

World Hardwood (Pty) Ltd

Company Reg. No: 2002/008163/07



WORLD HARDWOOD (PTY) LTD

SAFETY, HEALTH AND ENVIRONMENT

MANAGEMENT PLAN AND FORESTRY OVERVIEW

Prepared By	N. Sibisi	Page	1 of 31
Position	S.H.E. Manager	Date Revised	02/11/2016
Document No/Revision/Ref	5.00(b)/3/Management Plan	Archive Period	1 Years

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1. PREAMBLE

World Hardwood (Pty) Limited purchased the forestry assets from Masonite (Africa) Limited in 2016 after Masonite opted for a voluntary business rescue. The official transfer date was in July 2016.

World Hardwood is a company owned by R&B Timber Group which was established in 1952. The founder of the business was Bob Armour who operated a timber treatment plant in Harding, KwaZulu-Natal, South Africa. His two sons Roy and Brian took over the business and expanded it by purchasing farm land and increasing the treatment plant capacity.

The business is now operated by Roy's three sons – Mark, Simon and David. Mark's function in the business is to procure timber and manage the farming operations. Simon is the production director at the two treatment plants and David is the Sales and Marketing director for the group. Together all three are Co-CEO's of the R&B Timber Group.

R&B Timber Group is a timber business that harvests, processes and pressure treats wooden poles for the domestic and international markets. The company has grown considerably over the years to the extent that we now own two treating plants, situated in Harding and Richmond, in the province of KwaZulu-Natal. The treatment plants are ideally situated in the heart of the "green belt" which is timber land that stretches from Harding right through to Pietermaritzburg. HTT is SABS certified and NFP is SATAS certified. Altogether the R&B Timber Group comprises of 19 Separate Entities. Which are made up of Timber Treatment Plants, Value Adding Factories, Farms, and Retail Outlets.

We treat eucalyptus (Gum) poles with two types of treatment- CCA and Creosote, for power transmission poles, telecommunication, building, thatching, fencing and vineyard requirements. As a group we are proud to say that we are the leaders within the pole industry throughout all sectors of our market.

The market for treated poles is predominantly split into two sectors- the building & fencing market and then the export markets for transmission poles. The future growth however is in transmission poles as the demand from our local power company, Eskom, and the many power companies throughout Africa is exorbitant.

R&B Timber Group owned 4 plantations prior to purchasing the Masonite Farms. Three of these plantations are in the Harding area and 1 is situated outside Port Edward. The three farms in Harding supply poles to the R&B Group plants and pulp goes to Sappi Saiccor in Umkomaas.

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1.1. History of use

World Hardwood has been involved in forestry since 2006 when they first purchased Summerfield farm, which now forms part of Uplands Plantation. They then went on to purchase that were owned by Masonite (Africa) Ltd which had been involved in forestry since 1964. In May 2018 two of World Hardwood's plantations, named Greytown and Draycott were sold to Mondi Group.

All farms were purchased in years stated below:

- Barton Heights : 2016
- Mount Desire : 2016
- Rockvale : 2016
- Solitude : 2016
- Uplands : 2016
- Witney : 1992
- Linlathen : 2014
- Cliffvale : 1994

2. ACCESS TO PUBLIC INFORMATIONS ACT

All policies and relevant documents pertaining to World Hardwood Forestry operations are available in terms of and according to the Access to Public Information Act.

3. MANAGEMENT OBJECTIVES AND REVIEW

Management Plans will be updated when major process changes occur and formally on an annual basis by the S.H.E. Manager

The management objectives within the Forestry Division are holistic (and are listed throughout this report), with its core business being the supply of timber fibre to our Pole Plants and various other timber mills throughout Kwazulu Natal. Although our core business is the supply of timber fibre, all staff and employees involved in these operations operate within stringent Safety, Health and Environmental requirements/standards. These standards also assist the Company with a constantly changing environmental, social and economic environment.

The Company manages its resources by adopting best operating practices within the Forestry Industry.

The Company strives to adopt a pro-active approach to meet the constantly changing environmental, social and economic environments at the same time as keeping track with new scientific and technical developments. This is made possible through membership with various recognized institutes as well as a dynamic management team.

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Management plans are communicated at all levels of the organization through structured meetings and staff interactions. Due to the dynamics of the forestry industry, management plans are never static. Because of this, plans are monitored closely and any deviations are investigated and corrected immediately.

There is also a policy for training, qualifications, and recruitment that includes skill and experience the basis for recruitment, placement, training and advancement of staff at all levels

4. DESCRIPTION OF FOREST RESOURCES

Our forestry resources fall within the KwaZulu Natal region. There are currently 5 plantations namely Mount Desire, Solitude, Barton Heights, Rockvale and Uplands plantations.

Only the Forests previously managed by Masonite (Africa) Limited were certified in accordance with the requirements of the Forestry Stewardship Council A.C. using the Adapted Woodmark Forest Management Standards (ST-FM-001) for South Africa (v2) – Certificate Number: SA-FM/COC-002451. The other 5 farms were certified under the NCT group scheme.

World Hardwood (Pty) Ltd in South Africa manages 1189.2 ha of sustainable productive commercial plantations spread over KwaZulu-Natal. The Forestry Division is divided into the Central and Southern districts.

The core business of the company is to provide their Pole Treating Plants in Harding and Richmond with the required fibre product on a sustainable basis – 91.6% of the annual forest production is Gum pulpwood and poles and 8.4% Cane.

Approximately 23.1% of the Forestry Division is not planted to commercial timber compartments, but managed as natural or open area habitats.

A breakdown of sites currently:

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5. LAND RESOURCES

TABLE 1

Plantation	Commercial Forestry	Cane/nuts/bananas	Open Area	Total Area
Mount Desire	1 773	360	1127	3260
Solitude	1 523	-	721	2 244
Barton Heights	607	-	314	921
Rockvale	2 670	-	611	3 281
Uplands (Summerfield+Witney +Linlathen + Cliffvale)	2049	6	491	2546
Grand Total	8622	366	3264	12252

A breakdown of the Forestry Divisions Annual Production is as follows:

6. ANNUAL AVERAGE PRODUCTION OF FOREST RESOURCES

TABLE 2

PLANTATION	AVERAGE PRODUCTION (tons/annum)				Totals
	Eucalyptus Pulpwood & Poles	Wattle Pulpwood	Wattle Bark	Cane	
Mount Desire	22 865	0	0	11000	33 865
Solitude	21 287	0	0	0	21 287
Barton Heights	11 886	0	0	0	11 886
Rockvale	36 165	0	0	0	36 165
Uplands	26 424	100	0	0	26 524
TOTALS	118 727	100	0	11000	129 827

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A breakdown of the Central and Southern Areas is as follows:

Central Area

The Central Area is made up of three plantations: Mount Desire, Solitude and Barton Heights. The total area is 6 425 ha's, and the annual production is 56 038 tons of timber and 11 000 tons of sugar cane (see **table 4 for details**). The Central Area employs 9 permanent staff, 12 permanent employees and 5 contractors. One species of exotic plantation timber is grown (eucalyptus) and management activities include harvesting, silviculture, forest protection, harvesting, extraction and transport of timber and conservation of natural areas.

ANNUAL PRODUCTION FOR CENTRAL AREA

TABLE 4

PLANTATION	AVERAGE PRODUCTION (tons/annum)				Totals
	Eucalyptus Pulpwood	Wattle Pulpwood	Wattle Bark	Cane	
Mount Desire	22 865	0	0	11 000	33 865
Solitude	21 287	0	0	0	21 287
Barton Heights	11 886	0	0	0	11 886
TOTALS	56 038	0	0	11 000	67 038

4.2.1 Mt.Desire and Solitude Plantations (Mt. Desire includes Zuurrug and Holdene) Geology and Catchments

The three farms are situated close to each other to the east and southeast of Richmond in KZN midlands. The quaternary catchments are situated in the U drainage basin and cover 4 sub-catchments (U60B, U70B, U70C and U10L). Mt. Desire drains mainly into the east-flowing Mlazi, Holdene and Zuurrug into the southeast flowing Lovu, while Solitude feeds both the Mkomazi and the Lovu.

Mean annual precipitation is also between 800 and 1000 mm, with the mean annual evaporation estimated at less than 1200 mm (WRC Report 298/6.2/94).

As with the previous farms the geology is made up mainly of tillite in the central parts, intercalated arenaceous and agrillaceous strata to the east, with principally agrillaceous strata to the west. Soils are also moderately to deep clayey loam with an erodibility index of 10 to 12 (medium), and the quaternary sub-catchment sediment yield is estimated at between 54 000 and 59 000 t/a. Low and Rebelo (1996)

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puts the plantations into the following vegetation types: Mt. Desire is a combination of (5) Valley Thicket; (24) Coast Hinterland Bushveld and (43) North-eastern Mountain Grassland. Solitude is also covered by type (24) Coast Hinterland Bushveld, which is also the most transformed habitat type of the three (approximately 87%). In the more sheltered valleys or slopes one would expect well-developed forests (Acocks, 1988).

4.2.1.1 Socio-economic Conditions

There are no tribal areas or rural settlements of note at Mt. Desire, as the area is solely under agriculture or commercial conservation and is surrounded by farming communities.

The Company also runs a sound primary Occupational Health Care Programme for its employees. This function is contracted out to qualified Occupation Health Sisters.

In addition, access to non timber resources such as thatch grass, fire wood collection, cattle grazing and honey collection is also allowed on a permit basis.

4.2.2 Barton Heights Plantation Geology and Catchments

This timber farm of 914 ha's and is situated approximately 10km west of Richmond in Kwa-Zulu Natal. It spreads across two quaternary sub-catchments, the U10J and U70A which means that part of the plantation drains to the north-east to feed the Lovu river and the rest drains to the south-west to contribute to the flow of the Mkomazi. Sediment yield in the U70A is relatively low at 18 000 t/a while the opposite is true of the U10J at 78 000 t/a. Both sub-catchments are rated as (10), a medium erodibility. As with the rest the soils are described as moderate to deep, with a clayey loam texture and situated on an undulating relief. Geology of Barton Heights is principally argillaceous strata (WRC Report 298/6.2/94), and red and yellow apedal subsoils with topsoils high in organic matter are common according to Low and Rebelo (1996).

The mean annual precipitation can be as high as 1000 to 1500 mm per annum, but the norm is 800 to 1000 mm. Mean annual evaporation is fairly low at less than 1200 mm per annum and the mean annual runoff is estimated at 50 – 100 mm (WRC Report 298/6.2/94).

The natural vegetation is classified as Acocks (A45) – Natal Mistbelt Ngongoniveld (Acocks, 1988), or as type 47 – Short Mistbelt Grassland according to Low and Rebelo (1996). Only 2.37% of this habitat type are officially conserved while 89% has been transformed – climax veld is recognised by healthy stands of *Themeda triandra*.

4.2.2.1 Socio-economic Conditions

There is a dense settlement at the neighbouring Ndaleni Mission, which is not typical of rural settlements in the area, as it was a focus point of the political violence of the late 1980's and early 1990's. It has since stabilised remarkably. The primary income for the area is from residents employed in Pietermaritzburg, with a lesser percentage employed in the agricultural sector. It is a more urbanised rural settlement.

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The Company also runs a sound primary Occupational Health Care Programme for its employees. This function is contracted out to qualified Occupation Health Sisters.

In addition, access to non timber resources such as thatch grass, fire wood collection, cattle grazing and honey collection is also allowed on a permit basis.

4.3 Southern Area

The Southern Area is made up of Rockvale and Uplands (Summerfield, Cliffvale, Linlathen and Witney) plantations respectively. The total area is 5827 ha's, and the annual production is 62 589 tons of raw material (see table 5 for details). The southern area employs 4 permanent staff, 111 permanent employees and 4 contractors. Three species of exotic plantation timber is grown (eucalyptus and pine) and management activities include harvesting, silviculture, forest protection, harvesting, extraction and transport of timber and conservation of natural areas.

ANNUAL PRODUCTION FOR SOUTHERN AREA

TABLE 5

PLANTATION	AVERAGE PRODUCTION (tons/annum)				Totals
	Eucalyptus Pulpwood	Wattle Pulpwood	Wattle Bark	Cane	
Rockvale	36 165	0	0	0	36 165
Uplands	26 424	0	0	0	26 424
TOTALS	62 589	100	0	0	62 589

4.3.1 Rockvale (includes Strathaven) and Uplands Plantations Geology and Catchments

Rockvale situated south-east of the town of Ixopo in the KwaZulu Natal midlands and Upland south of the town of Harding. Their drainage regions are classified as quaternary catchment numbers U10K, U80E and T52D. Geology consists mainly of tillite in the central parts, intercalated arenaceous and argillaceous strata to the east, with principally argillaceous strata to the west. Soils are moderately to deep clayey loam and could be dystrophic or leached due to high rainfall, yellow or red apedal subsoils are common.

Low and Rebelo (1996) classify the vegetation as (42) and (47), Moist Upland Grassland and Short Mistbelt Grassland of the grassland biome. Only 2.52% and 2.37% respectively are conserved on a national scale, which indicates the importance of sound management regarding the remnants of these two habitat types.

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The mean annual rainfall varies between 800 and 1000 mm per annum (WRC Report 298/6.2/94). The Rockvale catchment drains to the north and then east along the Mkomazi river while the Strathaven and Uplands catchments drains to the east along the Mtwalume and Nkondwana rivers.

4.3.2. Witney, Linlathen and Cliffvale

These plantations are situated on the western and eastern part of Harding town. Their drainage regions are classified as quaternary catchment numbers U10K, U80E and T52D. Geology consists mainly of tillite in the central parts, intercalated erinaceous and argillaceous strata to the east, with principally agrillaceous strata to the west. Soils are moderately to deep clayey loam and could be dystrophic or leached due to high rainfall, yellow or red apedal subsoils are common.

The mean annual rainfall for Harding varies between 750 and 1000 ml (SAexplorer.co.za: 2017)

4.3.3 Socio-economic Conditions

Neighboring land-use at Rockvale can be described as 30% timber farming, 10% community land and the rest cane and stock farming (mainly cattle).

The Company also runs a sound primary Occupational Health Care Programme for its employees. This function is contracted out to qualified Occupation Health Sisters.

In terms of the social environment there are two tribal authorities structured in a typical settlement pattern for rural settlements. Subsistence farming with limited animal husbandry characterises the economic activities of residents of these rural settlements. Household income is subsidised by pension payments to the elderly and by monthly remittances made by relatives employed either locally in forestry or other agricultural activities, or further afield in the cities.

5. RATE OF ANNUAL HARVEST

5.1 Harvest and regeneration

Sustainable harvest levels have been calculated for the FMU. This is documented in the Sustainability Models in the S.H.E Management System. An outside contractor is also used for the purpose of compiling and updating the Working Circle Plans.

The rationale for the rate of harvest is based on the available resource base, pole and pulp market requirements. Each compartment is enumerated once or twice during its life. Stem counts are done after planting. Compartments six years and older receive a full enumeration. During a full enumeration stems per ha, stumps per ha, heights, diameters. The enumeration team will also report on weed infestation, occurrence of disease and any other deviations from the current compartment information and compartment map. Stem counts only exclude diameter and height measurements. Compilation of working

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plans involve detailed analysis of the enumerated data, calculation of standing volumes, age class and yield analysis and the drawing up of growth models to simulate growth to required felling age. Working plans form the core of regulating area and yield for sustainable annual harvesting and assist in drawing up strategic long-term plans and tactical medium term plans. The planner reconciles actual cut with planned cut.

6. MONITORING OF FOREST GROWTH AND DYNAMICS

The following monitoring currently takes place:

6.1 Silviculture Management Systems

In terms of the silvicultural systems, the Forestry Solutions Best Operating Practices are used as a guide to silvicultural management systems. World Hardwood is also a member of the Institute for Commercial Forestry Research. In general, gum is planted at an espacement of 3 x 2m and wattle at 3 x 1.5m. The pits are kept weed-free by manual hoeing, slashing and chemical spraying until canopy closure. Corrective pruning is carried out for wattle in which double leaders are removed, and thinnings are carried out according to the South African Wattle Growers Union (SAWGU) recommendations. Gum is only allowed to coppice twice, but will be replanted earlier if the live stumps per hectare drop below 1000 spha.

The compartments are handed over from harvesting to silviculture by the forester through means of a post harvest audit and signatures. The post harvest audit signature indicates acceptance of best operating practices. A planting plan is then drawn up. A post-planting audit is also carried out. This includes blanking requirements. The forester checks the quality of work

6.2 Harvesting Management Systems

In terms of harvesting systems, the Forestry Solutions Best Operating Practices are used as a guide. In general, Operational Harvest Planning includes an operational checklist in the form of a pre and post harvest audits which are completed for each harvest operation. Supervisor checks quality, tasks, standards and the managers monitors activities

6.3 Forest Enumeration

All compartments older than 4 years are enumerated by a trained two-man team. A 5% sampling intensity is used and the following parameters are recorded: stems per ha, stumps per ha, dbh, height, disease, mortality, map discrepancies.

6.4 Illegal Activities

Where still in use Fire Lookouts/Camera Systems keep a vigilant eye on the plantation, as do other employees. The local communities also report untoward activities. The services of the South African Police Force are also used from time to time.

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In the Central area all forest guarding and security services is outsourced. Magma Security as well as Conservancy Group is used in Mt Desire, whereas in Solitude and Barton they make use of Viva Security Services. Farm watch is also active for the Central Area.

6.5 Fire and Safety

World hardwood perform 2nd Party audit in house. Safety checklists are completed by all operators. Weekly fire checklists are completed to test equipment, vehicles, communications etc. Annual insurance valuations are also carried out by Patula Risk. World Hardwood is also a member of the Kwa-Zulu Natal Fire Protection Association and the relevant Fire Protection Associations.

A fire risk assessments and management controls is also continuously updated by the Safety, Health and Environmental Manager

6.6 Contractors

The monthly order for work is specified and monitored at the end of the operation.

Legal compliance e.g. contracts with employees, UIF, VAT, Workmen's compensation etc is written into the contract and the contractors have to provide registration numbers to the company. There is a checklist, which the contractors have to complete, titled "Contractor Compliance with Labour Legislation". The contractors have to complete the same safety checklist as the company operators using a standard Contractors S.H.E Planning Document.

6.7 Third Party Audits

- Annual FSC™ (Forestry Stewardship Council) Audits, and
- Financial audits

6.8 Resource Monitoring

Environmental audits are carried out and are the function of the Safety, Health and Environmental Manager. In addition, Foresters are also responsible for conducting internal self audits regarding environmental issues.

A detailed Environmental Monitoring Guideline Document is used to determine monitoring indicators and frequencies.

6.8.1 Health and Safety

Domestic drinking water is also monitored annually. Any deviations are actioned immediately with the help of the Umgeni Water Services. The annual monitoring of water quality of the natural water resources

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takes place in the form of biological monitoring of the streams using the MINI SASS (South African Scoring System).

Occupational Hygiene Surveys are carried out by an Approved Inspection Authority every 4 years and include:

1. Noise surveys
2. Hazardous Chemical Substance Surveys
3. Ventilation Surveys. and
4. Illumination Surveys.

6.8.2 Soil

Firebreaks, compartments, timber depots, quarry pits and plantation roads are monitored for erosion.

6.8.3 Fauna and Flora

Annual Oribi antelope surveys are carried out in conjunction with the Oribi Working Group and numbers monitored.

The Hilton Daisy site is monitored by the Botanical Society, who regularly surveys the area.

Rare, threatened and endangered species are also monitored on all plantations where they occur and adequate security measures are employed for the protection of these resources.

6.8.4 Grassland Bio-Monitoring

Most of the grasslands form part of the fire protection management plans and as a result, are burnt annually. Grasslands are monitored for erosion and cattle grazing are controlled using cattle grazing permits in accordance with bio-resource carrying capacities. Where possible, grasslands are burnt biannually.

6.8.5 High Conservation Value Forest Monitoring

All indigenous forest patches are considered as having high conservation values and are protected from illegal harvesting. Alien weed control forms part of the catchment clearing plans.

6.8.6 Water Bio-Monitoring

Water testing is done by making use of Umgeni Water Board.

Water discharge from vehicle wash-bays is also monitored on an annual basis. Bio-diversity is also monitored on an annual basis.

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6.8.7 Water Quantity Monitoring

Water quantity monitoring is viewed as an integrated management process combining both National Water Strategies and plantation management.

The Department of Water and Sanitation (DWS) have strategically placed water monitoring sites/weirs that have been identified as being of National significance. Data such as water run-off from catchment management areas is collected and analysed. This information is available per quaternary catchment area that is of significance to the strategic planning of water management areas occurring on World Hardwood property.

6.8.7.2 Water Management Areas

Table 6 refers to the Primary and Quaternary Catchment Area on World Hardwood Property. These catchments are managed through the Annual Catchment Clearing Plans as well as the Long Term Wetland Delineation Plans linked to the harvest schedules.

6.8.8 Long Term Management Objectives and Targets for Conservation Management

Table 7 briefly lists the targets and objectives for the management of conservation areas occurring within World Hardwood Property.

TABLE 6

CONSERVATION MANAGEMENT OBJECTIVES

CONSERVATION TYPE	OBJECTIVE	TARGET DATE
Catchment Alien Weed Clearing and Reclamation	Cleared of alien weeds to maintenance phase (0-10% weed infestation).	2022
	Corridor reclamation	2020
Wetland Delineation	Have all wetlands delineated according to soil hydromorphy.	2022
Conservation Risk Assessments	Determine conservation monitoring strategies in conduction with Grassland Working Project.	2010

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7. SAFETY, HEALTH AND ENVIRONMENTAL SAFEGUARDS BASED ON ASSESSMENTS

To ensure compliance with all relevant legislation as well as industry standards, the Company is audited annually by the Forestry Stewardship Council as well as our adopted in house NOSA standards.

The Safety, Health and Environmental Manager is responsible for conducting Base Line and Continuous Environmental Risk Assessments as well as a Pollution Prevention: Air, Ground and Water Risk Assessment. Management controls are then implemented to mitigate the environmental risks.

To give effect to sound integrated Safety, Health and Environmental Management the Company as an electronic S.H.E Management System that is made available to all Foresters, Area and District Managers on plantation. The effectiveness of these controls is monitored by a series of internal self audits as well as second and third party audits.

7.1 Environmental aspects

An annual biodiversity report is compiled by the Safety, Health and Environmental Manager and is available on the S.H.E Management Systems.

The following have been identified as threats to biodiversity:

- Alien weed infestations
- Illegal activities
- Grazing
- Erosion and sedimentation
- Impacts of forestry operations
- Fragmented ecosystems

The following tools have been identified to manage biodiversity:

- Keep disturbance of ecosystems to a minimum
- Sensitive weeding
- Security
- Occasional monitoring
- Forestry Stewardship Council Principles and Criteria
- Accurate record keeping of planning documentation

The following graph is a summary of the biodiversity/open area descriptions within World Hardwood Forestry.

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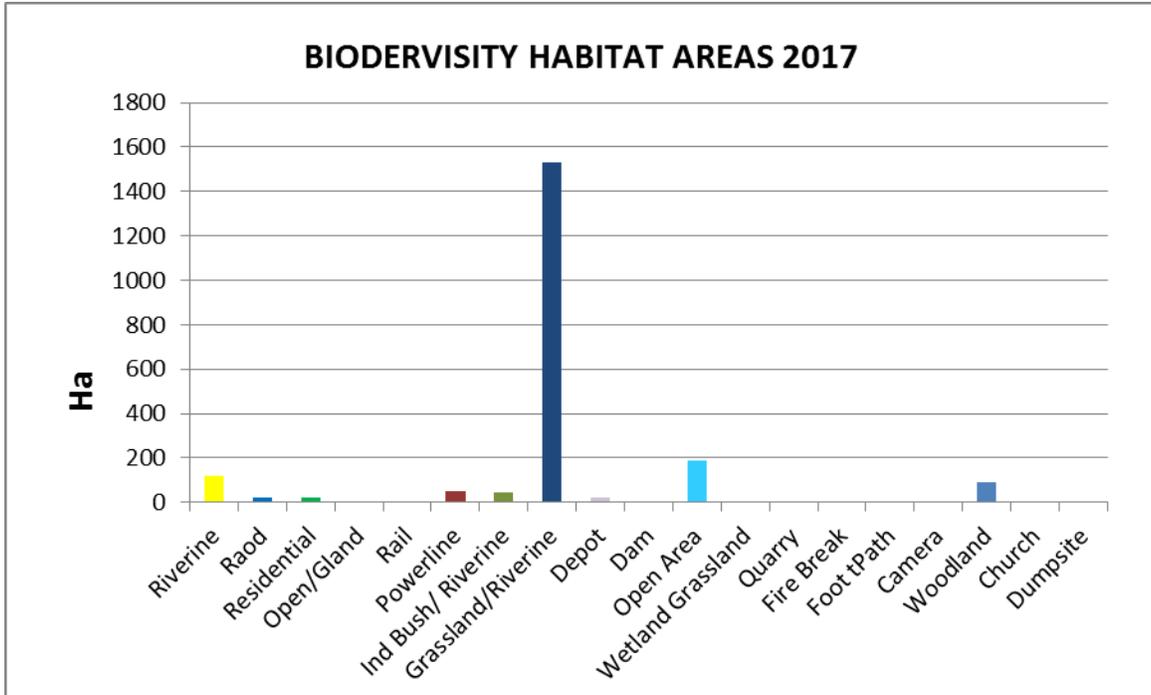


TABLE 8

REGISTERED SITES OF CONSERVATION SIGNIFICANCE

PLANTATION	DESCRIPTION	SOCS NO	DATE DECLARED SOCS
Barton Heights	Tree Fern Site	150	27/02/1998
	Indigenous Forest	162	28/02/1997
Mount Desire	Mount Desire Valley/Grassland	159	28/02/1997
	Mount Desire Wetland	208	27/02/1998
Rockvale	Rockvale Wetland	119	27/02/1998
	Strathaven Gorge	182	27/02/1998
	Strathaven valley	181	27/02/1998
Solitude	Solitude Aloe Site/Grassland	180	27/02/1998
	Solitude Indigenous Forest	160	28/02/1997

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The conservation status of the wetlands, grasslands, indigenous forests and other unplanted areas on the FMU is therefore fairly high.

There is a healthy population of wildlife with numerous red data species, which occur on the FMU. The Company is aware of the value of this heritage and has measures in place to provide protection for the wildlife.

Conservation risk assessments are conducted in partnership with the Grassland Working Project to determine areas requiring specialized monitoring.

There is good co-operation with external groups, especially in the identification and registration of *Sites of Conservation Significance* (as mentioned above). The list of Sites of Conservation Significance that have been registered can be seen on **Table 8**.

Conservation risk assessments are conducted in partnership with the Grassland Working Project to determine areas requiring specialized monitoring.

7.2 Health and Safety Aspects

A stringent and integrated Safety, Health and Environmental Management Program is in place to ensure a safe and healthy work environment for all people involved either directly or indirectly out of the course of business.

All workers receive training relevant to their tasks and responsibilities and records of training provided to forest workers are kept.

8. COMPLIANCE WITH FSC™ PRINCIPLES AND CRITERIA

Only the Forests managed by World Hardwood (Pty) Limited have been certified in accordance with the requirements of the Forestry Stewardship Council A.C. using the Adapted Woodmark Forest Management Standards (ST-FM-001) for South Africa (v2) – Certificate Number: SA-FM/COC-002451.

8.1 Principle 1: Compliance with law and FSC™ Principles

Respect for national and local laws and administrative requirements

The company has copies of the relevant legislation and local standards. Corrective action systems are in place to address non-conformance with laws and regulations.

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Payment of legally prescribed fees, royalties, taxes and other charges are all adhered to. The Company respects all applicable international agreements and all relevant international agreements are currently encapsulated in National Legislation. There are no conflicts between laws, regulations and the FSC™ Principles and Criteria.

Protection of forests from illegal activities

The company employs security services that provide such protection to be effectively protected against illegal activities such as timber theft and widespread illegal grazing. Adequate consultation with all stakeholders also takes place to assist in addressing these issues.

Demonstration of a long-term commitment to the FSC Principles and Criteria

The Company does have a publicly available policy. The company is currently committed to the Principles and Criteria of the FSC, and has taken an incremental approach to certification.

8.2 Principle 2: Tenure and use rights and responsibilities

Demonstration of land tenure and forest use rights

The company property is held by freehold title. They have clear long-term tenure rights.

Local communities’ legal or customary tenure or use rights

While access to the FMU is granted to local communities for various purposes, this access is a privilege and not a legal right.

Disputes over tenure claims and use rights

There is one land claims at Rockvale and it is being managed within the ambit of the applicable laws.

8.3 Principle 3: Indigenous peoples’ rights

Indigenous peoples’ control of forest management

There is one land claims at Rockvale and it is being managed within the ambit of the applicable laws.

Maintenance of indigenous peoples’ resources or tenure rights

Indigenous communities do not have any direct legal rights to the properties. There are not any apparent adverse impacts of forest management on indigenous communities’ resources.

Protection of sites of special cultural, ecological, economic or religious significance to indigenous peoples

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The company has a clear-cut policy for the identification, protection and management of such sites. Provision is made for recording such sites on planting plans as well in the Area of Special Interests Register.

Compensation of indigenous peoples for the application of their traditional knowledge

Traditional knowledge on the use of forest species is not applied to the management of exotic commercial plantations.

8.4 Principle 4: Community relations and workers rights

Employment, training, and other services for local communities

Managers with the responsibility for liaison with local communities are identified. This task is detailed in their Social Responsibility Appointments. Local communities receive preferential opportunities for employment. The company has a documented qualifications audit/skills requirement assessment in place. The company encourages multi-skilling and also has documented OHS training programmes in place. Budgets are concluded annually and are adequate to meet these needs.

There is a fair level of support for local facilities and infrastructure, particularly infrastructure of a social nature. The local school is an outstanding company achievement, and is an excellent example of good corporate governance. The pass rates of pupils writing final year examinations have quadrupled since the company began to take an interest in the institution. Other corporate social and infrastructural expenditure is planned in co-operation with stakeholders – there is a practice of pro-activeness to requests. Social expenditure needs are planned for at least in three yearly cycles for maximum impact.

The company provides for basic health (clinic service which is also available to the local community), education (financial and material support for local schools), and supports recreational/sporting events such as providing transport to soccer matches. Local communities are also given controlled access to thatch grass, fishing and building laths.

Compliance with health and safety regulations

The company has a safety, health and environmental policy. The company has made an excellent contribution to the fight against HIV/Aids in the area. Education and training programmes are also initiated.

Workers’ rights to organise and negotiate with employers

Workers are free to join the union of their choice. Currently there were no unions active among the contractors’ employees. Shop Stewards regularly participate in decision making via the Human Resources Manager.

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There is collective bargaining across the Forestry Division of World Hardwood, and there has been no documented deadlock or strike action in recent years. This is an indicator of fair consensus.

Social impact evaluations and consultation

The company has a good social awareness record and is committed to the responsible management of social issues. The impacts on all plantations is fairly minimal, and stakeholder forum meetings are conducted regularly. There are stakeholder lists available for all plantations. The workforce is currently stable, and there is a commitment to undertake a social impact study before redundancy operations.

Resolution of grievances and settlement of compensation claims

Mechanisms are available. There have been no compensation claims.

8.5 Principle 5: Benefits from the forest

Economic viability taking full environmental, social, and operational costs into account is always considered. The company is economically viable and budgets show a responsible allocation of funds in terms of provision for environmental, social and operational costs.

Optimal use and local processing of forest products

The core business is to supply timber to R & B Group Pole Treating plants, which produces Treated Poles and has numerous value adding processes. Other local processing is as follows: Wattle bark is supplied to local companies in Hermansberg and Dalton. Wattle timber, charcoal timber, and pulp are supplied to local enterprises. World Hardwood does not export any unprocessed products.

Waste minimisation and avoidance of damage to forest resources

The Company makes use of General Small Communal Waste pits on their property due to long distances to Municipal Waste Sites. No hazardous waste is disposed of on these sites which cater only for general household waste. All hazardous waste is disposed of by Approved Waste Removal Companies and documentation kept. Old oil is taken away by the Enviro Serve.

People are allowed to "Theza" (collect wood head loads) in the compartments, and waste generated is minimised, since the company still need to carry out slash burning operations. Such slash burning are adequately justified by means of a slash burn permit signed by the Area Manages and District Manager per compartment (explicit, site-specific reasons are provided for the need to burn slash).

Forest management and the local economy

In terms of commercial timber products, Gum is cultivated for pulpwood and is also used for droppers and poles. Wattle is cultivated for bark, pulpwood and charcoal wood.

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There are numerous non-timber forestry products and services, which emanate from the forest management unit (FMU). Such products/services include apiary and the generation of honey, the harvesting of thatching grass and kraft material, the provision of grazing areas, subsistence vegetable gardening, hunting, fishing and ecotourism (hiking, bird watching etc). Local communities are allowed to make use of thatch grass, fishing and building laths. Multiple Resource Utilisation Permits must be obtained from the Forester.

Maintenance of the value of forest services and resources

All biodiversity resources such as dams and rivers are mapped and conserved. The impact of forest activities on these resources are documented in local standards such as Environmental Guidelines, Codes of Practice etc. and such areas are known as Special Management Zones (SMZs) and are identified and protected through operational plans. In addition, such areas are also protected from impact through weed control programmes and the delineation of wetlands to provide adequate buffer zones.

Harvest levels

Data on forest growth, regeneration and volumes harvested and thinned are reported regularly (forest enumerations) and analysed in comparison with predicted volumes and growth data. These results are incorporated into growth projections and plans.

The rationale for the rate of harvest is based on the mill requirements, other market requirements, and the resource base. Normality calculations specify the permitted area to harvest. Indeed, the actual harvest areas are lower than the permitted calculations.

8.6 Principle 6: Environmental impact

Environmental impacts assessment

Principle environmental impacts are identified in the EMS: "*Identification of Environmental Aspects and Impacts*". The significant impacts are highlighted. Objectives and targets to address these impacts is documented and mitigation measures are embodied in Policies and Guidelines such as the Erosion Control Guidelines.

The potential environmental impacts of most forest activities (roads, harvesting, silviculture etc) have also been identified through local standards such as listed in Chapter 10 of this Public Summary Report. Environmental precautions and best operating practices are also documented in "Forestry Solutions", to which the company subscribes.

Carrying capacities of wetlands and grasslands and areas where cattle graze have been determined and related to number of cattle kept and exclusion zones for cattle have been identified or enforced (e.g. riparian zones and newly planted compartments). The impact of cattle on the water resource has been considered and is controlled.

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Catch return forms as a means of monitoring fishing activities are also kept. Company policy requires a permit for fishing.

Protection of rare, threatened and endangered species

There are species lists identifying rear, threatened and endangered mammals, birds and reptiles, and is an ongoing process. The status of the FMU with regard to flora is also ongoing and there are flora species lists and vegetation mapping classifications.

The Company has proclaimed Sites of Conservation Significance in each plantation, that has been registered and conservation zones have been demarcated on maps and in field. Such areas are Areas of Special Interest (ASIs) and are demarcated as "no go areas" in operational plans and protected during operations.

Most of the conservation management activities revolve around weed control and burning. In terms of the use of fire as a management tool, the company does have a fire protection manual, which deals with the burning of open areas. The prescriptions in this manual are implemented. Where possible, rotational burns are practiced but this is not always possible due to high fire risks and Patula Risk Insurance Requirements. Deviations from the burning plan are justified in areas of great fire threat.

Maintenance of ecological functions and values

Silviculture and other management systems are based on the best practices, which have evolved with the forestry industry. These systems were developed for commercial timber plantations in South Africa and are therefore appropriate for the ecology and resource.

Ecological functions are generally maintained through adequate knowledge and good management.

Degraded sites (e.g. eroded firebreaks, dongas and old quarries) are pro-actively identified and scheduled for restoration.

Protection of representative samples of existing ecosystems

Currently about 21% of the FMU is unplanted. The different vegetation types (and hence ecosystems) are represented in the form of Environmental Conservation Database Mapping and are mentioned in the Annual Biodiversity Report. This vegetation mapping makes it possible to ascertain how well the ecosystems are represented in the context of the larger area.

Protection against damage to soils, residual forest and water resources during operations

There are numerous issues associated with this section since operations include harvesting, slash management, road maintenance, the protection of water courses with regard to buffer zones the implementation of emergency procedures in the event of hydrocarbon and chemical spills.

Road Maintenance: road maintenance is based on both long and short term road plans.

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Plans are based on the impacts of harvesting operations on the roads as well as fire fighting. Decommissioning of unwanted roads is also catered for. Roads currently situated in wetland areas are identified for mitigation/excision and incidences of poor road drainage and river-crossings that are impacting on the environment in terms of sediment input into streams are also identified for correction. River-crossings are identified with long term plans of reducing the number of these crossings.

Harvesting: Harvesting activities are adequately planned or monitored to ensure that policies and procedures are implemented and environmental degradation minimised. All compartments scheduled for harvesting are first planned using pre and post harvest plans. In addition to these plans, harvest activities are constantly monitored to ensure compliance with these plans and best operating practices.

Slash Burning: The Company has a no-burn policy. Any slash burning that does take place is mitigated and justified through a slash burn permit. Soil and weather data is used as part of the decision. There are also pre-operational planning and post-operational auditing for slash burning and actual conditions of burn and date of burn are also kept on file.

Wetland Delineation: The Company has undertaken to implement the Wetland Delineation procedures developed by the forestry industry. Each plantation has a strategic wetland delineation plan and all new establishments as well as coppice reduction compartments are delineated soon after harvesting. Areas requiring delineation are also identified in the Planting Plans.

Oil Spills: The Company has a detailed Pollution Prevention: Air, Ground and Water document which is implemented daily. Oil spills are catered for by means of bioremediation materials.

Protection from Fire: The Company has a documented Fire Management Plan that is revised and implemented annually. The document provides a compartment by compartment strategy for burning of firebreaks and other preventative measure. Roles and responsibilities are clearly allocated. An inspection of fire tenders and other equipment revealed a well-resourced outfit.

Chemical pest and herbicide management

Pesticides and herbicides are adequately screened against FSC requirements and there is a strategy for the reduction in pesticide and herbicide use. Analysis of trends of use are also monitored. Use of chemicals is minimised through a combination of chemical and manual control and prompt follow-up. A well planned alien control plan also helps reduce chemical usage. Use and disposal of chemicals, containers, liquid and solid non-organic wastes are applied according to industry standard.

Non-organic waste produced is as follows: oil, tins, bottles, tyres, oil filters, chemical containers, batteries, plastic. Oil is recycled. The workshop keeps the old oil, and run-off oil from the vehicles is collected in an oil trap. The oil filters and chemical containers are returned to the supplier.

The handling and disposal of chemicals are managed well within the ILO guidelines. Regular inspections of chemical stores are also conducted to ensure compliance and records kept. Every chemical requisition is recorded in a register, and the register corresponds with the amounts of chemicals left behind. Chemical container disposal is adhered to rigorously with evidence that manufacturers specifications with regard to

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the puncturing of containers, or alternate forms of disposal, are adhered to. Appropriate gloves and respirators are used when handling or applying chemicals. The Company also conducts 4-yearly Hazardous Fumes Surveys through APEX (Registers and Approved Inspection Authorities for Occupational Hygiene). These surveys determine the Actual Occupational Exposure Limits (OEL's) that employees are exposed to when handling Hazardous Chemical Substances. All past results have shown that exposure levels are well below Internationally Accepted OEL's.

Use of biological control agents and genetically modified organisms

Currently there is no use of biological control agents.

The use of exotic species

The Company is legally registered as a stream flow reduction activity and is in possession of water use licenses. Whilst it must be noted that timber is a product of biodiversity, exotic species have been assessed for adverse ecological impacts. The primary adverse impacts are loss of biodiversity, increased water use and natural regeneration. These impacts are addressed in the conservation management planning carried out by the company. Mitigation of impacts involves the provision of buffer zones for wetlands, the conservation of representative natural areas and the provision of corridors as well as a strategic weed control programme.

Forest conversion to plantations or non-forest land uses

There has been no forest conversion.

8.7 Principle 7: Management plan

Management plan requirements

World Hardwood has a comprehensive management plan/system. This system is a series of generic files which have been created to cover *Organisational Management* (e.g. policies, legal requirements, SHE, committees, training), *Operational Control* (e.g. fire management, road maintenance), *Safeguarding* (e.g. hazardous chemicals, portable equipment, lifting mechanisms), *Structures and Work Environment* (e.g. waste management, pollution prevention). These generic files are then elaborated upon for each plantation to include specific detail pertaining to that plantation. All files have a "General Correspondence" section, which will record all stakeholder correspondence. These files constitute a comprehensive Environmental Management System. Files therefore have document numbers, type, date prepared, approved etc. Targets and objectives are stated per operation. Staff members are given the responsibility of the ownership and revision of the management plans. The company keeps up to date with new development and latest research. All operational control manuals (Silviculture, Harvesting, Road Maintenance and Invader Plant Control) have a chapter dedicated to "Research Recommendations" in which monitoring data is incorporated into the plan.

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Training and supervision of forest workers

The Company is committed and provides adequate financial resources on staff training. Training is both formally certificated, and informal on-the-job training. The training policy is well executed and the human resources managers are responsible for ensuring implementation thereof. The company has a documented qualifications audit system and a skills requirement assessment system in place. The company encourages multi-skilling and also has documented OHS training programmes in place.

All managers are graduates of forestry educational institutions and have also undergone further coursework to ensure they are able to plan, organise and implement policies and procedures effectively.

The training of contractor labour also receives great attention covering safety, health and environmental as well as technical skills relating to harvesting and silviculture.

Public availability of the management plan elements

This document forms part of the publicly available statements that provides an up-to-date summary of the primary elements of the management plan.

8.8 Principle 8 Monitoring and assessment

Frequency, intensity and consistency of monitoring

The Company has a detailed document of monitoring activities and frequencies and is available on the SHE Management Systems. Water quality and quantity monitoring is also implemented through water tests by Umgeni as well as in house Mini SASS. The standard further requires that staff members with the responsibility of implementing monitoring programmes are identified.

Research and data collection for monitoring

Each plantation is enumerated every three years. All compartments 4 and 5 years old receive a stem count. Compartments 6 years and older receive a full enumeration. This involves data collation on stems per hectare, stumps/ha, height and diameter of tree, slope of land. Enumeration teams also report on weed infestation and occurrence of disease and any other condition that deviates from the norm.

Blanking work instructions are available, and through such inspections, the success of the re-afforestation is established. Permanent sample plots (PSPs) have been established by ICFR.

The monitoring of fauna and flora is also catered for. Contractor's performance is also monitored.

Chain of custody

The Company has a well documented procedure for chain of custody, which can be found in the Corporate S.H.E Guidelines Document, element 5.39. There is a process in place, which enables the recipient to determine the forest of origin. All consignment tickets are drawn up (with compartment

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details) and a delivery note accompanies the truck, which states the source, species, destination etc. All timber is traceable to the forest of origin. Records of sales are also kept.

Incorporation of monitoring results into the management plan

All monitoring data is available on request in terms of the Access to Public Information Act.

Publicly available summary of monitoring

All monitoring data is available on request in terms of the Access to Public Information Act.

8.9 Principle 9: High Conservation Value Forests

Assessment to determine high conservation value attributes

All forests need to be assessed for the presence of one or more the following attributes:

- Forest areas containing globally, regionally or nationally significant concentrations of biodiversity values and/or large landscape level forests where viable populations of most/all naturally occurring species exist in natural patterns of distribution and abundance;
- Rare, threatened or endangered ecosystems;
- Forests that provide basic ecological services in critical situations (e.g. water quality or flow, protection against erosion, extreme weather conditions, pollinators);
- Forests fundamental to meeting basic economic or bio-physiological needs of local communities or critical to local community cultural identity.

Assessments have been carried out and monitoring of these HCVF is an ongoing process. There is a detailed document stating the Companies areas of special interest as well as an Annual Biodiversity Report.

Consultation process

This is an ongoing process

Measures to maintain and enhance high conservation value attributes

Management prescriptions are available to maintain and enhance HCVF.

Monitoring to assess effectiveness

A detailed monitoring requirements, frequencies and indicators schedule is available.

8.10 Principle 10: Plantation

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Statement of objectives in the management plan

Objectives are clearly stated.

Plantation design and layout

A network of suitably located sites throughout the plantation areas have been restored as wildlife habitats and corridors, in consultation with conservation organisations and regulatory authorities.

Formal plans have been documented for vegetation management in, and removing alien crop and invasive species from, conservation zones.

The forestry industry was the driving force in the development of the wetland delineation technique. This procedure has been embraced as a local standard.

Diversity in composition

This is done as far as economically viable. Species planted are listed in Chapter 6 of this report. By means of summary, 7 species of Gum are cultivated, 4 species of pine and one species of wattle. Age distribution is based on sustainability (normalised yields) of the resource.

Species selection

Site -species matching is based on the recommendations made by the pedologists responsible for the soil/site mapping of the FMUs. All seed sources are recorded on the "Silvicultural Planting Plan" which is completed for all compartments to be re-afforested. The supplier is also listed.

Restoration of natural forest

Natural forests are protected not only by the company, but also by legislation. There has been no degradation of natural forests. The company is, however, committed to identify and restore other natural vegetation types, which have previously been afforested.

Impacts on soil and water

Where applicable, soil information is available, and is interpreted in operational planning and adequately used. Susceptibility to erodibility and compactability is calculated from available data. Where such data is not available, impacts to soils are mitigated through erosion control management plans.

Bio-resource groups are also identified to adequately addressed the potential for overgrazing (an MRU forest operation), which could lead to erosion.

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Measures to maintain soil quality include reducing compaction by limiting the extraction routes, rehabilitating extraction routes after use, reducing slash burning and monitoring erosion. The Company also has clear guidelines with regard to the burning of slash.

Pests and diseases

During the enumeration, trees are checked for pests and disease. There is provision of the enumeration data sheet for this.

In terms of weed control, the invader weed control plan is documented. A 5-year plan is available for what has to be done per compartment. An annual plan describes the operation per compartment. The priorities are based on keeping the clean areas clean first and tackling the worst infested areas last. All compartments are included in the 5-year plan, and then the compartments to be worked are singled out for the annual plan.

There is a documented fire prevention system, and a fire surveillance system including clear assignment of responsibilities for reporting outbreaks.

Monitoring of impacts, species testing and tenure rights

Potential on-site and off-site impacts are identified and monitored. The Company does take appropriate corrective active actions for any adverse on- and off-site impacts caused by their plantations

Plantations established in areas converted from natural forests after November 1994

N/A

9. PLANNING

9.1 Planning process

World Hardwood has a comprehensive management plan/system. This system is a series of generic files, which have been created to cover Organisational Management (e.g. policies, legal requirements, SHE, committees, training), Operational Control (e.g. fire management, road maintenance), Safeguarding (e.g. hazardous chemicals, portable equipment, lifting mechanisms), Structures and Work Environment (e.g. waste management, pollution prevention). These generic files are then elaborated upon for each plantation to include specific detail pertaining to that plantation. All files have a "General Correspondence" section, which will record all stakeholder correspondence. These files constitute a comprehensive Environmental Management System. Files therefore have document numbers, type, date prepared, approved etc. Targets and objectives are stated per operation.

The planning and schedules for all operations including silviculture, burning, road maintenance and harvesting are documented within the above system. Planning is carried out on a strategic (long term),

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tactical (medium term 3-5 years) and operational (annual) basis. The planning for sustainable harvest levels is described below.

10. CHAIN OF CUSTODY

World Hardwood endorses the FSC™ Principles of Chain of Custody. Refer to FSC-STD-40-004 V2-1 EN FSC Standard for Chain of Custody Certification, RT-CoC-001-21 Dec 2009, Trademark use FSC-STD-50-001

In addition, World Hardwood declares that it is not directly or indirectly involved in the following activities:

- (a) Illegal logging or the trade in illegal wood or forest products;
- (b) Violation of traditional and human rights in forestry operations;
- (c) Destruction of high conservation values in forestry operations;
- (d) Significant conversion of forests to plantations or non-forest use;
- (e) Introduction of genetically modified organisms in forestry operations;
- (f) Violation of any of the ILO Core Conventions, as defined in the ILO Declaration on Fundamental Principles and Rights at Work, 1998.

11. LEGAL ASPECTS

A detailed Legal Register and Control Document is maintained and updated by the Safety, Health and Environmental Manager.

National and International legislation and treaties governs many of the activities in plantation forestry in South Africa. Some of the applicable Acts are as follows:

- National Forests Act (No. 84 of 1998)
- National Water Act (No. 36 of 1998)
- National Veld and Forest Fire Act (No. 101 of 1998)
- National Environmental Management Act (No. 107 of 1998)
- National Heritage Resources Act (No. 25 of 1999)
- Environment Conservation Act (No. 73 of 1989)
- Conservation of Agricultural Resources Act
- Occupational Health and Safety Act (No. 85 of 1993)
- Basic Conditions of Employment Act (1997)
- Labour Relations Act (1996)
- Employment Equity Act (1998)
- Skills Development Levies Act (No. 9 of 1999)
- Compensation for Occupational Injuries and Diseases Act (No. 130 of 1993)
- Unemployment Insurance Act (1966)
- Restitution of Land Rights Act (No. 22 of 1994)
- Land Reform Act (1996)

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Extension of Security of Tenure Act (1997)

Prevention of Illegal Eviction from and Unlawful occupation of Land Act (No19 of 1998)

National Roads Act (No 54 of 1971)

South Africa is a signatory to the Convention on Biological Diversity, the Convention on the International Trade in Endangered Species (CITES) and the International Labour Organisation (ILO). These international agreements, where relevant, are addressed in existing South African legislation.

Local standards have also been introduced by the forestry industry. These are discussed below.

In the absence of a South African FSC-endorsed standard, Woodmark Generic Standard and Checklist, Document Number ST-FM-001-04 will be used as the (interim) required performance standards. The following documents refer to as part of the local standard for the assessment:

Relevant guidelines also include the following:

- Environmental Guidelines for Commercial Forestry Plantations In South Africa: Second Edition - August 2002
- Guidelines for Forest Engineering Practices in South Africa.
- May 1999, Wetland/Riparian Habitats: Practical Field Procedure for Identification and Delineation, September 1999, Version 1.2. Land use and Wetland/Riparian Habitat Working Group.
- South African Forest Road Handbook
- Fire Manager's Handbook on Veld and Forest Fires. Strategy, Tactics and Safety, South African Edition
- The South African Forestry Handbook

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