

2017 GLOBAL SUSTAINABILITY REPORT

AUSTRALIA

RMS
Resource Management Service, LLC

Creating Forest Value Since 1950

2017 ACTIVITIES: AUSTRALIA

Sustainable Forestry Certification

All forestland managed by RMS in Australia is certified to the Australian Forestry Standard through the Responsible Wood program, a Programme for the Endorsement of Forest Certification Schemes (PEFC) endorsed forest certification system. Additionally, we have undergone an initial, third-party audit to the Forest Stewardship Council's® (FSC®) chain of custody certification standard for Australia and have been recommended for certification in 2018. In addition to the benefits of sustainable forestry certification for third-party review and feedback on our operations, RMS values PEFC and FSC® certification in Australia for their recognition in export markets, which enhances our capacity to market our investors' sustainably-grown timber.



Eucalyptus seedlings ready to be planted on RMS managed forests in Tasmania

Research

RMS has established a ten year partnership with seed growers to improve the volume and quality of the mature trees we produce. In 2017, we developed a Genetic Deployment Plan Standard that provides guidelines for achieving the objectives we have outlined in our silvicultural policies for Australia. The standard describes how risks will be addressed, including those of a biological, physical, and market nature, as well as how sustainability concerns will be managed, in the selection of the tree genetics that we deploy in Australia.[1]

RMS is also a member of Forest and Wood Products Australia (FWPA), a non-profit collaborative that provides national, integrated research and development services to the Australian forest and wood products industry. Through FWPA, we fund collaborative research efforts that seek to improve the quality and productivity of *Eucalyptus nitens* through assisted selection methods. *Eucalypt nitens*, commonly known as "shinning gum", is one of the dominant tree species grown on investment-grade forest assets in Australia.

In 2017, RMS spent approximately AUD 89,000 on internal and external research projects in Australia.

RESEARCH PARTNERS IN 2017

INDUSTRY ASSOCIATION

Forest & Wood Products Australia

PRIVATE INSTITUTIONS

seedEnergy

Cultural Resources

Managing lands that have historical or aboriginal values is an important objective for RMS in Australia. We work closely with interested stakeholders on an ongoing basis to understand the impact of our forestry activities on these values. As part of this commitment, we utilize credible resources to ensure historic sites are identified and protected during the forest planning process and when operations are underway. Among other things, we consult cultural heritage specialists with the Forest Practices Authority, databases maintained by Aboriginal Heritage Tasmania and Sustainable Timbers Tasmania, and additional government sources for previously identified sites of significance. In addition, RMS employees and contractors are trained to report to the Forest Practices Authority any Aboriginal heritage sites, or other areas of cultural or historical significance, that they independently identify.[2]

Three known sites of interest for historical value occur on RMS managed lands in Australia. These are a historic sawmill site, a series of historic water races (channels) that were cut into hillsides to transport water to past mining operations, and a settlers cottage.[2]



Eucalyptus seedlings planted on RMS managed forestland in Tasmania by local contractors

[1]RMS Genetic Gains Standards: Genetic Deployment Plan, May 2017
[2]RMS Timberlands Australia, Tasmanian Forest Estate Forest Management Plan, January 2017 to December 2019



Community Outreach

Historic day-shelter for livestock managers, a legacy of the agricultural history of the RMS managed lands in Tasmania

Our stakeholder engagement in Australia is conducted with a focus on building trust through partnerships with external groups, assessing the impact of our management decisions on stakeholders, and working towards shared goals under our dispute resolution policy. Key stakeholders of interest in Australia include conservation groups, aboriginal communities, local government authorities, neighboring landowners, grazing lessees, local fire agencies, and community groups. Due to the dispersed nature of our investors' forest properties in Australia, we have a large number of direct neighbors, including public lands that are managed for conservation purposes. Our investors' forest assets are also in close proximity to other forestland managed for investment, agricultural ownerships, and residential communities. We follow best practice guidelines to ensure we consider the social impacts of our forest management activities on our neighbors. This includes identifying strategies designed to minimize and mitigate the potential impacts, and ensure affected stakeholders are consulted prior to our conducting such activities.[1]

A key area of community outreach for RMS in Australia is the development of non-timber forest products opportunities. Among other things, we rent buildings on the lands we manage and offer livestock grazing, hay cutting, and honey production opportunities, all of which generate revenue for our investors and provide local economic, environmental, and social benefits. Sustainable livestock grazing and hay production, for instance, help provide important fuel reduction benefits that enable RMS to better manage fire risk on investors' lands.

Additionally, we support local communities in Australia by providing quality employment opportunities. In 2017, we engaged seven logging companies and 15 silvicultural service providers. Annually, approximately 80 full-time employees are needed to undertake the management, silvicultural, harvesting, transport, and forest product marketing functions associated with the forests we manage in Australia. A large proportion of these employment opportunities are located in rural communities, and by policy, whenever possible, RMS seeks to engage local contractors and obtain services from local sources.[1]



[1]RMS Timberlands Australia, Tasmanian Forest Estate Forest Management Plan, January 2017 to December 2019



Safety

RMS maintains a Workplace Health and Safety policy in Australia, and adheres to all occupational health and safety regulations mandated by governmental authorities. In 2017, RMS employees did not accrue any lost work days as a result of injuries sustained on the job, while contractors engaged to work on our investors' lands reported just two days of lost time.

Protecting Biodiversity

In addition to economic objectives, RMS manages forestland in Tasmania with a specific focus on maintaining and enhancing environmental values, where possible. These efforts include utilizing systems and procedures that enable us to identify and protect rare, threatened, or endangered species and ecosystems, develop management plans for the protection of native vegetation, maintain water quality and protect watercourses, and support forest productivity by controlling noxious pests.

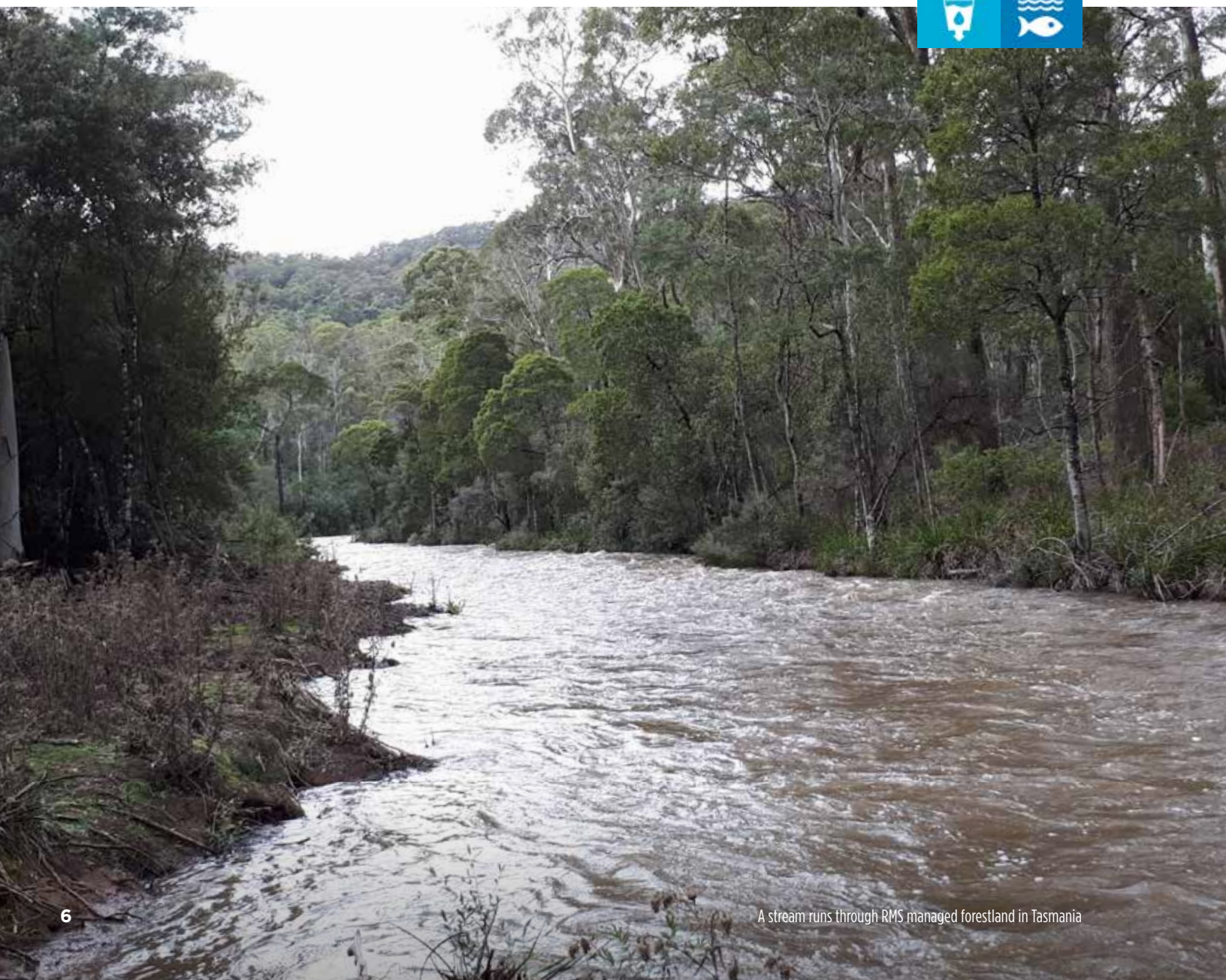


Most of the forestland RMS manages in Australia was established on former pasture sites prior to RMS ownership. There are approximately 5,400 hectares of native vegetation areas that exist where the ground was too steep or productivity too poor to support conversion to pasture by previous owners. These areas are now forested with various eucalypt species and minor patches of rainforest. RMS strictly adheres to a policy of excluding areas of native vegetation from forest operations. Where possible, we also take steps to enhance the quality of these natural areas by utilizing invasive weed management strategies and excluding livestock grazing.

Finally, there are two cave systems on the forestlands that RMS manages in Australia that are categorized as special sites of interest for protecting biodiversity. These sites are managed according to their particular environmental values, and forest operations in the vicinity are designed to protect the caves.

Water

The forests that RMS manages in Australia are subject to the Tasmanian Forest Practices Code, which includes guidance and requirements for harvesting in areas at risk of soil erosion, as well as in areas surrounding watercourses. It identifies streamside reserves that protect water quality by minimizing the risk of sedimentation and pollution from nearby forestry activities. It also requires that water stocks be protected by requiring that forestry operations be conducted in ways that do not result in significant deviations from natural water flows. The forest assets RMS manages in Tasmania are certified under the Australian Forestry Standard through the Responsible Wood program, which provides a third-party feedback mechanism to support our efforts to comply with these regulations. During the development of forest management plans, and site level operational plans, our foresters assess water catchments, categorizing which streams require special management attention to ensure water quality is protected at a very high level, and to minimize the overall impacts of our operations.



A stream runs through RMS managed forestland in Tasmania



RMS managed land in Tasmania features a mosaic of managed plantations and reserved natural areas

Carbon

> ***In 2017, the forests RMS manages for investors in Australia had carbon stocks of approximately eight million metric tons.[1]***

This estimate was calculated using forest inventory data collected by RMS for other management purposes and by using equations developed specifically for Tasmanian native forests and *Eucalyptus nitens* plantations. This information is being used to support our efforts to explore the potential development of carbon offset projects, which would position RMS to sell carbon credits in voluntary and compliance markets in Australia and abroad.

The sustainable management strategies RMS employs on investors' forest assets in Australia are designed to enhance their carbon storage potential. Two specific strategies we employ are reducing fossil fuel use in our forest operations and protecting soils. We encourage our contractors to utilize modern, fuel efficient equipment, and ensure that we are employing updated silvicultural standards. Among other things, these standards enable us to maintain productive plantations and to protect soil resources by decreasing our use of soil cultivation and burning.

Of the natural risks RMS manages in relation to investors' forest assets in Tasmania, fire is among the most challenging. In addition to protecting the merchantable value of standing timber, managing fire risk is also critical for protecting the carbon storage capacity of a forest. We work to minimize fire risk by maintaining an effective fire management plan. The plan includes active prevention measures such as reducing fuel loads, restricting property access, and ensuring ready availability of adequate water resources. We also maintain vigilant fire detection systems. These include cooperating with neighbors and local authorities, maintaining strong communication systems, and employing fire alert and response procedures.

[1]RMS Timberlands Australia, Tasmanian Forest Estate Forest Management Plan, January 2017 to December 2019



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