

2017 GLOBAL SUSTAINABILITY REPORT

NEW ZEALAND

RMS
Resource Management Service, LLC

Creating Forest Value Since 1950

2017 ACTIVITIES: NEW ZEALAND

Sustainable Forestry Certification

In 2017, RMS achieved Programme for the Endorsement of Forest Certification Schemes (PEFC) certification for all forestland it manages in New Zealand through the New Zealand Forest Certification Association's New Zealand Standard for Sustainable Forest Management. With this milestone having been reached,

> ***RMS achieved its goal of 100 percent certification for all lands it manages for investors globally.***

As in other regions, our PEFC certification in New Zealand provides an opportunity to obtain critical feedback on our management practices and helps us access export markets by enhancing our capacity to sell our investors' sustainably-grown timber.

Radiata Pine plantation on RMS managed forestland in New Zealand

Protecting Biodiversity

All forestland managed by RMS in New Zealand is held under long-term forestry rights, which exclusively include only plantation assets. As such, these investments generally do not include natural forest areas. The exceptions are areas along streams and other water courses that run through, or adjacent to, our investors' holdings.

As part of a regional planning process, streams and other watercourses traversing the RMS plantation assets have been evaluated for their contribution to habitat for migratory fish and threatened native fish. According to a study by the Greater Wellington Regional Planning Commission, 63 kilometers of streams flowing through RMS managed forests provide suitable habitat for migratory fish and 71 kilometers of streams are of importance for threatened native fish. RMS conducts a variety of activities to protect water quality, and conserve and enhance aquatic habitats. These efforts include routine inspections of stream crossings, as well as the careful design and construction of new crossings to ensure ease of fish passage. It also includes careful timing of such projects to avoid peak spawning periods, buffering watercourses during aerial spraying of forest chemicals, and protecting identified wetlands.[1]

63 KILOMETERS OF STREAMS INHABITED BY MIGRATORY FISH

71 KILOMETERS OF STREAMS INHABITED BY THREATENED NATIVE FISH

In 2017, RMS conducted a review of the plantation assets it manages to determine the likely presence and distribution of native lizards and frogs on the lands owned by RMS investors in New Zealand. Past sightings had indicated that at least nine lizard species could be found within the vicinities of the forests we operate. Databases maintained by the New Zealand Department of Conservation further indicated that three of the nine species have threat classifications and have been sighted within 5 kilometers of our investors' assets. These include the Ngahere gecko, the barking gecko, and the spotted skink. Based on the recommendations of ecologists with the Department of Conservation, RMS has developed a series of actions steps to take over the next five years in response to these nearby sightings. These steps will focus on quantifying whether concentrations of these species exist on our investors' lands. If our field surveys determine that they do, we will develop tailored management plans. These plans will include conservation measures to be implemented throughout the course of our forest management cycle.

As part of our commitment to sustainable forestry, we recognize that forest plantation assets should not be managed in isolation, but rather as part of broader, diverse landscapes that also encompass native forests, other plantations, and conservation parklands. These various landscapes are managed for a wide variety of economic, ecological, and social values. RMS utilizes specific protocols to manage the boundary interfaces between our investors' plantations and other ownerships and forest types. We also participate in collaborative efforts to track threatened species. This work includes providing information on any threatened species sightings to the New Zealand Forest Owners NatureWatch Biodiversity in Plantations project.[2]

As part of the forest planning process, RMS' third-party operational managers, acting in coordination with our own employees, evaluate the ecological context of the forest plantations we operate for investors to identify any threatened environments. We do this by utilizing the criteria of the New Zealand Threat Classification System. Most of the forest assets we oversee are classified as least threatened ecosystems. There are small areas of land on the plantations we manage that are within threatened environments, areas where between 10 and 20 percent of the original ecosystem remains, but that are without formal protection.[1]

In addition to the protection of native plant and animal species, and specifically for the purposes of supporting biodiversity, RMS has established clear guidelines for pest control on the lands it manages. These guidelines are designed to help us reduce threats to native biodiversity and protect the productive capacity of the plantations from destructive pests.

[1] RMS NZ Forest Management Plan for the Wellington Regional Forests, 2017 – 2022
[2] http://naturewatch.org.nz/projects/biodiversity-in-plantations



Water

This harvest unit integrates forested buffers to protect water quality in streams and wildlife habitat during harvest

6 CLEAN WATER AND SANITATION

14 LIFE BELOW WATER

All forests managed by RMS in New Zealand are located on moderate to steep landscapes. As such, erosion, and its potential impacts on both soil productivity and water resources, is a significant management consideration. We address this challenge through the use of advanced logging techniques and silvicultural guidelines that are designed to reduce regulatory risk for our investors and ecological risk to the environment. Among other efforts, we implement procedures to minimize soil and water resources disturbance by employing best industry practices, including the establishment of buffer zones along stream courses.[1] Water quality is measured at sites adjacent to the plantations we manage to determine whether the protections we have implemented are effective. In addition, we work with local planning groups to study and protect water quality. One such group, the Te Awarua-o-Porirua Whaitua Committee, is a collaborative effort to bring together environmental and economic data and community knowledge to maintain and improve the quality of freshwater resources in the Greater Wellington region.[2]

Additionally, RMS protects forested setback areas around water bodies in compliance with national and regional regulations, as well as the standards of New Zealand Forest Certification Association.

OUR WATER IMPACT FOR 2017 IN NEW ZEALAND

108
KILOMETERS OF STREAMS RUNNING THROUGH RMS MANAGED LANDS

240
HECTARES OF STREAM SETBACK RESERVED AREAS

218
KILOMETERS OF STREAM SETBACK EDGE

[1]RMS NZ Forest Management Plan for the Wellington Regional Forests, 2017 – 2022
[2]http://www.gw.govt.nz/te-awarua-o-porirua-whaitua/

13 CLIMATE ACTION

Carbon

Passed in 2002, the New Zealand Climate Change Response Act strives to reduce New Zealand's carbon emissions and other contributions to global climate change. All forests in New Zealand are governed under the provisions of this Act. Most of the plantations RMS manages in New Zealand are located on parcels that were already forested as of December 31, 1989. As such, these lands are subject to a deforestation tax if they are not replanted after final harvest, or if they are not being managed to promote natural regeneration; and, if they are not subsequently stocked with trees of desired heights. Of the other lands RMS manages in New Zealand, approximately 1,500 hectares were not forested as of the cut-off date in 1989 and are therefore eligible to generate carbon offset units under the New Zealand Emissions Trading Scheme. RMS continues to monitor the carbon market to determine whether monetization of these units is appropriate and consistent with the ongoing management objectives we have established for these forests. This determination will ultimately be influenced by the evolving priorities of our investors.

RMS measures carbon storage on investors' lands in New Zealand through annual "snapshots". These analyzes are derived from existing timber inventory data and through the use of a formula recognized by the New Zealand Climate Change Response Act. The effects of our forest management efforts on levels of carbon storage are estimated as part of our five-year management planning process. This figure is reviewed and updated every five years.

> ***As of December 2016, forestland managed in New Zealand on behalf of investors stored approximately 1 million metric tons of carbon.***

Cultural Resources

During the forest planning process, RMS utilizes archeological and historical records maintained by the New Zealand Archaeological Association to identify sites of interest within 150 meters of the plantations we manage for investors. All of the sites identified as of the end of 2017 were industrial archaeological sites related to the early development of regional infrastructure. Most notably, several sites are associated with the Rimutaka Incline rail route, which once ran between Wellington and Wairarapa. This route has been re-developed into an educational and recreational resource. It is used by the public for cycling and walking, and includes historical interpretive displays. RMS maintains buffer zones around the parts of the Rimutaka Rail Trail that run through, and adjacent to, our investors' lands to minimize disturbance of the trail's recreational and historical values.[1]

RMS also references the Archeological Site Probability model provided by the New Zealand Department of Conservation to establish the likely presence of pre-European settlement sites on the lands we manage.[2] According to the model, our investors' forests in New Zealand have a low probability holding such values.

[1]RMS NZ Forest Management Plan for the Wellington Regional Forests, 2017 – 2022
[2]Arnold, G.; Newsome, P.; Heke, H. 2004: Predicting archaeological sites in New Zealand. DOC Science Internal Series 180. Department of Conservation, Wellington. 24 p.

Community Outreach

RMS recognizes the importance of cultivating relationships with community groups and stakeholders in New Zealand, and especially with indigenous Maori groups. At present, we maintain affiliations with two Iwi, the Ngāti Toa, Muaūpoko, and the Ngāti Kahungunu ki Wairarapa Rangitane o Wairarapa, both of which have an interest in how we manage our investors' forests. Other groups of focus with which RMS develops and cultivates mutually beneficial relationships are neighbors and recreational forest users.

RMS supports local communities by providing quality employment opportunities. While they are not a primary source of employment in the region, our operations in New Zealand contribute steady flows of harvested timber, which provides work and a measure of economic continuity for the contractors we utilize from the communities that surround our investors' forests. RMS also supports these communities through the development and sale of non-timber forest products opportunities. These opportunities include honey production, commercial firewood collection, and pine cone collection for community events.[1]

Safety

Many of the lands RMS manages for investors in New Zealand have steep and challenging terrain, and therefore, we place great emphasis on managing safety issues when selecting harvesting, silviculture, and road maintenance contractors. Among other things, our efforts include reviewing contractors' safety systems and track records, evaluating the safety skills and training of their workers, and ensuring that their equipment and procedures meet high safety standards. RMS conducts annual safety reviews of all of our forest operations in New Zealand. These reviews focus on incidents that have caused harm or loss, accounting for known factors, and identifying any required changes or new measures to our safety controls and protocols — including the development and adoption of new policies and procedures.

> ***In 2017, RMS employees based in New Zealand did not have any lost work days as a results of injury. Our external contractors reported three lost time injuries.***

[1]RMS NZ Forest Management Plan for the Wellington Regional Forests, 2017 – 2022



Alasdair Woore, RMS Manager of Forest Productivity for the Asia Pacific region, and Bruce Borders, RMS Manager of the Inventory and Growth & Yield group, visit with contractors in New Zealand



Research

RMS is a participant in the Forest Growers Research programme. In 2017, we provided approximately NZD 23,000 to help fund this group's work. This support, combined with funding provided by other forest industry companies, is leveraged with funds provided by national and regional government entities. The research undertaken as a result of this public-private collaboration focuses on increasing timber production on managed plantations in New Zealand, improving wood quality, and increasing tree resistance to pest and disease. Specific research is being undertaken in four areas; **(1)** forest biosecurity, **(2)** forest productivity improvement, **(3)** sustainability, including the potential of utilizing alternative species and reducing chemical use, and **(4)** rural fire issues, including the development of more effective fire prevention and response techniques.[1] RMS New Zealand is an active participant in Forest Growers Levy Trust funded programs. The Trust guides the use of funds generated through an industry wide levy for use in research to benefit forest managers and investors across the country. RMS New Zealand is also an active participant in the Forest Industry Safety Council and the Forest Industry Contractors Association, helping to guide the development and implementation of safety training programs. Additionally, RMS has established research partnerships with private seedling companies in New Zealand to support research designed to produce genetic gains in radiata pine. The purpose of this research is to help us be better informed when we develop silvicultural plans for our investor' lands so that we can ensure we are making appropriate use of advanced genetics to provide improved wood fiber production.

RESEARCH PARTNERS IN 2017

INDUSTRY ASSOCIATIONS

FOREST GROWERS RESEARCH

forestgrowers levy trust inc

FOREST INDUSTRY CONTRACTORS ASSOCIATION

PRIVATE INSTITUTIONS

ArborGen The Reforestation Advantage

Port of Wellington Users Group

[1]http://fglt.org.nz/work-programme/research-funding

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