinct purposes to the consultations:

- To ensure that the public was aware of, and informed about, the pre-assessment process and its objectives; and
- To assist the field assessment team in identifying potential issues of concern.

Principal stakeholder groups relevant to this assessment were identified based upon lists of stakeholders from the FME, stakeholders identified by SCS for the region, and additional stakeholder contacts from other sources (e.g., chair of the regional FSC working group).

The stakeholder consultation activities were organized to give participants the opportunity to provide comments according to general categories of interest based on the three FSC chambers. The table below summarizes the comments received from stakeholders.

3.1 Summary of Stakeholder Comments

Stakeholder Comments
Economic Issues
<p>Comments on economic issues were provided from a range of stakeholders including VicForests personnel, customers of VicForests, industry and business associations, community organisations and government agencies.</p> <p>The largest hardwood sawmill in Australia, located in eastern Victoria, sources sawlogs only from regrowth Ash stands in State native forests. A senior employee of the business said that VicForests was crucial to the stability and sustainability of the sawlog resource for the business. The business currently processes 155,000 cubic metres of Mountain Ash and Alpine Ash logs each year and converts the logs to high value appearance grade products mainly sold to domestic markets. The respondent said that environmental sustainability and certification were very important to the business of hardwood sawmilling, and that it was desirable that VicForests became FSC certified to improve social licence acceptance and marketing of hardwood timber products.</p> <p>Similarly, representatives of Australia’s largest pulp and paper mill – a major customer of VicForests – said that buyers of paper products expected that they were purchasing products manufactured from sustainable raw materials. The company therefore valued FSC certification as evidence of sustainable forest management demanded by its customers.</p> <p>The peak employer representative body for the Victorian forest and wood products industry said that it was important to note that private native forestry in Victoria is very limited in its capacity to supply resource and hardwood sawlog plantations cannot provide an alternative source for sawlogs in the short to medium term. As such, VicForests is essentially the sole supplier of hardwood sawlogs from Victoria to processors.</p> <p>VicForests staff presented ‘headline’ statistics on budgeted log supply, revenue and multiplier effects of the business (as expressed by profiles of contractors, customers and employment of staff directly in the native timber industry and indirectly in secondary processing). A fundamental issue for the business and its customers is the way in which a transition to a reduced log supply in the medium-term, driven predominantly by the effects of major bushfires in the past decade, is achieved.</p> <p>Honey is an important NTFP from forests managed by VicForests. The Gippsland Forest Apiary Plan covers over 4.1 million hectares of State forest. Almost half of the 805 designated apiary sites on public</p>

land are in forest available for timber production. VicForests applies management prescriptions to protect the integrity of forests in 'apiary zones'. A VicForests field officer interviewed on a harvesting coupe explained the planning undertaken to manage the forest for its apiary value. A submission from the Victorian Apiarist's Association noted that for more than 100 years the timber and apiary industries had co-existed well, but highlighted the need for ongoing dialogue between VicForests and the apiary industry to ensure that harvesting and regeneration procedures provided forests of suitable age-class, structure and species composition for the apiary industry.

A respondent from a business association believed that the economics of the timber industry in East Gippsland would be greatly improved if there was capital investment into sawing technology to process small (<40 cm SED) sawlogs.

A member of the community asserted that VicForests was not fit to be considered for FSC certification, as it was economically unsustainable by operating at a financial loss. On the other hand, information presented by VicForests' staff (and other information in the public domain) showed that the business was not operating at a financial loss.

Another community member said that the native forestry industry in East Gippsland has been in long-term structural decline, and probably demise, due to the industry being based on heavy subsidies from Government, confirming its future as uneconomical. The respondent thought that the only savior for the industry would be a change to wood pellet production in the short term.

The Pre-Assessment Team learned that the Victorian Auditor-General's Office is currently conducting an audit to examine whether native forest timber resources on public land are being managed productively and sustainably. The report is expected by the end of November 2013.

Social Concerns

Comments on social issues were received from a range of stakeholders including VicForests personnel, customers of VicForests, industry and business associations, community organisations and government agencies.

The major hardwood sawmill at Heyfield directly employs 218 people and its customers employ in excess 22,000 people in Melbourne. A senior employee of the business said that it has been estimated that 57% of the population of Heyfield (total population ~1800) was significantly dependent on the forest and forest products industry for their livelihood.

On this general theme, the peak employer representative body for the Victorian forest and wood products industry said that the native forest timber industry was important in ensuring the resilience and vitality of local communities in Victoria. Specifically:

- The forest and wood products industry is a major generator of economic activity and jobs in Victoria, generating \$6.7 billion of annual sales and service income annually.
- Much of the income generated by the industry remains in local communities, with \$20 million per year going into towns such as Bairnsdale and Orbost from businesses that use native forest resources from East Gippsland. The town of Cann River, with a population of just 223 people, also receives more than \$14 million in revenues from these firms.
- The industry also creates and supports a large number of jobs, directly employing around 24,000 people across Victoria and indirectly supporting up to 52,000 jobs through flow on economic activity. This includes value-adding roles, such as the 12,514 people who earn a living making furniture from timber.
- VicForests has undertaken regional socioeconomic studies that indicate native forest production creates a net output of \$346 per cubic metre of wood produced in Gippsland and \$103 per cubic

metre of wood produced in the north east of Victoria.

- In addition to the value the forest and wood products industry adds to rural and regional communities, the industry remains relevant to urban centres and industries. More than half of all of the Victorian employees of the forest and wood products industry are located in metropolitan Melbourne, mostly employed in timber manufacturing businesses making furniture, flooring, staircases and high quality copy paper.
- Beyond providing jobs, businesses in the forest and wood products industry also play strong roles in their communities, with nearly 80% of timber mills and other processing businesses, and 65% of harvest and haulage contractors providing cash or in-kind donations to community groups and charities. This includes assisting local schools and sporting clubs, providing staff time for the local Country Fire Authority and timber for community construction work. Around 65% of forest and wood products industry workers have been found to be involved in community groups and organisations in their local area, helping build better communities.

Worker safety is a priority for VicForests. A person responsible for safety programs in the business was interviewed. The information presented evidenced a thorough approach to safety throughout the business. The goals of the business are clearly communicated to staff, with a headline target of zero lost-time injuries in 2012-2013 on display in a regional office visited by the Pre-Assessment Team.

A representative of a business association raised the issue of declining work for forestry contractors in East Gippsland due to reductions in timber harvesting in recent years. While this was accepted as a consequence of industry adjustment to reduced harvest volumes, of immediate concern was that none of the current contractors had security of operations with VicForests beyond the end of the calendar year 2013, owing to market uncertainty for residual logs destined for chipping and export. More broadly, the market relationship between VicForests and SEFE (South East Fibre Exports Ltd) was seen as crucial to the future of the regional town of Orbost.

VicForests harvests timber in designated water supply catchments that supply the majority of water to metropolitan Melbourne. The rate of harvesting in these catchments is regulated on an area basis to ensure no decrease in water yield or quality. An employee of the water supply authority was interviewed. The person explained that the water authority conducts audits of coupes harvested by VicForests. The results have shown that VicForests' operations have been satisfactory ("... they do a marvellous job"). In the opinion of the person interviewed, there was a good working relationship between VicForests' planning staff and staff from the water authority.

A representative of an indigenous community explained that the main connection of indigenous people to the forests in East Gippsland managed by VicForests was the derivation of firewood. A VicForests' employee described a project in which VicForests has supplied firewood to the Gunai kurnai Land and Waters Aboriginal Corporation in a pilot program as a commercial venture for the Corporation.

Two respondents – one from a business association and another from local government – said that VicForests was a good corporate citizen evidenced through sponsorship of a range of community events and activities.

A respondent observed that there was far less conflict in the forests of East Gippsland compared to the peak of environmental activism in these forests in the 1990s. The main driver of this shift was land-use decisions by Government resulting in substantial areas of State forest being placed into National Parks and other reserves.

In contrast, activism against the timber industry has escalated in the Central Highlands, mainly expressed through efforts by NGOs to curtail timber harvesting so as to improve conditions for Leadbeater's Possum. In response, a pro-forestry community group – Friends of Forestry – was formed in 2012. A representative of the organisation was interviewed. The strategy of the organisation is to

obtain media coverage about the positive aspects of the timber industry to counterbalance the negative press driven by ENGOs campaigning against the industry. The representative said that people in the community have the devastating effects of the 2009 bushfires in the back of their mind and thus want to 'keep the forest open' (i.e. maintenance of a network of roads and firebreaks through a timber industry) for community safety. Other comments made by the representative were that past experience showed that forestry and tourism co-exist happily in the region, and that VicForests should have field staff more engaged with stakeholders. [No ENGOs were available for interview – see section 'Environmental issues'.]

Environmental Concerns

Comments on environmental issues were gained from a range of stakeholders including VicForests personnel, industry and business associations, community organisations, community members, independent researchers and government agencies.

However, the level of engagement with (comments received from) environmental non-governmental organizations (ENGOs) was much less than anticipated by the Pre-Assessment Team. Prior to the field visit, the social scientist contacted two ENGOs and conducted one interview. Soon after, on 20 September 2013, a group of 16 ENGOs, through their facilitator Dr Tim Cadman, wrote to VicForests about the pre-assessment. They advised that: "... prior to any consultation on any form of assessment under any FSC standards, we would seek agreement with VicForests that ...," after which followed a list of conditions related to stakeholder consultation and input. A similar letter followed on 30 September 2013, adding two more ENGOs to the group, and advising that the letter was being distributed for further endorsements after which a more comprehensive list of stakeholders would be provided to VicForests. At the completion of the fieldwork by the Pre-Assessment Team, formal consultations between the group of ENGOs and VicForests about the contents of the letter had not commenced; thus, the Pre-Assessment Team was not able to consult with any of these stakeholders during the fieldwork. At the conclusion of the Pre-Assessment Team's fieldwork on 3 October 2013, Dr Tim Cadman advised the Pre-Assessment Team that: "I have also been advised by ENGOs to inform you (and SCS generally) that any other materials SCS has gathered do not constitute any kind of formal consultation, and therefore does not represent the views of the ENGO group as it is now constituted." On the same theme of stakeholder engagement, a community member expressed the view that the engagement leading up to the pre-assessment had been ineffective.

Timber harvesting and fire are two of the threatening processes to Leadbeater's Possum that inhabits Ash forests in the Central Highlands region of the FMU. The Victorian Government has established a Leadbeater's Possum Advisory Group that has been asked to develop recommendations for consideration by Government on ways to support the recovery of the Leadbeater's Possum while maintaining a sustainable timber industry. While ENGOs are on the record in advocating cessation of harvesting in Ash forests to ensure the survival of Leadbeater's Possum, an independent researcher who was interviewed expressed a contrary view. Firstly, the person said that the threat of extinction of Leadbeater's Possum was greatly exaggerated; secondly, the person believed that there were measures related to the way in which the forests were managed that could be implemented to achieve the Government's objective of ensuring that the species continues and co-exists with a sustainable timber industry.

Several community members asserted that native forest harvesting was detrimental to a broad range of environmental values and that VicForests had breached environmental regulations during harvesting operations. On the other hand, when two field staff from VicForests were interviewed about the latter claim, they said that they had been on field inspections to discuss these types of issues with members of the community and usually, though not always, found that the harvesting had been conducted

according to prescriptions. Another community member expressed concern about the impact of harvesting on the habitat of Potoroos in East Gippsland.

The peak industry association for forestry in Victoria expressed the view that had demonstrated a commitment to sustainable forest management and to good practice and continuous improvement in its operations.

A government agency employee who had responsibility for regulatory oversight of VicForests' forest activities was interviewed. The person explained the comprehensive annual audit program in place, with results publicly available. Other ways that issues were brought to the attention of the regulator were self-reporting by VicForests and reports of alleged environmental breaches to the regulator by community members and ENGOs, all of which were investigated by the regulator. The person's summary was that the environmental performance of VicForests has been satisfactory ("Compliance has been high in the main and has been maintained in recent years.") In relation to regeneration of harvested areas, which is a responsibility of VicForests but is monitored by the regulator, the government agency employee said that VicForests had diligently regenerated the backlog of areas it inherited from the previous government agency.

A community member said VicForests' forests operations were actively destroying, not just threatening, areas of High Conservation Value due to the clear-felling, burn and sow regime. The person advocated that all forms of clear-felling including variable/aggregated retention should be prohibited in such areas, including so-called 're-generation' burns.

One of VicForests' customers expressed concern about possible further reductions in the area available for timber harvesting despite the State of Victoria having made land-use determinations since the early 1970s. The respondent said that this land-use planning process was funded by, but independent of, government with an extensive public consultation process. Coupled with other statutory and regulatory processes related to protection of flora and fauna and other values of the forests, the industry operates on a small proportion of the native forest estate and the Ash forests are harvested and regenerated in a system that closely mimics the natural process of regeneration of these species.

Likewise, the peak employer representative body for the Victorian forest and wood products industry said that there is a strong regulatory and management framework, which underpins the protection of high conservation value forests on public land in Victoria through conservation reserves, zoning and forest management prescriptions. This must be given due recognition in any certification process.

3.2 Stakeholders Consulted

3.2.1 List of FME Staff Consulted

Staff Names and Details have been redacted for privacy reasons

3.2.2 List of Other Stakeholders Consulted

Stakeholder Names and Details have been redacted for privacy reasons

4. PRE-ASSESSMENT RESULTS

In this Section, the SCS audit team's findings are presented. The findings are presented as a summary of possible gaps / deficiencies relative to the FSC Principles and/or Criteria, as further elaborated by the applicable forest stewardship standard (regionally-specific Indicators) cited in Section 1.4 of this report.

We have also presented some of the more positive aspects (i.e., “strengths”) of VicForests’ management policies, programs and practices relative to the applicable Standard, recognizing that this report may possibly be widely distributed such that it is helpful for the reader to have a more balanced picture, both weaknesses and strengths, of current operations.

Pre-assessments, by their very nature, are not definitive determinations of the degree of conformance to the certification standard. Only a full certification assessment, conducted under the auspices of the FSC and according to FSC protocols, will generate definitive determinations of conformance. Results of this pre-assessment constitute findings collectively can be construed as indication of the likelihood that the FME would be found in conformance to the applicable forest stewardship standards were a full assessment to be conducted on the FME’s operations as they presently stand.

Due to the limited due diligence that is inherently associated with preliminary assessments, both “false negative” findings (a possible gap has been identified that, were more extensive information made available to the audit team such as would be obtained during a full assessment, is not in fact a non-conformity to the Standard) and “false positive” findings (no gap has been identified during the pre-assessment when, in fact, a full assessment team might, with more information, find that there is a non-conformity to a specific element of the Standard). Again, the results of preliminary assessments are not definitive.

In instances where possible non-conformances or “gaps” are identified and discussed in this report, the FME may pursue a combination of the following courses of action, between now and the time of a full assessment:

- Formulate, and implement as far as possible, corrective actions aimed at closing the identified gaps prior to the full assessment; and/or
- Compile additional information and evidence to submit to the full assessment team, on or before the full assessment, in the event that the FME believes that an identified gap does not exist despite the findings of the pre-assessment team. The intent would be to demonstrate how the FME feels it is conforming to a particular criterion or indicator.

Table 4.1 below, contains a summary of the audit team’s findings as to what the audit team considers to be strengths of VicForests’ operations relative to the FSC Principles of Forest Stewardship, as elaborated by the *SCS Interim Standard for Natural Forest and Plantation Forest Management Certification in Australia under the Forest Stewardship Council, Version 1.1*.

4.1 Areas of Likely Strength (Conformance) Relative to the FSC/SCS Australia Interim Standard of Forest Stewardship

Principle / Subject Area	Possible Strengths Relative to the FSC FM Standard
P1: FSC Commitment and Legal Compliance	Overall, VicForests has in place a well-established, time tested yet evolving management system that is built upon a strong foundation of scientific forest management; importantly, VicForests personnel

	<p>from top management on down express a commitment to incorporate changes—up to and including “paradigm shifts”—so as to bring its operations fully in line with FSC certification requirements</p> <p>VicForests has operated under a legislated code for practice for over 20 years</p> <p>Legal boundaries of the FMU are clearly identified on publicly available maps</p> <p>Illegal activities on the FMU are very limited and VicForests field staff keep a watchful eye for illegal and/or unauthorized activities</p>
P2: Tenure & Use Rights & Responsibilities	<p>VicForests has clearly established rights as the forest manager of the lands for which FSC certification is being sought</p> <p>There was no observed evidence that VicForests obstructs or prevents local communities with established legal or customary <i>rights</i> (as distinct from interests, concerns or desires) from exercising their rights.</p>
P3: Indigenous Peoples’ Rights	<p>One of three strategic priorities, in large part driven by the pursuit of certification, is placing greater focus/attention on aboriginal/indigenous issues</p>
P4: Community Relations & Workers’ Rights	<p>Indications are that worker rights are respected and valued</p> <p>One of three strategic priorities, in large part driven by the pursuit of certification, is enhanced stakeholder engagement</p> <p>VicForests has a Women in Leadership Program and there is a good gender balance in the professional workforce</p> <p>VicForests has, on occasion, deferred harvesting of certain coupes in response to local stakeholder concerns</p>
P5: Benefits from the Forest	<p>VicForests is participating in an East Gippsland Working Group initiative focusing on exploring new/emerging markets for tis wood products</p> <p>Quality management was observed for NTFP's derived from the FMU (Apiary)</p> <p>VicForests has strong management capability for and attention paid to wood supply modelling</p>
P6: Environmental Impact	<p>VicForests has undertaken improved practices with regard to tree retention and habitat trees; additional advancements will be needed</p>

	<p>There is a Biodiversity Management Strategy</p> <p>VicForests is implementing a Leadbeater Possum management strategy</p> <p>VicForests does not engage in harvesting of rainforests</p> <p>With respect to the totality of state-owned forestlands in Victoria, only 6 percent is deemed suitable for commercial forest management; thus, at the state-wide scale, a very large proportion of the state forest estate is devoted to reserves and other non-commercial allocations</p> <p>Surveys for threatened species have been commenced and the company expresses a commitment to carry for this initiative</p> <p>VicForests adheres to a company-developed Big Tree Policy; additional enhancements of this Policy will be beneficial, particularly with respect to the distinction between size and age of trees</p> <p>VicForests is not using chemicals as a standard tool in young stand management</p> <p>Conversion of state forestlands from native forests to plantations ceased in 1990</p>
P7: Management Plan	<p>VicForests has well-developed planning processes with timelines as long as 100 years</p> <p>A landscape context planning strategy, in which coupe-level decisions are influenced by conditions outside of the coupe, is under development</p> <p>VicForests has a demonstrated capacity for adaptive management</p>
P8: Monitoring & Assessment	<p>VicForests maintains active internal auditing/monitoring processes; a corrective action incident reporting system is in place and is utilized</p> <p>VicForests is undertaking a retained tree survival study</p>
P9: High Conservation Value Forests	<p>One of three strategic priorities, in large part driven by the pursuit of certification, is focused attention on identifying and maintaining attributes that meet the FSC definition of high conservation values</p> <p>VicForests demonstrates a solid understanding of and conversancy with the core FSC concept of High Conservation Value Forests</p>
P10: Plantations	<p>Not applicable; VicForests is not engaged in plantation forest management</p>

4.2 Gap Analysis Relative to the FSC Forest Management Standard

Based upon the information gathered and preliminary judgments formed from document reviews, personal interviews and field inspections, the SCS audit team’s findings are presented below. The following is a presentation of identified possible non-conformances and, in cases where the information collected in the pre-assessment was sufficient, a classification of each possible non-conformance as likely to be either Major or Minor Non-Conformance. A Major Non-Conformance is a significant gap between identified performance and the requirement of the applicable forest stewardship standard. Major Non-Conformances, if confirmed in a full assessment, result in Major Corrective Action Requests (Major CARs) that must be resolved/closed prior to award of certification. Minor Non-Conformances result in Minor Corrective Action Requests (Minor CARs) which must be addressed within a time period specified by the lead auditor, but no longer than one year following the award of certification.

4.2.1 Summary of Results

Based upon the results of the Preliminary Assessment, the overall opinion of the SCS assessment team is:

<input type="checkbox"/>	No significant deficiencies relative to the standard were identified. The FME is well prepared for a Certification Evaluation, and is likely a good candidate for certification with limited modifications to the current forest management system.
<input checked="" type="checkbox"/>	Some significant deficiencies relative to the standard were identified. The FME will likely require some significant modifications to the current forest management system to meet the requirements of the FM Standard, but can be a likely candidate for certification provided they make a commitment to address these issues prior to undergoing a full evaluation.
<input type="checkbox"/>	Insurmountable deficiencies relative to the standard were identified. The FME is unlikely to meet the requirements of the standards in the near future.
<p>Comments: Of central and positive relevance to the “bottom line” outcome of this pre-assessment is VicForests’ current path of instituting changes in its approach to managing the forest estate—changes that manifest a paradigm shift. Actions to be taken with an aim to materially enhancing the likelihood of a positive outcome of a full assessment are not insignificant in number and scope, and they will require focused efforts and time to complete, but it is our clear sense that achieving, in due course, FSC FM certification is a realistic objective.</p>	

4.2.2 Areas of Possible Non-conformance

The following table details the principal areas where the auditors have identified possible gaps in conformance (both major and minor) with the applicable forest stewardship standards.

Principle / Subject Area	Possible Gaps / Non-Conformances
P1: FSC Commitment and Legal Compliance	1.4.1.: VF has not yet conducted an analysis to identify potential conflicts between applicable national/laws and the FSC certification requirements. Alternatively, VF can adopt a written policy that if/when such conflicts arise they will promptly bring it to the attention of SCS for guidance. (Possible

	<p>Minor Non-Conformity)</p> <p>1.6.2.: Written or electronic copies of the FSC Principles and Criteria not yet available to all VF management and field personnel; likewise, there is not yet a general conversancy with (knowledge of) the P&C amongst staff. (Possible Minor Non-Conformity)</p>
P2: Tenure & Use Rights & Responsibilities	<p>2.2.1.: VF has not yet provided evidence that it has identified, described and documented, and that it is respecting, any customary tenure or use rights that exist within the FMU. (Possible Major Non-Conformity)</p>
P3: Indigenous Peoples' Rights	<p>During a full assessment the SCS audit team will consult with pertinent aboriginal groups regarding established rights within the FMU as well as the extent to which VF managers are effectively identifying and protecting sites of special cultural, ecological, economic or religious significance. Prior to a full evaluation, VF should document/compile evidence of conformity to Principle 3. (Possible Minor or Major Non-Conformity)</p>
P4: Community Relations & Workers' Rights	<p>4.4.1.: VF has not yet established and documented a procedure for periodically undertaking a social impact evaluation related to forest management activities. Prior to a full evaluation, such a procedure should be employed with the results being documented and provided to the audit team as evidence of conformity, along with the documentation of the procedure, itself. (Possible Major Non-Conformity)</p> <p>4.4.3.: VF should continue to explore and utilized new methods of reaching out to and interacting with its critics. (Possible Minor or Major Non-Conformity)</p> <p>4.5.2.: VF does not presently maintain up-to-date and complete records, including associated documentation, of all disputes and grievances arises in the course of management of the FMU as well as a clear and up-to-date description of any actions taken to resolve such disputes or grievances. (Possible Minor Non-Conformity)</p>
P5: Benefits from the Forest	<p>5.3.5.: VF needs to develop, document and implement written guidelines for the retention of downed woody debris and standing stags within regeneration harvest areas, particularly those subject to prescribed fire. (Possible Major Non-Conformity)</p> <p>5.4.1.: VF should document efforts to explore a range of potential products and services that could be supplied from the FMU, beyond saw logs and pulp logs. (Possible Minor Non-Conformity)</p> <p>5.5.2.: VF should continue to actively explore alternative harvesting prescriptions, particularly as related to retention levels, so as to better demonstrate that the full range of forest services and resources within the FMU (including watershed values, landscape quality and local biodiversity)</p>

	<p>are not compromised by wood production utilizing intensive practices. (Possible Minor or Major Non-Conformity)</p> <p>5.6.2.: Completion of the current initiative to develop a long term inventory system, replacing the now less than fully functioning permanent inventory system, will better position VicForests for demonstrating conformity to this Indicator</p> <p>5.6.3.: VF's planned delay of its harvest step down for 3-4 years is not presently supported by a strong written justification. (Possible Minor Non-Conformity)</p>
<p>P6: Environmental Impact</p>	<p>6.1.2.: While VF does engage in a variety of large-scale environmental analyses, conformance to this Indicator needs to be better demonstrated through a cohesive cataloging and documentation of these analyses and how they “fit together” in assuring that potential large-scale impacts, including cumulative impacts, are known and duly considered. (Possible Major Non-Conformity)</p> <p>6.1.3.: The regional, sub-regional, and landscape environmental context in which VF operates on its forestland is not established and documented in a manner that is adequately conveyed to the audit team and interested stakeholders. (Possible Minor Non-Conformity)</p> <p>6.3.2.: Prior to a full evaluation, VF should continue to explore alternative harvest prescriptions and related stand/site treatments so as to more effectively demonstrate that its silvicultural and other management practices are appropriate for forest ecosystem function, structure, diversity and succession. (Possible Minor or Major Non-Conformity)</p> <p>6.3.5.: Better documented evidence is needed to demonstrate that VF's prescribed fire prescriptions in harvested stands result in the retention of adequate levels of standing and fallen dead wood habitats. VicForests should continue to actively trial the “ecological burn” concept in order to find the optimal balance point between regeneration efficacy and structure retention. (Possible Minor or Major Non-Conformity)</p> <p>6.4.1.: VF has not yet conducted a landscape-scale assessment of the adequacy of representation of the current network of reserved areas and, if gaps exist, whether or not candidate areas exist on the VF forest estate that would contribute to the robustness of the network of reserved areas. (Possible Major Non-Conformity)</p> <p>6.5.1.: Due to the multiplicity of written guidelines pertinent to the management of the VF forest estate, a “cross-walk” document that compiles</p>

	<p>these guidelines into a single document would help in demonstrating conformity to this Indicator. (Possible Minor Non-Conformity)</p> <p>6.10.1.: VF’s demonstration of conformance with this Indicator would benefit from a compilation/presentation of the scientific evidence that the harvesting and stand establishment practices presently employed maintain conditions consistent with the FSC definition of “natural forest management.” Assurance that natural forest management conditions are, in fact, being maintained across the working forest landscape will be enhanced by further exploration and utilization of alternative (retention) harvesting prescriptions and less-intensive fire management prescriptions. (Possible Major Non-Conformity)</p>
<p>P7: Management Plan</p>	<p>7.1.1.: Conformance with this Indicator would be enhanced by further refinements to the VicForests Forest Management Plan so that it serves as an “umbrella” or “capstone” document under which all other pertinent management planning processes/documents are incorporated by reference and their connections and contributions to covering the requisite subject matters of this Criterion are made clear. (Possible Minor Non-Conformity)</p> <p>7.2.1.: VF will need to demonstrate, in a full evaluation, how key elements of the compendium of plans constituting the “management plan” that comprehensively guides the management of the VF forest estate are being revised and updated at regular intervals which are appropriate to the scale and intensity of operations. (Possible Minor Non-Conformity)</p> <p>7.2.1.: The “VicForests Forest Management Plan” umbrella document does not contain a section that outlines the manner and periodicity by which it will be revised and updated. (Possible Minor Non-Conformity). (Possible Minor Non-Conformity)</p>
<p>P8: Monitoring & Assessment</p>	<p>8.2.5.: VF has not yet provided to SCS evidence that it has developed and is implementing plans/procedures for regularly monitoring the condition of protected areas, set-asides and buffer zones constituting the “VicForest Reserves.” (Possible Minor Non-Conformity)</p> <p>8.3.1.: VF must develop a FSC Chain-of-Custody compliant documented control system. (Possible Minor Non-Conformity, though product claims could not be made until this non-conformity were closed)</p> <p>8.4.1.: Conformance to this Indicator would be better demonstrated if Section 18 of the Forest Management Plan was augmented with a presentation on the adaptive management mechanisms that are employed, over time. (Possible Minor Non-Conformity)</p> <p>8.5.1.: A publicly available summary of the <i>results</i> of periodic monitoring of</p>

	the subject areas listed in Principle 8 needs to be available prior to award of certification. (Possible Major Non-Conformity)
P9: High Conservation Value Forests	<p>9.1.1.: VF’s classification of old growth, both un-harvested stands as well as stands with residual old trees, must be compatible with FSC HCVF guidance. (Possible Major Non-Conformity)</p> <p>9.1.1.: VF will need to quantify areas with HCV attributes 1-6 inclusive; the auditor team accepts the preliminary area figures presented for HCV’s 4 and 5 but significant further identification of areas possessing any of the 6 HCV attributes will need to be undertaken. (Possible Major Non-Conformity)</p> <p>9.2.2.: VF has not yet undertaken stakeholder consultation with regard to HCVF that demonstrates conformance to this Indicator. (Possible Major Non-Conformity)</p> <p>9.3.2.: VF’s treatment of old growth (both un-harvested stands and stands with residual old trees) will need to be demonstrably in conformance with this Indicator and, generally, the precautionary approach. (Possible Major Non-Conformity)</p>
P10: Plantations	Not applicable, on the assumption that a full evaluation confirms that VF is practicing natural forest management on stands receiving intensive management treatments.
Chain of custody	A documented control system (“DCS”) is required. However, it is likely that very few modifications in the VF CoC procedures will be required in order to demonstrate conformity with the applicable FSC standards.
Group Management	Not applicable.

4.3 Gap Analysis Relative to the FSC Controlled Wood Standard

Based upon the information gathered and preliminary judgments formed from document reviews, personal interviews and field inspections, the SCS audit team’s findings relative to possible issues relative to the FSC Controlled Standard (FSC-STD-30-010) are presented below. The following results are presented as possible Non-Conformities and, in cases where the information collected in the pre-assessment was sufficient, they are classified as either possible Major or Minor Non-Conformities. A Major Non-Conformity is a significant gap between identified performance and the requirement of the applicable forest stewardship standards. Major Non-Conformities, if confirmed in the full assessment, result in Major Corrective Action Requests (Major CARs) that must be resolved prior to award of certification. Minor Non-Conformities result in Corrective Action Requests (CARs) which must be addressed in within a year following the award of a certificate.

4.3.1 Summary of Results

Based upon the results of the Preliminary Assessment, the overall opinion of the SCS assessment team is:

<input type="checkbox"/>	No significant deficiencies relative to the Controlled Wood standard were identified. The FME is well prepared for a Certification Evaluation, and is likely a good candidate for certification with limited modifications to the current forest management system.
<input checked="" type="checkbox"/>	Significant deficiencies relative to the Controlled Wood Standard were identified. The FME will likely require significant modifications to the current forest management system to meet the requirements of the applicable Standard, but can be a viable candidate for certification provided they make a commitment to address these issues prior to undertaking a full assessment.
<input type="checkbox"/>	Insurmountable likely non-conformities relative to the Standard were identified. The FME is unlikely to meet the requirements of the applicable Standard in the near future even with changes in some aspects of its management program.
Comments: As would be expected in light of the differences between the FSC forest stewardship and controlled wood standards, the number and scope of actions needed to position the FME for successfully undergoing a CW full assessment are not as substantial.	

4.3.2 Areas of Possible Non-Conformance

The following table details the principal areas where the auditors have identified possible gaps in conformance (both major and minor) with the applicable forest stewardship standards.

Subject Area	Possible Gaps/Non-Conformities
SA 1: Quality Management - System Requirements & Supplying FSC Controlled Wood	<ul style="list-style-type: none"> ■ A documented control system (“DCS”) is required but does not yet exist. However, it is likely that very few modifications in the VF CoC procedures will be required in order to demonstrate conformity with the applicable FSC standards. ■ VF has not yet established and documented a procedure for periodically undertaking a social impact evaluation related to forest management activities. Prior to a full evaluation, such a procedure should be employed with the results being documented and provided to the audit team as evidence of conformity, along with the documentation of the procedure, itself. (Possible Major Non-Conformity). The auditors recognize that VicForests are exploring and will utilize new methods of communication and reaching out to stakeholder (Possible MAJOR CAR, Non-Conformity) at the time of a full evaluation.
SA 2: Specification of scope of evaluation	<ul style="list-style-type: none"> ■ No significant issues found. A determination of conformity is likely to result during a full evaluation

<p>SA 3: Illegally Harvested Wood</p>	<ul style="list-style-type: none"> ■ No evidence of illegal harvesting seen was observed. A determination of conformity is likely to result during a full evaluation.
<p>SA 4: Wood harvested in violation of traditional and civil rights</p>	<ul style="list-style-type: none"> ■ VF has not yet provided evidence that it has identified, described and documented, and that it is respecting, any customary tenure or use rights that exist within the FMU. (Possible Major Non-Conformity). ■ During a full evaluation, the SCS audit team will consult with pertinent aboriginal groups regarding established rights within the FMU as well as the extent to which VF managers are effectively identifying and protecting sites of special cultural, ecological, economic or religious significance. Prior to a full evaluation, VF should document/compile evidence of conformity to Principle 3. (Possible Minor or Major Non-Conformity) ■ VF does not presently maintain up-to-date and complete records, including associated documentation, of all disputes and grievances arises in the course of management of the FMU as well as a clear and up-to-date description of any actions taken to resolve such disputes or grievances. (Possible Minor Non-Conformity).
<p>SA 5: Wood harvested in forests in which high conservation values are threatened by management activities</p>	<ul style="list-style-type: none"> ■ Prior to a full evaluation, VF should continue to explore alternative harvest prescriptions and related stand/site treatments so as to more effectively demonstrate that its silvicultural and other management practices are appropriate for forest ecosystem function, structure, diversity and succession. (Possible Minor or Major Non-Conformity). ■ In addition, Gaps identified against principle 9 of the forest management standard would also pose similar possible non-conformities to this standard. (see Section 4.1.2 of this report).
<p>SA 6: Wood harvested from areas being converted from forests and other wooded ecosystems to plantations or non-forest uses</p>	<ul style="list-style-type: none"> ■ VF will need to present documentation showing compliance to this requirement at the time of a full assessment (Possible Minor Non-Conformity). ■ VF's demonstration of conformance with this requirement would benefit from a compilation/presentation of the scientific evidence that the harvesting and stand establishment practices presently employed maintain conditions consistent with the FSC definition of "natural forest management." Assurance that natural forest management conditions are, in fact, being maintained across the working forest landscape will be enhanced by further exploration and utilization of alternative (retention) harvesting prescriptions and less-intensive fire management prescriptions. (Possible Major Non-Conformity)
<p>SA 7: Wood from forest management units in which genetically modified trees are planted</p>	<ul style="list-style-type: none"> ■ As GMOs are not employed by VF, a determination of conformity is likely to result during a full evaluation.

4.3.3 – Tracking, Tracing and Identification of Controlled Wood Material

This section of the report addresses the procedures employed by the forest managers to track the flow of controlled wood products from the point of harvest through to the point where custody is assumed by another entity (e.g., the wood products purchaser). The fundamental requirement that must be demonstrated by the forest management operation is that product from the controlled wood-certified forest area not be mixed with product from uncontrolled sources.

SCS Chain of Custody Indicators for Forest Management Enterprises, Version 5-0

Principle/ Subject Area	Possible Gaps/Non-Conformities
1: Quality Management System	VF requires a Documented Control System "DCS" which should clearly document procedures to meet each requirement associated with Chain of Custody. This is considered a significant and could result in a possible Major Non-Conformity.