



REPORT

GUNNS FOREST PRODUCTS PTY LTD

AFS SUMMARY AUDIT REPORT SEPTEMBER 2010

DET NORSKE VERITAS

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1 INTRODUCTION

This audit was a Scope Extension Audit (SE) of Gunns' Safety, Health & Environmental (SHE) Management System, according to the requirements of the Australian Forestry Standard (AS 4708-2007). At the same time in an integrated fashion, the SHE System was audited against the requirements of the international Environmental Management System Standard (ISO AS/NZS 14001:2004).

The audit encompassed assessment of the hardwood estate of Gunns Western Australia and the Gunns Green Triangle/South East Management Region (SA & Vic) – incorporating Kangaroo Island (SA) and Gippsland (Vic). Forest management records held in the Albany and Mt Gambier offices were assessed. Site inspections of forest operations in the Regions included hardwood plantation establishment and maintenance activities, wildfire preparation and response, biodiversity conservation and reserve management, neighbor relations, management of pests, protection of soil and water resources, heritage management and health and safety management for employees and contractors.

2 THE AUDIT

2.1 Audit Scope

The Safety, Health & Environmental (SHE) Management System (MS) operated by Gunns Limited for plantation management activities in plantations previously managed by Great Southern Limited (GSL) in Western Australia (Gunns Limited (West Australia Operations) GWA), Victoria and South Australia (Gunns Limited (Green Triangle Operations) GGT).

NOTE: Concurrent with the above, also audited was the Chain of Custody (CoC) MS operated by GWA.

2.2 Defined Forest Area

The Defined Forest Area subject to management by Gunns prior to the audit is detailed in maps that can be found via links on:

<http://www.gunns.com.au/community-sustainability/environmental-commitment/our-impact-on-the-environment/>

This entails 479,525 ha of combined native and plantation forest, of which over 200,000 ha is plantation. Successful completion of the audit will see the certification extended to include:

GWA: 47, 738 ha (the Great Southern Region of WA)

GGT: 58,815 ha (the Green Triangle of SA & Vic plus areas at Gippsland and Kangaroo Island).

2.3 Audit Criteria

The SHEMS was assessed for the extent of compliance with all of the requirements of:

1. The Australian Forestry Standard (AS 4708_2007);
2. Environmental Management Systems ... (AS/NZS ISO14001_2004).

The CoC MS was assessed for the extent of compliance with all of the requirements of:

3. Chain of custody for certified wood and forest products (AS 4707_2006)

2.4 Audit Protocols

The audit was conducted pursuant to:

JAS-ANZ Procedure 26 Issue 3 (relating to the AFS);

AFS Limited CoC Scheme Rules;

ISO/IEC 17021:2006 (Conformity assessment -- Requirements for bodies providing audit and certification of management systems); and

DNV Certification's audit procedures.

The audit was conducted by an auditor assessed by DNV as meeting the competency requirements for qualification as AFS, CoC and EMS lead auditor. The audit comprised of ten (10) auditor days in total, not including report preparation.

2.5 Audit Process

The audit was conducted on the 28th June – 2nd July 2010 (GWA) and 16th – 20th August 2010. The GWA audit phase included opening and closing meetings in the GWA Regional Office in Albany. The GGT audit phase included opening and closing meetings in the GGT Regional Office in Mt Gambier. Assessment activities included review of operational documentation, interviews with senior Regional staff and operational management, review of records associated with management and control of the forest management and where applicable CoC systems, and field audits of forestry and forest management activities. Discussions with a variety of potential stakeholders and interested parties were also held.

Details of the findings of the audit have been reported separately with copies held by DNV and submitted to Gunns. Included in the details are the objective evidence and audit trail documentation that ensure compliance by the auditor with the audit protocols.

2.6 Background of Client

Gunns Limited comprises various divisions. Gunns Forest Products is the integrated forestry organisation within Gunns Ltd. It operates in six states of Australia. Gunns timeline of achieving certification was:

- a. AS/NZS ISO 14001. Gunns Ltd certified in December 1998.
- b. AS 4708. Gunns defined forest area certified in November 2003
- c. AS 4707. Gunns CoC MS certified in November 2004.

Gunns Ltd is presently maintaining all of the above certifications.

GWA & GGT at the time of the audit were working towards re-commencing a number of forest operations that had been suspended by GSL receivers during the previous 6-12 month when they were acting as the RE for the MIS plantation schemes. A previous audit of the GGT had resulted in Gunns scope of certification for a. and b. above being extended to operations previously under the management of Auspine. As a result the systems audited comprised elements of Gunns, Auspine and GSL MSs.

3 AUDIT RESULTS

3.1 Performance against assessed Criteria & Requirements

The audit verified that the incorporation of the GWA and GGT forestry management arrangements into the Gunns Ltd SHEMS had in the main, been achieved. Key findings relating to deficiencies, opportunities for improvement and note-worthy efforts are summarized as follows:

The Legal & Other Requirements Register of GGT provides a creditable approach. In addition to the usual identification, listing and indexing of the sources from which requirements may be obtained (ie. Citations), it goes the extra step of identifying the requirements within the relevant work procedures. This arrangement is consistent with the standards' requirements. It offers a learning opportunity for Gunns elsewhere. The GWA register will benefit from revision to ensure that all requirements have been captured and that the requirements are identified and accessible. Compliance was not a current issue at either GWA or GGT.

Both GWA and GGT will benefit from a more integrated approach to the setting of Objectives and Targets as the means of achieving continual improvement. Due in part to a new corporate approach coupled with the lack of familiarity and access of GWA and GGT staff with Gunns systems, a risk based approach to the setting of Objectives and Targets at relevant functions and levels is still to be achieved.

There are some minor impediments to the effective implementation of the SHEMS.

As field operations have not been fully reinstated there was little opportunity to audit the SHEMS implementation in forest operations. At GWA there were minor isolated lapses of control at the operations shed. Also, a Harvest Plan was noted to contain some erroneous information on the map legend. This is seen to be a legacy of GSL which is a matter already being corrected by Gunns. One aspect needing consideration at GWA was the proposed adoption of in-field chipping. Issues of noise impact on neighbours, maintaining productive capacity, utilising forest resources and avoiding soil damage will all need consideration and effective control. The SHEMS will need to reflect this consideration. Another harvest planning issue needing attention is for GWA to define in its procedures the changes of circumstance under which it may be necessary to review/revise the plan.

At the time of the audit, integration and consolidation of the pre-existing IT arrangements was still underway. Gunns have business wide processes and policies, eg. Lotus Notes, Energy Management Policy + Climate Change Strategy, which have not been effectively brought to the attention of Gunns GT personnel. It should be a priority for Gunns to ensure all persons are aware of its requirements and that any awareness program is effective. However, it is prudent for Gunns GT to note that it will need to ensure that all persons working on its behalf have the requisite awareness, particularly in the four areas required by ISO14001. Further, the competency based approach embraced by the standards is not yet realised. The definition of competencies and their interaction with other elements of the SHEMS need further development.

In most respects the monitoring of Forest Management Outcomes was found to be compliant. However at both GWA and GGT there is a need for a more comprehensive regime of periodic reviews of compliance and for it to be pursuant to all the identified legal and other requirements.

The area in which both GWA and GGT need their strongest effort to align with the AFS is in providing for public participation. There is ample evidence that they have realised the requirements to be a “good neighbour”. Both GWA & GGT had lists of ‘stakeholders’ that were generally up to date. There is a ‘Good Neighbour Charter for Commercial Tree Growing in the Green Triangle Regions of SA and SW Victoria’ promulgated by the Green Triangle Regional Plantation Committee (GTRPC).

However, while they have not discouraged nor obstructed “public participation”, neither have they “facilitated and encouraged” it in the manner required. It may be true that public participation will be minimal, but Gunns must attempt to encourage meaningful participation. A specific area for improvement is in seeking the views of Australia’s Indigenous People for both GWA and GGT. Finally, the plantation planning process, if recommenced, should ensure that a process is in place that will identify existing uses and take these into consideration.

OH&S management has not yet been systematically integrated with environmental and social aspects at GWA. Isolated examples were noted in sufficient number to indicate that the systematic approach adopted for managing environmental impacts was not in place regarding OH&S. At the time of auditing GGT many of these matters had been addressed.

Except as outlined above, the Criteria of AS4708 and the elements of ISO14001 were otherwise being met.

4 AUDIT CONCLUSIONS

The auditor’s opinion is that the scope of the current certificates can be extended to both GWA and GGT. As part of the audit the previous SE audit of the ex-Auspine business at GGT were considered, but as corrective actions were still in hand, only one (relating to internal audit / inspection programming) could be closed out.

Gunns arrangements for internal audit and corrective and preventive action are fully established and implemented and reliable.

When Gunns have considered the detailed reports it will provide to the certifier its root cause analysis and proposals for corrective and preventive action in relation to the minor non-conformities raised in this report and in the attached detailed findings. Upon acceptance of these proposed actions, the certifier will be recommending that the scope of certification for the two schemes will be extended to incorporate Regional Office and sites of GWA and GGT and the associated additions to the Gunns Defined Forest Area. Completing these actions will assist Gunns in continually improving its SHEMS.