

6 April 2020

Information to Stakeholders in relation to the sourcing of Controlled Wood

Background

Norske Skog sources approximately 500,000 tonnes of plantation grown *Pinus radiata* wood (in log form) per annum from within Tasmania. Two-thirds of this volume is sourced from Norske Skog's forest estate with the balance largely coming from Timberlands Pacific. Norske Skog also source certified kraft from Oji Fibre Solutions in New Zealand. A small percentage of wood, typically less than 5% of total volume, is supplied to Norske Skog from other suppliers. These other suppliers include forest management companies Forico, SFM Environmental Solutions, AKS Forest Solutions, Reliance and small independent private forest owners.

Norske Skog, Timberlands Pacific, Forico, SFM Environmental Solutions are Forest Stewardship Council (FSC) forest management certified, and therefore the wood is received with an FSC claim. AKS Forest Solutions, Reliance and the small independent private forest owners are not FSC forest management certified, and therefore the wood is received without an FSC claim. The wood sourced from AKS Forest Solutions and Reliance is predominately from land owned by Sustainable Timber Tasmania (STT) (formerly Forestry Tasmania), but managed by the respective forest management companies. Whilst the wood from the small independent private forest owners comes from small woodlots, windbreaks or clearing for infrastructure e.g. road widening. That AKS Forest Solutions, Reliance and the small independent private forest owners do not have FSC forest management certification is not of concern to Norske Skog in respect to quality, safety, stakeholder engagement, employee conditions, environmental management etc., but can generally be explained by them not being able to absorb the financial costs associated with forest certification and/or the small scale of operations not warranting forest management certification.

However as a small portion of Norske Skog's overall wood supply is received without an FSC claim (referred to as Controlled Wood), Norske Skog must ensure that it is responsibly sourced and can be accepted and mixed with FSC certified material, consistent with the requirements outlined in 'Requirements for Sourcing FSC Controlled Wood FSC-STD-40-005 V3-1 EN'

<https://fsc.org/en/news/fsc-std-40-005-v3-1-requirements-for-sourcing-fsc-controlled-wood-approved>

Norske Skog achieve this by implementing a Due Diligence System, which includes stakeholder consultation.

Due Diligence System

A system of measures and procedures to minimise the risk of sourcing material from unacceptable sources. The Due Diligence System (DDS) contains the following three elements obtaining information, risk assessment and risk mitigation. Obtaining information is largely focused on understanding suppliers and then completing relevant risk assessments and putting in risk mitigation, control measures, to ensure compliance.

The five FSC controlled wood categories of unacceptable sources (referred to as controlled wood categories) are:

- 1) Illegally harvested wood
- 2) Wood harvested in violation of traditional and human rights
- 3) Wood from forests in which high conservation values are threatened by management activities

- 4) Wood from forests being converted to plantations or non-forest use
- 5) Wood from forests in which genetically modified trees are planted

To assess risk and to satisfy FSC requirements Norske Skog uses the 'FSC National Risk Assessment for Australia, FSC-NRA-AU V1-1' (NRA) and the 'High Conservation Values (HCVs_ Evaluation Framework FSC-NRA-AU, HCV Assessment Framework EN V1-1' (HCV Framework). The NRA identifies two categories as 'specified' risk, these being category 3 High Conservation Values and category 4 Native forest conversion (category 3.4, 3.6 and 4.1 as 'specified' risk). While the HCV Framework provides further detail on the specific elements within category 3 and the recommended and mandatory control measures (HCV 3.4 (Critical ecosystem services) and HCV 3.6 (Cultural heritage.)) <https://au.fsc.org/en-au/standards/controlled-wood/controlled-wood-system-australia>

Given the NRA identifies categories 3.4, 3.6 and 4.1 Norske Skog then complete our own risk assessment to determine whether or not the controlled wood is being sourced from an operation covered by a forest practices plan (FPP) e.g. AKS Forest Solutions or Reliance operation harvesting *P. radiata* plantation on STT land or independent private property *P. radiata* plantation, or is exempt from the requirement for an FPP e.g. very small scale harvesting of a windbreak adjoining a road. In either case, Norske Skog carries out a risk assessment and risk mitigation to ensure compliance with the 'Requirements for Sourcing FSC Controlled Wood FSC-STD-40-005 V3-1 EN'. If the desktop assessment determines that an FPP, and other forest practices system requirements such as Private Timber Reserve or Local Government approval, are in place Norske Skog accepts the wood. A forest practices officer (FPO) completes the desktop assessment and gathers from the supplier associated documentation. The key control measure, to mitigate risk, being the forest practices plan, which by its very design incorporates planning, management and protection of HCVs, including those identified as 'specified' risk by FSC. In addition a Norske Skog FPO completes one field inspection per annum per supplier to check compliance for quality, safety, stakeholder engagement, employee conditions and environmental management, beyond the requirements of FSC. As part of the risk assessment the FPO will also determine that the FPP does not authorise native forest conversion. For FPP exempt operations a desktop assessment is completed by an FPO and every potential operation is ground-truth, by an FPO, to ensure FSC compliance, Norske Skog compliance and compliance with the Tasmanian forest practices system. Specifically consent of the landowner, confirmation the operation is FPP exempt under the *Forest Practices Act 1985* and identify if categories 3.4 and/or 3.6 exist, and if so what control measures are in place to avoid or mitigate impact. The FPO will also ensure that there is no native forest conversion.

Should you require further information in relation to Norske Skog's sourcing of controlled wood, or have a query on any other forest certification matter please contact me via phone or email.

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